The ASEAN-Australia Special Summit, Sydney, March 2018: issues and implications

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Executive summary

• The heads of government of the ten members of the Association of Southeast Asian Nations (ASEAN) will convene in Sydney on 17–18 March 2018 at the invitation of Prime Minister Malcolm Turnbull for the ASEAN-Australia Special Summit. This will be the sixth ASEAN-Australia heads-of-government summit since 1977, but the first to be held in Australia. The Summit of heads of government will be the centrepiece of a series of meetings in the week of 12–18 March which will highlight the breadth and significance of the ASEAN relationship. This paper provides concise background to and context for the Special Summit.

• The paper is in three parts. The paper first outlines ASEAN’s formation in 1967 during the Cold War by Indonesia, Malaysia, the Philippines, Singapore and Thailand and the evolution of ASEAN’s distinctive approach to cooperation, which emphasises consensus in decision-making and respect for national sovereignty. After attaining a high profile in the 1980s during the conflict over Cambodia, ASEAN in the post-Cold War era from 1989 moved to extend its cooperation in three major ways. It expanded its membership to ten between 1995 and 1999 by including Vietnam, Laos, Myanmar and Cambodia (Brunei had joined in 1984). ASEAN then moved to deepen cooperation by initiating proposals for an ASEAN Community in the political and security, economic and socio-cultural spheres. The ASEAN Community was inaugurated in 2015, but is an ongoing project requiring much further development. ASEAN simultaneously has sought to enhance regional security by sponsoring dialogue forums involving the major powers, particularly through the ASEAN Regional Forum (from 1994) and the East Asia Summit (2005).

• The paper secondly outlines the development of ASEAN-Australia relations since Australia became the Association’s first dialogue partner in 1974. The paper reviews progress in relations in the past five years and then identifies and discusses six issues in Australia’s recent relations with ASEAN and ASEAN members:
  – the significance of Australia’s relations with the ASEAN economies and the prospects for further development as the economies grow and ASEAN’s cooperation plans are pursued
  – the continuing challenge of major power competition in Southeast Asia, the disputes over the South China Sea and ASEAN’s long-term efforts to seek agreement with China on a ‘code of conduct’ that can moderate tensions and improve interactions among the claimant parties
  – the problem of Islamist terrorism, which was highlighted in 2017 by the five-month conflict in the Philippine city of Marawi (which included Australian assistance to the Armed Forces of the Philippines)
  – the exacerbation of conflict in Rakhine State in Myanmar in August 2017 which saw the departure of over 650,000 Rohingya people to Bangladesh in a political and humanitarian crisis which is yet to be resolved
  – issues of political order in Southeast Asia which have recently included concerns in Australia about restrictions on political expression and activity in Cambodia and
  – the question of the future of Australia’s institutional relations with ASEAN, including debate about the long-term potential for and feasibility of Australian membership of ASEAN.

• Thirdly, the paper outlines the program for the Special Summit, which will include a varied series of events during ‘ASEAN-Australia Week’ from 12 to 18 March, a Business Summit, a Counter-Terrorism Summit of senior officials, a gathering of experts on cybersecurity, and the Leaders Summit itself. The Special Summit has been supported strongly by both the Government and the Opposition and it will direct additional attention to the scale and significance of the ASEAN-Australia relationship. The paper concludes by outlining the factors which are likely to be particularly important for the future evolution of ASEAN-Australia relations.
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Introduction

The ten ASEAN heads of government will convene in Sydney at the invitation of Prime Minister Malcolm Turnbull for a Special Summit on 17–18 March 2018. Australia has supported ASEAN (Association of Southeast Asian Nations) since its inception in 1967 and became the Association’s first dialogue partner in 1974. The meeting in Sydney will be the sixth summit with Australia at the heads-of-government level since 1977, but the first to be held on Australian soil. This paper will provide concise background and context for the 2018 Summit.

Since the 1970s, ASEAN has been a central element in Australia’s relations with Southeast Asia. Australia has taken part in annual dialogues with the ASEAN foreign ministers since 1980 and has many other consultations in a wide range of sectors, including economics and defence. Australia also takes part in ASEAN-sponsored institutions, including the ASEAN Regional Forum at foreign minister level, the ASEAN Defence Ministers Meeting Plus Eight, and the East Asia Summit of heads of government, all of which sponsor dialogues involving the major powers, including the United States, China, Japan and India. Both the Government and the Opposition affirmed the contribution of ASEAN to regional security and economic progress at the time of the Association’s 50th anniversary in August 2017.

