

PERSPECTIVES

NEW VOICES 2011

DYNAMIC ASIA

OUTCOMES REPORT

SEPTEMBER 2011

The Lowy Institute for International Policy is an independent international policy think tank. Its mandate ranges across all the dimensions of international policy debate in Australia – economic, political and strategic – and it is not limited to a particular geographic region. Its two core tasks are to:

- produce distinctive research and fresh policy options for Australia’s international policy and to contribute to the wider international debate.
- promote discussion of Australia’s role in the world by providing an accessible and high-quality forum for discussion of Australian international relations through debates, seminars, lectures, dialogues and conferences.

Lowy Institute Perspectives are occasional papers and speeches on international events and policy.

The views expressed in this paper are the authors’ own and not those of the Lowy Institute for International Policy.

OUTCOMES REPORT

New Voices 2011

Dynamic Asia

held on

Friday 8 July 2011

at the

Lowy Institute for International Policy

Introduction

On 8 July 2011, the Lowy Institute for International Policy hosted its eighth annual *New Voices* conference. Since its establishment in 2004, the *New Voices* series has formed an important part of the Lowy Institute's outreach activities to generate dialogue on international affairs. The conference brings together some of Australia's most talented emerging leaders in business, academia, government, and the not-for-profit sector, providing a platform for early-career professionals to offer fresh insights on important international issues. Participants are drawn from a diverse range of professional backgrounds to facilitate the cross-pollination of ideas between different disciplines and provide a stimulating environment for discussion.

Past *New Voices* conferences have explored aspects of Australian sovereignty, the impact of technology on international relations, the role of networks in world affairs, and questions about leadership and responsibility in a globalised world.

The 2011 conference 'Dynamic Asia' adopted an Indo-Pacific regional focus. Never before in modern times have Asia and its future been so globally significant and yet so unpredictable. Home to some of the largest and fastest growing economies, over 60 per cent of the world's population, and a growing number of security and strategic challenges, understanding the changes afoot in Asia is crucially important for our future leaders and policymakers.

'Dynamic Asia' required participants to interrogate the way in which we think about Asia as a geopolitical and economic entity – provoking them to offer new ideas about how Australia should contemplate and approach this rapidly transforming region.

For the first time ever, *New Voices* 2011 was extended beyond a traditional single-day conference format. Participants reconvened at the Lowy Institute on 19 August 2011, to attend a keynote lecture by award-winning journalist, Hamish Macdonald, and to discuss the burgeoning economic and political linkages between the Middle East and the Asia-Pacific. In addition, the creation of a *New Voices* 2011 column on the Lowy Institute's web-blog, *The Interpreter*, enabled many new voices to continue their conversation in the company of a wider online audience.

The Lowy Institute would like to thank AusAID for sponsoring *New Voices*. Without their generous support it would not have been possible to host such a well-subscribed event. Thanks are also due to conference panellists and moderators for their efforts in directing the day's discussion and driving such fruitful debate. The coordinators would like to give special thanks to Lowy Institute intern, Jahan Navidi, who provided valuable assistance in organising the event and drafting a preliminary report.



Angela Evans
Research Associate
2011 New Voices Conference Convenor



Ashley Townshend
Research Associate, International Security
2011 New Voices Conference Convenor

Session 1: Business, Trade, and Innovation: Understanding Asia's Future Prospects

Asia's growth and transformation is underpinned by tectonic shifts in global economics that will profoundly shape the region's future. The world economy is undergoing a great rebalancing, shifting the economic centre of gravity from the developed to the developing world. Domestic markets in the developing world are rapidly growing under the impact of wealthier populations and enormous urban migration. Currently, over 1.5 million people worldwide move to cities every week – almost all these migrations within the developing world.

Asia's flourishing urban spaces are increasingly characterised by techno-social linkages which see digital technology shape and alter many facets of daily life, from sustainability practices to human interaction. South Korea provides a great example of the rapid advancement of technology within Asia and the positive impact this can have on the lives of citizens. As a country known for its technological prowess and 'exotification', South Korea demonstrates the success of the 'Eastern Spirit, Western Technology' modernisation program. Residents of Seoul can now scan barcodes of Tesco shopping items into their mobile phones and have their purchases delivered to their door, all while waiting for the metro in an inner-city tube station. Digital interactivity has created a new web industry of 'microservices' where ordinary people hire themselves out for small fees paid online to wait in queues, walk others peoples' dogs, or simply buy a Coke from the local convenience store on behalf of a customer. Rather than promoting a seamless environment through the imposition of regulatory means, Seoul shows that it may be more desirable to encourage interaction between spontaneous 'seams' that can change Asia's techno-social environment through new network technologies.

