

# Australia's New International Development Policy

## Submission

Asialink, The University of Melbourne

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Asialink at The University of Melbourne is Australia's leading centre for creative engagement with Asia. Through initiatives that span arts, business, education and diplomacy, Asialink drives engagement between Australia and Asia to build a strong, shared future through our three strategic pillars of insights, capabilities and connections. Through our insights Asialink creates and shares thought, research and knowledge. Asialink continuously build relationships by activating networks between sectors, people and places and supporting them to scale and grow their own interests and skills to successfully navigate in Asia.

Asialink connects Australia to Asia through its four programs – Arts, Business, Diplomacy and Education.

Asialink delivers a range of programs for the Commonwealth Government, including for the Department of Foreign Affairs and Trade under the development assistance program (the Indonesia BRIDGE program, and through Coffey International AusPNG Education Program).



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# International Development Policy and Australia-Asia Engagement

Asialink welcomes the Government’s decision to conduct a wide-ranging consultation process as it develops a new International Development Policy. Asialink was pleased to co-host a consultation session for the Minister for International Development and the Pacific the Hon Alex Hawke MP on 29 January.

Asialink believes that international development provides an important lever for achieving Australia’s national objectives in the Indo-Pacific.

The 2017 Foreign Policy White Paper defines Australia’s national interests including in “an open, inclusive and prosperous Indo–Pacific region”, a “more resilient Pacific and Timor–Leste”, ensuring “Australians remain safe, secure and free in the face of threats such as terrorism” and “cooperation to tackle global challenges”.

International development contributes directly to each of these. For example, development programs contribute to regional peace and security by preventing state collapse, ensuring effective government and promoting economic development. Development programs keep Australians safe by controlling negative externalities like the spread of communicable diseases, terrorist ideology or transnational crime. It’s possible to present development as a critical pillar of building regional security.

In a time of great power rivalry and contestation in the region, the Government rightly has an increased emphasis on building strategic and economic partnerships in the Indo-Pacific, including through the Pacific Step-up.

Asialink has identified three key areas we believe should be taken into account in the formulation of Australia’s new International Development Policy which are set out below:

- Engagement and partnership with key countries in Asia on development challenges
- Promoting private sector partnerships for development in the region through a Shared Value approach
- Investing in Australia’s influence in the Indo-Pacific through expanded resources



# Engaging with Asia on Development Challenges

The International Development Policy should clearly state the importance of the countries of the Indo-Pacific for Australia's future. This means being a strong partner to address the region's development challenges. Australia needs to remain engaged across the Indo-Pacific, including in Southeast Asia and India, not exclusively in the Pacific Islands.

The Pacific Step-Up should not mean a step back from the rest of the Indo-Pacific, especially Southeast Asia. Focusing exclusively on the Pacific island nations at the expense of Asia would have real implications for Australia's influence both economically and geopolitically. It is an environment where other countries, including China, are rapidly increasing their development assistance spending as a means of securing not only opportunity for their companies but longer term political influence.

Australia also needs to recognise where it may lack a comparative advantage. Australia cannot compete in terms of the development budget which will always be small relative to China, Japan, Korea and the United States.

**We believe that Australia should remain engaged with emerging economies in Asia to help addressing their development challenges and to preserve our access and influence in an environment of strategic and economic uncertainty.**

Throughout the Indo-Pacific, there are countries still facing significant development challenges. The challenges faced by Pacific islands - including strengthening climate and disaster resilience, sustaining economic growth and the need for support to promote healthy, educated and inclusive populations - are equally echoed in the wider region. Australia's national interest in eradicating global poverty should extend to the 70% of global poor living in Asia, including those in emerging economies, and to influencing the development of policies which promote good economic policy, good governance and stability.

Indonesia, for example, is a case in point. It will be decisive for Australia's prosperity, regional stability and security. As former ONA Director-General Allan Gyngell has suggested, Australia should focus on building a transformational partnership with Indonesia. This involves strong support for a whole of government operating system to deliver policy goals including high level government-to-government relationships, diplomatic and security efforts, business-to-business links as well as the development program.

The special place occupied by the development program in Indonesia is significant asset that serves Australia's interests, while supporting Indonesia's development. While Indonesia has positive economic growth and is predicted to be among the world's top five economies by 2050, it still has an enormous number of poor people. There are some 100 million people living in poverty in Indonesia, which suffers challenges including quality of education, stunting and a high child mortality rate. Australian development assistance can support Indonesia's efforts to address those poverty-related problems.