Australia’s economic and people-to-people linkages with the ASEAN region are very extensive. The ASEAN countries, with a total population of over 637 million and a total Gross Domestic Product of US$2.5 trillion, are important economic partners for Australia. In 2016, trade between Australia and ASEAN members was worth A$93 billion, more than Australia’s trade with the US or Japan. Australia also provides development assistance to a number of ASEAN members (A$730 million in 2017–18) and contributes assistance to ASEAN itself, particularly to its Secretariat.

People-to-people ties are substantial: in 2016 there were over 1.3 million visitors from ASEAN countries to Australia and around 100,000 students from ASEAN members enrolled to study in Australia—nearly 18 per cent of all international students. The Australian Census in 2016 recorded about 896,000 respondents who declared an ASEAN member as their country of origin.

The Special Summit in Sydney will provide an important opportunity to review the ASEAN-Australia relationship and to consider directions for future development. This paper will review briefly ASEAN’s evolution since 1967 and its current emphases in cooperation, discuss recent issues and developments in Australia’s relations with ASEAN, and outline the forthcoming Special Summit in Sydney.

ASEAN since 1967

The Association of Southeast Asian Nations was established by Indonesia, Malaysia, the Philippines, Singapore and Thailand in Bangkok on 8 August 1967. ASEAN was initiated after a period of serious instability and interstate conflict, which had included Indonesia’s opposition to the formation of Malaysia (through ‘Confrontation’ from 1963–66), Singapore’s expulsion from Malaysia in August 1965 and tension between Malaysia and the Philippines over the status of Sabah. Its members also faced the impact of Cold War competition among the major powers, which included China’s support for communist movements in a number of regional states. ASEAN represented an effort by its founders to stabilise relations among themselves and to foster an improved climate for security and economic development.

In a situation of tension and conflict, ASEAN sought to cautiously establish a basis for improved trust and confidence among its highly diverse members. In a process known widely as ‘the ASEAN Way’, ASEAN emphasised informality and loose arrangements, personal contacts rather than institution-building, and the sovereign equality of members. ASEAN generally avoided the exercise of overt leadership and sought gradual change based on consensus, with cooperation proceeding ‘at a pace comfortable to all’. A core value in ASEAN from the outset was the principle of non-interference in the internal affairs of members from outside or within the region. ASEAN set out its core values, including the principle of non-interference, in its Treaty of Amity and

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1. For further details, see the official website for the ASEAN-Australia Special Summit 2018.
4. See Department of Foreign Affairs and Trade (DFAT), ‘ASEAN Australia Development Cooperation Program Phase II’, Australian Aid, 2015.
5. Department of the Prime Minister and Cabinet (PM&C), ‘ASEAN-Australia relations’.
6. The following paragraphs draw from Frost, ASEAN and regional cooperation, op. cit., pp. 2–19.
Cooperation, adopted in Bali in February 1976. ASEAN has invited other states to accept and endorse the Treaty, both within and outside Southeast Asia; Australia did so in 2005.

ASEAN was a product of the Cold War era and it gained international prominence in a major regional and international conflict after Vietnam invaded Cambodia in December 1978. The ASEAN members rejected Vietnam’s invasion as a violation of the principles of territorial sovereignty and non-interference in internal affairs, campaigned against Vietnam in the United Nations and also cooperated with the US and China to oppose Vietnam’s presence. ASEAN then played a central role in the peace process which led to UN intervention and the re-creation of an independent Cambodian state and government.

With the end of the Cold War from 1989, ASEAN sought to consolidate and develop its cooperation in three major ways. Firstly, ASEAN accepted the other major Southeast Asian states as members: Vietnam joined in 1995, Laos and Myanmar in 1997 and Cambodia in 1999 (Brunei had joined after independence in 1984). With ten members ASEAN was now able to encompass and speak for the Southeast Asian region. The expansion of membership, however, also widened the diversity of political character and security outlook among the members and increased the number of countries which could exercise the right of veto under ASEAN’s mode of consensus decision-making.

Secondly, ASEAN moved to deepen cooperation among its own members. In 2003 it adopted the goal of establishing an ASEAN Community, which was inaugurated in November 2015. ASEAN also adopted a Charter for the Association in 2007; the Charter set out ASEAN’s values, gave it a legal identity and refined its institutional character.

The ASEAN Community involves ambitious cooperation programs in political and security, economic, and socio-economic cooperation and is a work in progress. The ASEAN Political Security Community (APSC) seeks to continue and extend the Association’s record in building confidence and avoiding conflict among its members, and to promote engagement with external powers in ASEAN-sponsored regional institutions. ASEAN’s vision for the APSC up to 2025 involves a commitment to:

... an inclusive and responsive community that ensures our peoples enjoy human rights and fundamental freedoms as well as thrive in a just, democratic, harmonious and gender-sensitive environment in accordance with the principles of democracy, good governance and the rule of law.