Asia is heavily integrated into a global network of trade, people, and information flows that are astonishingly dense and complex to decipher. Interconnectivity between states within the Asian region is continuing to grow. While Europe's economic integration was established over decades through a top-down institutional approach, East Asian economic integration has been a more de facto bottom-up process. Recently, trade deals and traditional foreign direct investment strategies have been coupled with large-scale joint infrastructure projects in Asia's emerging economies. These projects, such as those under the US\$3.9 billion East Asian 'Comprehensive Development Plan', seek to reduce the physical costs of goods transportation to encourage the expansion of foreign supply chains throughout the Asian region. Such initiatives are driving greater intra-Asian economic integration.

Considering the many tensions between consumption and environmental sustainability, the unfettered growth and technical innovation in many Asian states represent both a problem and potential solution. The demand for energy is exponentially increasing in Asia, with China's energy demand alone set to triple in the next fourteen years. Yet, in addition to driving global energy demand, Asia's giants are some of the world's biggest suppliers of renewable energy. As many Asian populations are seeking access to electricity for the very first time, this growth in demand provides new opportunities for introducing sustainable practices and grid systems from the outset. The future is likely to see tremendous growth and collaboration in this area. Mirroring work in Europe and Africa, one of the more ambitious proposals in Asian energy generation is the Desertec Asia Initiative, which is pushing for pan-Asian energy infrastructure that would see renewable energy generated in Australia being transported via Indonesia into intra-Asian power grids. Linking up with natural gas and other renewables from neighbouring countries, this project would form a truly pan-Asian low-emissions energy base. Such innovative and collaborative practices will be necessary to harness Asia's potential for leading the world in sustainable energy practices and for preventing the more harmful implications of Asia's rising demand.

Session 2: An Uncertain Future: Security and Strategic Competition in Asia

One of the most significant challenges for Asia's strategic future is how to manage the rise of China and India. While relations between the two states have been characterised by 'armed coexistence', since the early 1990s the economic and diplomatic conditions for bilateral stability have become more prominent. Indeed, a range of high-level talks, strategic and economic dialogues, and confidence-building mechanisms punctuate Sino-Indian relations.

But there are many sources of Sino-Indian antagonism with the potential to create strategic instability in Asia. Ongoing territorial disputes in Kashmir and Arunachal Pradesh remain potential flashpoints between Indian and Chinese forces. As a result of lingering boundary disagreements, India has become acutely aware of the strategic threat posed by a rising China – and there is little chance the two states will settle these disputes in the near future. China's military and nuclear support for India's arch-rival, Pakistan, and Beijing's recent military activity in and around the disputed border region have exacerbated New Delhi's fears of competition with China. Many in India now believe that China is not willing to accept India's coming of age as an Asian great power and will, if it can, seek to prevent India's rise. While it is important not to overstate the risks of Sino-Indian conflict, maintaining bilateral stability will become increasingly important and difficult as both states grow in strength.

Turning more broadly to China's foreign relations, it is important to recognise that many Chinese analysts view Beijing's interactions with Asia as less aggressive than is often assumed by the international community. Indeed, Beijing alleges that its overriding foreign policy goal is to maintain a peaceful environment for domestic development, not to dominate the region for strategic gain. Nevertheless, China confronts difficult strategic choices when faced with the United States' recent attempt to buttress American primacy in East Asia – whether to challenge Washington for regional preponderance or assume a more subsidiary role in the Western-led regional order remains a fiercely contested topic in contemporary Chinese strategic communities. Indeed, the real possibility that Sino-American relations could degenerate into strategic competition will preoccupy regional governments for the foreseeable future. In light of the burgeoning mistrust regional countries have over China's strategic intentions, many appear to be turning towards deeper enmeshment with the US alliance system. Nevertheless, these perceptions may be part of a broader paradox: while China's external behaviour – itself a product of strategic anxieties – makes it appear threatening to other states, Beijing's own self-interest requires the creation of a harmonious neighbourhood for economic development.