On the economic front, Australia has provided sustained assistance to Indonesia on economic governance. That has given Australia significant access into key government agencies and the ability to help shape key economic policies of relevance to Australia – from digital policy to the anti-money laundering law and the tax regime for foreign investors. As Australian companies move to take advantage of the Australia-Indonesia Economic Partnership Agreement (IA-CEPA) and Australia works to lift its (limited) investment profile, improving Indonesia's economic governance will have a direct, positive impact on the business environment for Australian companies.

There are also important security considerations which should underpin our continued development assistance to Indonesia. For example, as Australia reduces its investment in Indonesia's education system, it is expected to open diplomatic and economic corridor for other major funder, Saudi Arabia, to step up and exert its influence. Cuts to programs such as the Australia Award scholarships to bring future regional leaders to study in Australia will mean that these nations' future leaders will study and form connections elsewhere. Likewise of the infrastructure front, an absence of Australian support provides an opening for a significant expansion in Chinese Government assistance which may not be in Australia's strategic interests.

## Recommendations

- **That the International Development Policy clearly state the importance of the countries of Asia, and Southeast Asia in particular, for Australia's national interest.**
- **That Australia continue to focus on poverty eradication in Asia but deliver assistance, in partnership where appropriate, in areas such as economic governance which will enhance prospects for Australian business and long-term economic engagement in the region and regional stability.**

# Promoting Private Sector Partnerships for Development

Asialink believes that the private sector can play a crucial role in future sustainable development of the region through a shared value model.

The role of the private sector in development is widening from the conventional approach of supporting economic development as an engine of economic growth and job creation (the “trickle down effect”) to a new approach that emphasises the shared value that the private sector can provide by delivering business outcomes in a way that also delivers positive social impact.

Australia should encourage partnerships with the private sector to develop new and innovative solutions to tackle development challenges. The Australian private sector often lacks the regulatory and investment framework and effective mechanisms to engage in long-term development partnerships. The Australian Government can assist through creating an enabling environment, including regulatory frameworks and supporting tri-sector projects. Government can go to business with a social issue and challenge them to find a business model to make money out of it. Government can also play a role creating an enabling environment for private sector investment.

The International Development Policy should envision business sectors as agents for social problem-solving able to mobilise skills and capital to reduce poverty. For example, Australian banks operating in the region could consider building initiatives on financial inclusion and education, enabling access to the financial sector for poor or marginalised communities at the same time as growing their brand recognition and customer base. In the mining sector, Australian companies could assist with the introduction of vocational education and training support for local communities in mining and/or environmental services, delivering both a public good at the same time as developing a new, skilled pool of labour for their operations. The development assistance program can help to support those efforts.

## Recommendations

- **That the International Development Policy encourage greater private sector involvement in meeting the region’s development challenges beyond the provision of concessional finance.**

# Investing in Australia's Influence in the Indo-Pacific

Asialink argues for reversing the current underinvestment in development and diplomacy. Due to long-term under-funding, Australia has been losing influence in the Indo-Pacific. Even if greater funding is not on the table at this time, it is important for the International Development Policy to recognise the need to increase investment progressively. Ideally the policy should set out a staged plan to increase funding to guide future budget discussions.

Asialink research shows that Australia's total diplomatic, trade and development budget has fallen to 1.3% of the federal budget, reaching its lowest ever point.

It is recommended that Australian Government should immediately increase in spending on diplomacy, trade and aid to 1.5 per cent of the federal budget at minimum. This is closer to the spending of countries such as Canada (1.9 per cent) and the Netherlands (4.3 per cent), though still much lower than the challenging era after World War II when Australia was spending almost 9 per cent of the federal budget on diplomacy, trade and aid.

Investment in aid and development is in Australia's national interest, in addition to its humanitarian benefits. For example, it is in Australia's interests to invest in its neighbours' health systems to reduce the incidence and spread of infectious diseases. It is in Australia's direct interests to bring targeted students to study in Australia under the Australia Awards scheme, ensuring that other nations' leaders have studied and built ties in Australia.

In a contested and competitive region, aid is a tool of statecraft to exercise influence, whether through infrastructure development or through cooperation on common challenges such as cybersecurity, maritime security or transnational crime. Increased development funding benefits Australia in concrete ways.

More work can and should be done on how Australia's investments in development, diplomacy and defence can be better coordinated.

## Recommendations

- **That Australia commit to reversing the current investment in diplomacy, trade and development.**
- **That the International Development Policy include a staged plan to increase funding to guide future budget discussions.**