ASEAN has made a significant contribution to regional security already and since ASEAN’s inception, no major conflict has occurred among its members, but it faces challenges in pursuing the goals of the APSC in relation to internal security and regional relations. Two members, the Philippines and Thailand, have had serious ongoing internal conflicts involving Islamist movements (the Philippines also faces a communist-led insurgency) and Myanmar has had ongoing conflicts between the central government and minority ethnic communities. ASEAN also faces major challenges in trying to contain and manage disputes and competition in the South China Sea (see below).

The ASEAN Economic Community (AEC) seeks the creation of a deeply integrated and cohesive ASEAN that can deliver inclusive economic growth. Progress has been made in pursuing the Economic Community; tariff barriers have been reduced substantially, a number of companies increasingly see ASEAN as an economic bloc and there have been cases of notable successful ASEAN-based firms with a regional focus, such as the airline Air Asia, based in Malaysia. However, major obstacles to economic cooperation continue, including the persistence of non-tariff barriers and resistance to the liberalisation of services and investment, and ASEAN is a long way from being an integrated market. The Socio-Cultural Community aims to broaden and deepen interconnections

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7. Timor-Leste is interested in becoming ASEAN’s eleventh member and has support from some members including Indonesia, but a consensus for approval by all members has not yet emerged.
9. For concise background on the ASEAN Community see Frost, ASEAN and regional cooperation, op. cit., pp. 9–16.
10. Ibid., pp. 16–18.
11. Association of Southeast Asian Nations (ASEAN), ASEAN community vision 2025.
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across the immensely diverse ASEAN societies and its plans are not likely to be realised rapidly.\(^5\) Thus, while valuable progress has been made in developing the ASEAN Community, its goals are likely to take at least several decades to pursue.

ASEAN’s third area of emphasis in the post-Cold War era has been to expand its engagement with external countries, including the major powers, in institutional dialogues to contribute to regional confidence-building and security. The ASEAN Regional Forum (ARF) was established in 1994 and was followed by the East Asia Summit in 2005 (a grouping of heads of government) and the ASEAN Defence Ministers Meeting Plus Eight in 2008. The ARF has made useful progress towards dialogue and confidence-building and the ADMM Plus Eight has conducted some multilateral military planning exercises with participation from all members. The East Asia Summit is potentially the most significant of ASEAN’s dialogues since it gathers together leaders from all the East Asian and Asia Pacific major powers, and in 2015 it adopted some measures to refine its role and gain some institutional support. The contribution of these dialogues has nonetheless been constrained by their adherence to the ASEAN practice of consensus and by the ongoing lack of trust and competition among the major powers, who remain reluctant to refer any major issues of regional security to multilateral bodies.\(^6\)

ASEAN’s style of cooperation is under regular review both within and outside the Association. It has been argued that ASEAN may need to consider changes to its organisation and practices if it is to fulfil its goals in cooperation. One issue relates to the ASEAN Secretariat. The Secretariat is based in Jakarta and has a staff of approximately 300 and a modest annual budget of US$20 million (in 2016). It has been argued (including by the Asian Development Bank Research Institute) that ASEAN will need a much larger and better funded Secretariat if it is to effectively support its cooperation plans.\(^7\)

A second issue relates to ASEAN’s reliance on consensus in making decisions. This means that a decision can be blocked if just one member does not agree. In economic cooperation ASEAN has made provisions for projects to be able to be approved if a majority of members are in support. It has been suggested that ASEAN might need to consider adopting a similar approach in areas of political and security cooperation, but it is not yet evident that there is widespread support for this concept.\(^8\)

**Australia and ASEAN: recent issues and developments**

Since Australia became ASEAN’s first dialogue partner in 1974, relations have been advanced under successive Australian governments.\(^9\) Australia has been a participant since 1980 in annual consultations with ASEAN foreign ministers in the Post-Ministerial Conferences and there are now regular interactions between senior ministers in a variety of areas. Australia’s relations with ASEAN were initially focused on trade issues but in the 1980s security issues predominated, particularly in relation to the conflict over Cambodia. Cooperation between Australia and ASEAN played a key role in the development of the peace process in the late 1980s which led to United Nations involvement and the restoration of an elected and independent Cambodian government in 1993.