Whatever the future of Sino-Indian and Sino-American relations, these strategic changes have resulted in greater political enthusiasm for regional security architecture. Countries like Indonesia and Singapore – nervous about the uncertain rise of Asia's new great powers – have redoubled their efforts to offer regional leadership. Indonesia, above all, has sought to promote itself as a leading Southeast Asian middle power since the Asian financial crisis, and is the 2011 chair of the ASEAN Regional Forum. Whilst some have suggested Indonesia might someday outgrow ASEAN, this is unlikely to be the case in the short term. Rather, Indonesia is likely to continue to rely on ASEAN as a vehicle to achieve its own foreign policy objectives; that is, leadership within ASEAN will be Jakarta's best avenue towards attaining entrenched middle-power status in Asia.

Turning to the sub-state level, the almost perpetual state of civil war in countries like Burma and Thailand presents a very different challenge for regional security. Identifying the causes of intra-state conflicts – and determining whether these are connected to Asia's changing balance of power – is of great importance for domestic order, human security, and strategic stability right across the Asia-Pacific. While Asia's long wars, such as the Burmese civil war which has been simmering since 1949, are not necessarily difficult to understand, they have been almost totally neglected in regional forums and the international media. As Southeast Asian relations are predicated on inviolable national sovereignty and non-interference in domestic affairs, regional solutions to sub-national problems are difficult to organise. In short,

many ongoing long wars in Thailand and Burma are simply off limits to international diplomacy and intervention.

Session 3: Asia's Development Challenges and Opportunities

Despite Asia's impressive economic growth, the region is still home to two-thirds of the world's poor – meaning that around 600 million people in Asia live on US\$1.25 a day or less. Asian countries face enormous development challenges in attempting to provide their populations with better opportunities and lifestyles. Understanding the problems and finding potential solutions to these challenges requires an interdisciplinary and holistic approach.

Asia's food security dilemma, for instance, is as much an international security concern as it is related to economic underdevelopment. While Asia's population continues to grow, agricultural productivity is beginning to stagnate, and water and arable land are becoming scarce. According to the Asian Development Bank (ADB), based on current trends, by 2030 there will be a 40 per cent gap between water demand and supply in Asia. As home to two-thirds of the world's hungry, the Asia-Pacific region is especially vulnerable to volatility in the price of food. Moreover, the immense growth of the middle class in most Asian countries is shifting millions of people from diets that were largely based on starch staple crops to more protein-based meat diets which place far greater pressures on food production and supply. As food insecurity has important implications for internal state stability and external security relations – for instance, with regard to maritime fishing boundaries and international fresh water quotas – addressing the confluence of food-related problems will be one of Asia's greatest challenges. The scale of these problems will require a robust and cross-sectoral approach in order to secure and sustainably manage the region's limited resources.

Rapidly increasing opportunities for higher education is a more positive feature of Asia's economic ascendancy. China's higher education sector is undergoing large-scale reform while its tertiary institutions are in the early stages of internationalisation. In May 2011, Suzhou University announced plans to open a campus in Laos – the first overseas presence by any Chinese university and the first international campus to be established in Laos. Several observers described this as yet another symbol of China's growing ambition to export its own development model abroad. It has also been regarded as a potential threat to Australia's tertiary education sector – Canberra's third largest export industry. Yet, China's initiatives may actually represent an opportunity for Australia to recalibrate its regional relations. Of the 126,000 foreign students undertaking tertiary study in Australia, around 26 per cent are

Chinese. Despite the rapid domestic increases in China's ability to provide its citizens with quality education, predictions of a 500 million strong middle class by 2025 suggest that demand for study abroad opportunities will not diminish. Australia should seek to establish greater leadership exchange and linkages with Chinese institutions so as to contribute to and benefit from China's burgeoning education revolution.

Development projects in fields such as education routinely capture the public's hearts and minds. Educational outcomes are relatively easy to measure, chart, and publically demonstrate results. Far less quantifiable and marketable – though vitally important – is the support of good governance practices and moves towards democratisation. Aid for effective governance is about assisting countries to build transparent, accountable, and participatory decision-making processes. Australia has been actively involved assisting Indonesia in this area. Since 1997, Indonesia has made significant progress in its transition to democracy. Key reforms have created greater transparency by effectively removing the military from formal involvement in politics and by decentralising decision-making in order to achieve a separation of powers between the executive and judiciary. Australian assistance has taken several forms. For example, through supporting an institutional partnership between the Australian National Audit Office and its Indonesian counterpart, aid has significantly improved the oversight of public finances in Indonesia. Similarly, by brokering relations between the Indonesian Supreme Court, Indonesian civil society organisations, and the Federal and Family Courts of Australia, Australian aid has played an important role in increasing the number of Indonesian court decisions published online and in helping marginalised women access courts to resolve family law cases. Progress in governance is non-linear, slow, and difficult to measure. Yet, by supporting peer-to-peer linkages and other collaborative projects, governmental assistance is making impressive headway in this often overlooked area of international development.