In the post-Cold War period Australia played an active role with ASEAN in the inauguration of the ASEAN Regional Forum in 1994. Australia went on to ultimately accede to ASEAN’s Treaty of Amity and Cooperation in 2005 and then became an inaugural member of the East Asia Summit at the end of 2005. Institutional linkages were expanded and deepened by the negotiation of the ASEAN-Australia-New Zealand Free Trade Agreement in 2008. In 2012 Australia also joined with the ‘ASEAN Ten’ and five other countries (China, India, Japan, Republic of Korea and New Zealand) in negotiations for the Regional Comprehensive Economic Partnership (RCEP) which is designed to rationalise and integrate ASEAN’s free trade agreements with the other states in the Partnership and thus contribute to freer trade across the 16 participants.

In the past five years, relations have continued to progress. In 2013 Australia appointed a resident Ambassador to ASEAN, who is based in Jakarta and coordinates relations and maintains close interactions with the ASEAN


19. For a detailed history see Frost, Engaging the neighbours, op. cit.
Secretariat. The Government also introduced the New Colombo Plan in 2013, which assists young Australians to study and gain work experience in Asia: in the first four years of the program, about 8,000 of the 18,000 participants have lived and worked in ASEAN countries. 20 ASEAN and Australia held a Commemorative Summit in Nay Pyi Taw in Myanmar in November 2014 to mark the fortieth anniversary of multilateral relations, and agreed to become strategic partners and hold meetings at heads-of-government level every two years. 21 At the first of these regular meetings, in Vientiane in September 2016, Prime Minister Turnbull invited the ASEAN heads of government to the Special Summit in Sydney in March 2018. 22

Bilateral relations with ASEAN members have also been advanced. Relations with Malaysia were enhanced by cooperation in the search for the missing Malaysian Airlines flight MH370. Australia and Singapore deepened their already very close interactions by establishing a Comprehensive Strategic Partnership in 2015. 23 Australia and Vietnam also agreed to raise their relationship to a Strategic Partnership, which is expected to be concluded in the near future. 24 Australia and Indonesia have been pursuing negotiations for a Comprehensive Economic Partnership Agreement, which would be a further avenue for Australia to extend its economic associations with the ASEAN region. 25

![Image](image.jpg)

Economic relations and prospects

The ASEAN members are already significant economic partners for Australia and their importance is likely to increase substantially in the future (for a concise summary of economic relations see Appendix A). One indication of this is that since the inauguration of multilateral relations in 1974, the economic balance between Australia and ASEAN has changed markedly. In the mid-1970s, the combined GDP of the (then five) ASEAN members was about two-thirds that of Australia’s. Recent Australian government figures now place Australia’s GDP at US$1.3 trillion and that of the ten ASEAN members at US$2.5 trillion. 26

The Department of Foreign Affairs and Trade (DFAT) has highlighted the significance of the ASEAN economies collectively as partners with whom Australia’s trade is now larger than that with the US or Japan. 27 If economic growth continues to follow recent trends, the ASEAN market will grow substantially, and the number of households in ASEAN countries defined as being of ‘middle income’ level (with an annual income above US$10,000) can be expected to quadruple by 2030. 28 DFAT has identified a number of areas in which Australian business can pursue further opportunities including health services, education, agri-business, information technology and support for e-commerce (ASEAN, with 260 million Internet users, has the fourth largest, and fastest growing, online commerce market in the world). 29 Australian business can participate in regional production chains involving activities and production networks operating across multiple ASEAN countries. This creates the potential for further Australian investment in ASEAN; two-way investment flows in 2016 were estimated to be worth US$224 billion, greater than the two-way investment flow between Australia and China. 30 In relation to the ASEAN Economic Community (AEC), DFAT argued in 2015 that while the AEC is still a work in progress that will need much further development, ‘it will mean that Australian companies with operations in ASEAN will find it easier to invest, move staff within the region, and to manage and build regional supply chains’. 31

While the prospects for Australia-ASEAN economic relations are strong, it is recognised widely that more needs to be done at both the public and private sector levels to help realise the opportunities available. Australia and

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20. Julie Bishop, 50th anniversary of ASEAN, op. cit.
23. Frost, Engaging the neighbours, op. cit., p. 176.
26. DFAT, ASEAN now: insights for Australian business—a report on Australia’s trade and investment relationship with ASEAN, Commonwealth of Australia, Canberra, November 2017, p. 8; see also Tony Milner and Ron Huisken, Smaller but enmeshed: why Australia needs to make ASEAN an even stronger priority, Centre of Gravity Series, Strategic & Defence Studies Centre, Australian National University, Canberra, June 2017, p. 5.
27. DFAT, ASEAN now: insights for Australian business, op. cit., p. 10.
28. Ibid., p. 22.
29. Ibid., pp. 17–41.
30. Ibid., p. 10.
ASEAN are conducting a review of the ASEAN-Australia-New Zealand Free Trade Agreement and have invited private sector input into the process. Attention is also being given to the desirability of promoting greater investment flows from Australia to ASEAN economies. Australia’s (then) Ambassador to ASEAN, Simon Merrifield, commented in November 2015:

... business engagement seems thinner than seems right for a region of such dynamism, such international attention, such proximity and so many ready pathways to greater engagement, including deep migration and educational links.

Promotion of greater knowledge and awareness by Australian business of opportunities for trade and investment in ASEAN economies will be a major theme of the Business Summit to be held in the lead-up to the ASEAN-Australia Special Summit (see below).

**Major power relations, ASEAN and the South China Sea**

The prospects for the future development of economic relations between Australia and ASEAN are very substantial but their realisation will depend crucially on the maintenance of stability and security in Southeast Asia and in Asia more widely. Two issues in political and security relations have recently been of particular concern for ASEAN and Australia—the contest for influence in the South China Sea and the ongoing dangers from terrorism, highlighted in 2017 by the five-month-long conflict in the Philippine city of Marawi.

**The major powers and Southeast Asia**

The competitive roles of the major powers have always been at the heart of ASEAN’s political and security focus. The United States under the Obama administration pursued a rebalance towards East Asia which emphasised an enhanced military and security presence, economic engagement through the Trans-Pacific Partnership, and involvement in multilateral institutions with a special focus on ASEAN. The policy directions of the Trump administration since January 2017 are continuing to emerge but in the administration’s first year there has been some uncertainty about what its approach will be. Some policy areas have been reaffirmed, with the US renewing commitments to its alliances and expressing the US’s ongoing concern at the dangers posed by North Korea’s missile and nuclear programs.

With Southeast Asia, US involvement has been emphasised in visits by the Vice President and the President, and by the Secretaries for State and Defense. The National Security Strategy issued by President Trump in December 2017 criticised China’s ‘efforts to build and militarize outposts in the South China Sea’ and also stated that ASEAN and APEC (Asia Pacific Economic Cooperation) ‘... remain centrepieces of the Indo-Pacific’s regional architecture and platforms for promoting an order based on freedom’. However, the US withdrew from the Trans-Pacific Partnership agreement just after President Trump’s inauguration and while President Trump visited Southeast Asia for bilateral and multilateral meetings in November 2017, he did not participate fully in the meeting of the East Asia Summit. There remains uncertainty in Southeast Asia about the direction of US policy in relation to the region and ASEAN.

China has continued its close interest in the ASEAN region, with a substantial part of that attention directed towards the South China Sea (see below). In 2017, China, under President Xi Jinping, emphasised its support for globalisation and multilateral cooperation and institutions. China is also giving high priority to its Belt and Road Initiative (BRI), a highly ambitious program to extend communication, trade and commerce across Central and East Asia. The BRI was unveiled formally in May 2017 and promises a massive process of infrastructure investment, although there have been doubts about the long-term viability and likely sustainability of some projects. China is continuing to expand its capacities for power projection in relation to East and Southeast Asia and in 2017, unveiled the world’s largest coastguard vessel, the largest amphibious aircraft and a new dredging
vessel, claimed to be the largest in Asia, all of which could boost China’s presence and capabilities in the South China Sea.38

Japan has had a major role as an economic partner for the ASEAN region since the Association’s inception. Japan has recently moved to expand its interest in contributing to the security of the ASEAN region, including in the maritime domain. Japan’s coastguard has pursued cooperation with its Philippine counterpart and has supplied coastguard vessels and surveillance aircraft to that country and to Vietnam. Japanese Self Defense Force vessels have made regional visits. In the wake of the US withdrawal from the TPP, Japan, along with Australia, has led efforts to advance the negotiations with the remaining 11 participants, four of which are ASEAN members.39

India has also heightened its multilateral relationship with ASEAN, including by inviting the ASEAN heads of government to attend its National Day celebrations on 25 January 2018.40