Grassroots approaches to Asia's lingering development challenges have also created lasting change in other 'less-than-sexy' areas of development assistance – a category in which rural sanitation undoubtedly belongs. Certain areas of Southeast Asia face unique public sanitation challenges due to the difficult nature of their natural geography. These require innovative solutions and community collaboration to overcome. For instance, conventional sanitation methods, such as piping and pits, are impractical for many floating villages in Cambodia's Tonle Sap region and other parts of the Mekong Delta. An ongoing collaboration between Live & Learn Environmental Education Cambodia and Engineers Without Borders Australia has culminated in the development of floating latrine barges that were designed in consultation with local community members to create culturally appropriate, affordable, and

sustainable sanitation solutions – providing a useful model for future public-private partnerships in grassroots development.

Session 4: Roundtable Discussion

New Voices 2011 saw the introduction of an interactive roundtable discussion session to conclude the day's proceedings. Members of the audience populated the panels to offer their personal insights on the three thematic areas explored in sessions 1-3. This final session focused on the implications of 'Dynamic Asia' for Australia, and sought to explore new ways Australian policymakers and professionals might engage with this rapidly changing region.

The roundtable began with a lively debate over Australia's economic priorities in Asia, especially in the mining and minerals sector. While Australia's capacity to leverage its rich mineral resources in order to directly profit from Asia's growth is well documented, several participants felt this was often overemphasised at the expense of a much needed discussion about Australia's other Asia-focussed export industries, such as the education sector. Australia has the potential to be a leader in mining technology and its status as a leader in this respect needs to be better understood to more fully promote an innovation and profitable agenda. Australian policymakers need to engage in a more nuanced discussion about energy trading in Asia's booming renewables markets and should re-examine Australia's approach to exporting uranium across the region.

Another subject of robust debate was whether or not there is an inherent tension between Australia's security alliance with the United States and its economic ties to a rising China. One overriding conclusion was that caution must be exercised to avoid thinking about Australia's premier strategic and economic relations in zero sum terms. Nor should Australia's perceived ability to shape or mediate Sino-American relations be overstated. Due consideration should also be given to Australia's other key bilateral relationships in the region, such as those with Japan and India.

Australia's current response to the strategic changes afoot in East Asia is reactionary and myopic, failing to consider the full spectrum of Australia's Asian partnerships. Above all, Canberra has neglected its relations with India and Indonesia, and has failed to adequately equip its diplomatic personnel with the requisite resources to secure a strong position for Australia as a strategic player in the region. Rather than considering any exertion of influence as 'punching above one's weight', Australia should seek to depart from the 'little Australia'

conception of its capabilities and recognise the strategic role middle powers can play in the region. If Australia is to continue its complacency and lack of strategic direction it risks falling behind as a competitive power. Australia must play a role as an agent of Asian integration through key areas such as trade, immigration, and development, whilst simultaneously preparing for an end to the lucrative resources boom and acknowledging the risks of strategic competition in Asia.

On the subject of Asia's ongoing development challenges, the discussion emphasised that Australia should develop a more open-minded approach to regional assistance. There was considerable debate over whether Australia should focus on bilateral or multilateral development initiatives, with suggestions that multilateralism results in a higher level of accountability and effectiveness. Some stressed that Australia should spend less of its budget on defence and invest more heavily in preventative security initiatives in such areas as health, education, and infrastructure. As a major regional donor, Australia should engage other donors to develop effective strategic partnerships and meet the considerable development challenges in Asia. As China and India emerge as overseas aid donors in their own right, there will be real opportunities for building greater collaboration between Asia-Pacific regional partners. This will require thinking about development assistance in a new and multi-disciplinary manner, and explaining the continued relevance development programs to electorates throughout the region.

LOWY INSTITUTE

FOR INTERNATIONAL POLICY

WWW.LOWYINSTITUTE.ORG