The South China Sea

The principal security issue in Southeast Asia for ASEAN and Australia continues to be the South China Sea. Six parties have formal claims to areas in the Sea: China, Taiwan, Brunei, Malaysia, the Philippines and Vietnam. Contest over the area increased in the 1990s after China passed the ‘Law on the Territorial Sea and the Contiguous Zone of the People’s Republic of China’ in 1992, which reasserted its claims to wide areas of the Sea within what has become known widely as its ‘nine dash line’. After clashes between China and Vietnam over disputed areas of the Sea, ASEAN issued a ‘Declaration on the South China Sea’ in the same year, which called for restraint and urged all parties to respect ASEAN’s Treaty of Amity and Cooperation and to develop a ‘code of international conduct’ for the Sea.41

After 1995, ASEAN tried to develop its proposal for a formal code of conduct but did not secure China’s agreement.42 In 2002, ASEAN and China did eventually endorse the Declaration on Conduct of Parties in the South China Sea. The Declaration advocated the building of trust and confidence among and between the signatories and affirmed that a code of conduct would promote peace and stability and should be pursued through a process of consensus. The Declaration did not deal with sovereignty issues and did not establish any sanctions for breach of its terms.43 ASEAN subsequently had great difficulty in moving beyond the non-binding Declaration, particularly because China continued to wish to deal with any issues of sovereignty on a bilateral basis. A second key issue was that the differing political and strategic priorities among the ASEAN members in relation to the South China Sea became increasingly evident. While the claimant states continued to be concerned about the issue, some of the non-claimant states (including Cambodia, Laos and Myanmar) were less involved with maritime issues and did not wish to jeopardise close economic and political links with China by taking positions inimical to China’s interests.44

Two developments in 2013 have been particularly significant in the ongoing contest over the South China Sea. In January 2013, the Philippines, under President Benigno Aquino, initiated a legal submission to clarify its entitlements in relation to the United Nations Convention on the Law of the Sea (UNCLOS). The case was heard by an Arbitral Tribunal (with administrative support provided by the Permanent Court of Arbitration, based in The Hague) and has been an important issue in the debate about the contending claims in the area (see below). The second major development in 2013 was that from September, China began to transform seven features in the Spratly Islands into artificial islands and developed civilian and military infrastructure including harbours, radar and surveillance systems, buildings and airfields. China was not the first or the only claimant to create artificial land features and develop facilities in the area: the Philippines, Malaysia, Vietnam and Taiwan have also

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40. See ASEAN, Delhi Declaration of the ASEAN-India Commemorative Summit to mark the 25th anniversary of ASEAN-India dialogue relations, 25 January 2018.
42. Thayer, ‘ASEAN’s long march’, op. cit.
43. Ibid.
44. Ian Storey, ‘Can the South China Sea dispute be resolved or better managed?’, paper presented at Strategizing Change in Asia: the 27th Asia-Pacific Roundtable, Kuala Lumpur, 3–5 June 2013, pp. 3–4.
The Philippines and Vietnam criticised China’s actions and ASEAN also expressed concern. At the 26th ASEAN Summit in April 2015, the Chairman’s Statement, without referring to China specifically, said:

... we share the serious concerns expressed by some Leaders on the land reclamation being undertaken in the South China Sea, which has eroded trust and confidence and may undermine peace, security and stability in the South China Sea. 46

China’s programs continued and have clearly enhanced its position in the South China Sea. 47

The Arbitral Tribunal (established under Article VII of UNCLOS) issued its decision in July 2016 and ruled in favour of fourteen of the fifteen claims by the Philippine Government. The ruling included the finding that China’s ‘nine dash line’ had no standing under the UN’s Law of the Sea or any other basis. The judges also ruled that none of the features in the South China Sea claimed by China and the Philippines were in fact ‘islands’, and that they were therefore not entitled to a 200 mile Exclusive Economic Zone (EEZ), but rather, at most, a 12 nautical mile territorial zone. As a consequence, China’s actions in areas deemed to be within the Philippines’ EEZ, such as artificial island construction and interference with the Philippines’ fishing and exploration activities, constituted a violation of the sovereign rights of the Philippines. 48

The legal ruling has continued to be debated and contested. China had stated in advance that it would not accept the validity of the ruling and it quickly denounced it as ‘null and void’. 49 Among the members of ASEAN, some states gave support to the ruling, including Vietnam, Malaysia, Singapore and Myanmar. However, ASEAN as a whole did not explicitly support the Arbitral Tribunal’s decision. 50 A key factor affecting ASEAN’s responses was that President Rodrigo Duterte of the Philippines, who replaced Aquino after the May 2016 elections, set aside his predecessor’s commitment towards the Arbitral Tribunal’s decision. In the months after the ruling, Duterte called for restraint over the issue and supported direct dialogue between the Philippines and China. The momentum which the Philippines had gained through the decision had therefore dissipated. 51

In 2017, China, having rebuffed the Tribunal decision, pursued a conciliatory policy towards ASEAN and indicated its willingness to resume discussions on a code of conduct for the South China Sea. ASEAN and China announced some progress in their discussions with the adoption in Manila on 6 August 2017 of a Framework for the Development of a Code of Conduct; the Framework was not released formally but the text was circulated widely in the media and academic circles. In a joint statement, the ASEAN foreign ministers said that they were ‘encouraged’ by the adoption of the Framework which would ‘facilitate the work for the conclusion of an effective COC [code of conduct] on a mutually-agreed timeline’. 52

The Framework is understood to set out a series of principles which should underpin the development of a code, including an aim for a ‘rules-based framework’ that can promote mutual trust, cooperation and confidence, prevent incidents, and manage incidents should they occur.

The Framework’s principles would also seek to create a favourable environment for the peaceful resolution of disputes and ensure maritime security and safety and freedom of navigation and over-flight. The Framework does not use the term ‘legally-binding’ and it is not clear if such a provision would be agreed to by China. The Framework also does not mention possible enforcement arrangements and arbitration measures should one...
party accuse another of violating the code. The Framework is considered to be a step forward in discussions about the South China Sea, but it remains to be seen what kind of proposed code may emerge and whether such a code would represent a significant advance on the 2002 Declaration on Conduct.

**Australia’s approaches**

In relation to the South China Sea, the Australian Government has consistently noted that Australia is not a claimant state and does not take sides in relation to claims. Australia has emphasised the desirability of dialogue and negotiation; opposes artificial modifications or militarisation of islands or features in the Sea; supports freedom of navigation and over-flight; and supports a legally-binding code of conduct. Australia has reiterated its approach at recent meetings of ASEAN and the East Asia Summit. The Australian Government’s position was reaffirmed in its *2017 Foreign Policy White Paper* (released in November 2017). The white paper stated:

> We support the resolution of differences through negotiation based on international law. All claimants should clarify the full nature and extent of their claims according to the United Nations Convention on the Law of the Sea (UNCLOS).

The Government reaffirmed its position that the ‘... ruling on the Philippines South China Sea Arbitration is final and binding on both parties’. In affirming support for the Arbitral Tribunal’s decision, Australia has taken a more assertive position than ASEAN has. A difference in emphasis was evident at the time of ASEAN’s Ministerial Meeting in August 2017. The ASEAN Foreign Ministers did not refer to the Arbitral Tribunal in their joint statement. During the meetings, Australia, the US and Japan issued a joint statement in which they urged ASEAN and China to agree to a legally-binding code of conduct for the area and expressed serious concern over ‘coercive unilateral actions that could alter the status quo and increase tensions’.

The outlook for the contest over the South China Sea remains highly uncertain. It is not yet clear what kind of code of conduct may emerge from ASEAN’s negotiation with China and whether it might be legally-binding (an outcome that many observers consider to be unlikely). As noted, Australia hopes that the code can be legally-binding on all parties and has also asserted its position in joint statements with its partners the US and Japan. In 2017 there was also renewed interest in the concept of a four-way or ‘quadrilateral’ dialogue forum between Australia, Japan, the US and India which would have maritime security as one of its areas of focus. The concept of quadrilateral cooperation between Australia and three of the major powers was considered in 2007 but was discontinued under the Rudd Government. It has been suggested that a revival of the concept of quadrilateral cooperation could be unsettling for ASEAN members, who might have some concerns that their regional dialogues may receive less attention, but the concept remains at an early stage of consideration.

In January 2018, Prime Minister Turnbull expressed some optimism about the prospects for dialogue on the South China Sea issue. He said during a visit to Japan that, ‘I’m more optimistic about those issues being resolved than I have been for a couple of years’, that ‘some real progress’ was made during the recent East Asia Summit and that there was ‘some more positive movement’ on a code of conduct being finalised for the Sea. The contest for influence in the South China Sea nonetheless remains a major security and political issue for both ASEAN and Australia.

**Counter-terrorism and the Philippines**

An additional security challenge in Southeast Asia was highlighted in 2017 by the occupation of the city of Marawi on the island of Mindanao in the Philippines by militants who claimed allegiance to Islamic State. The conflict in Marawi illustrated the ongoing problems arising from the Muslim separatist movements in the Southern Philippines and the potential for such groups to attract support and assistance from other countries in

53. Ibid., pp. 1–6.
54. Ibid., pp. 6–7.
55. See Julie Bishop (Minister for Foreign Affairs), *Doorstop interview: East Asia Summit, Kuala Lumpur*, transcript, 5 August 2015.
ASEAN and internationally, as the decline of the IS position in the Middle East has highlighted the potential for foreign Islamist fighters to return to their home countries.

Contacts between militants in Mindanao and IS in the Middle East were evident from 2014. In April 2016, the Maute Group, a radical Islamist group named after their leader, swore allegiance to IS. The Maute Group staged bombings and occupied the town of Butig on Mindanao for several days in November 2016 and there were calls for militants in Indonesia to join the struggle in Mindanao. A major battle developed from 23 May 2017 when the Maute Group and supporters occupied Marawi, a city of 200,000 people. The conflict lasted for five months and involved intense urban warfare which stretched the resources of the Armed Forces of the Philippines. The militants were able to obtain light weapons readily and also used improvised explosive devices, as well as commercial drones for surveillance. The conflict did not conclude until late October, with the Government declaring victory on 17 October. Marawi was devastated by the fighting, both sides sustained heavy casualties and a number of militants were thought to have escaped after the battle ended. Reconstruction costs have been estimated to be at least A$2.4 billion.

The fighting in Marawi was of major concern in the ASEAN region and particularly in the neighbouring states of Indonesia, Malaysia and Singapore, all of which have had security challenges from Islamist militants in their own societies and share concerns about the potential for fighters returning from the Middle East. ASEAN as a group does not have a capacity to assist members through defence force deployments, but it provided some humanitarian assistance through the ASEAN Coordination Centre for Humanitarian Assistance on Disaster Management (AHA Centre). Singapore also contributed bilateral aid, including access to urban warfare training facilities, surveillance drones and humanitarian assistance.

The US and Australia both provided security and humanitarian assistance to assist the Philippine Government. The Marawi conflict saw a renewal of defence cooperation between the US and the Philippines and US P3 surveillance aircraft and drones provided substantial support. Australia provided assistance, particularly through the deployment of two P3 surveillance aircraft. Australia also provided military training in urban warfare to the Philippine Armed Forces.

Australia, in addition, moved to step up cooperation with ASEAN members in countering terrorists’ access to finances. On 22 November 2017, Michael Keenan, the Minister for Justice and Minister assisting the Prime Minister for Counter Terrorism, announced the establishment of a new South East Asia Counter Terrorism Finance Working Group to disrupt terrorist groups, their sources of funding, the movement and use of funds and their economic sustainment in the region; the Working Group would be jointly led by Australia’s financial intelligence agency and regulator, AUSTRAC, and the Philippine Anti-Money Laundering Council (AMLC).

The Marawi conflict was the most significant terrorist incident in Southeast Asia since the Bali bombing in 2002. The issue of counter-terrorism is clearly a major concern among ASEAN members and to Australia. Prime Minister Turnbull said in his ‘Statement on National Security’ on 13 June 2017:

... I am keenly alert to the risk that the next mass casualty attack on Australian victims could well be in Southeast Asia, where ISIL propaganda has galvanised existing networks of extremists and attracted new recruits. We have to take responsibility for our own security and prosperity, but we must also recognise we are stronger when we are sharing the burden of collective leadership with trusted partners and friends. We are helping to build the region’s capacity to confront these cross-border challenges, by building operational partnerships, by boosting regional

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62. Ibid., p. 4.
64. Joseph Franco, ‘Freedom for Marawi provides the opportunity to look beyond the last war’, Australian Outlook, Australian Institute of International Affairs, 23 October 2017.
70. Michael Keenan (Minister for Justice), New counter-terrorism financing working group key to security in South-East Asia, media release, 22 November 2017.
capacity and by increasing the flow of information. At the ASEAN-Australia Special Summit next year, all this will be a top priority.71

Myanmar and the Rohingya crisis

An additional political, security and humanitarian crisis has been of major concern in the ASEAN region. In the second half of 2017 serious conflict in northern Rakhine State in western Myanmar resulted in the departure to Bangladesh of over 650,000 Rohingya people.72

Approximately one million Rohingya people (a majority of them Muslim and a minority Hindu) have lived in Rakhine State for a number of generations, but their presence has not been widely accepted in Myanmar. Substantial numbers of Rohingya people left Myanmar for Bangladesh on several occasions after 1978 because of alleged mistreatment by the Myanmar authorities and security forces; by 2016 there were over 200,000 living in camps in Bangladesh. In 2017, a further phase of serious conflict developed. On 25 August the Arakan Rohingya Salvation Army (ARSA) initiated a series of attacks in thirty locations in Rakhine State. The attacks were followed by a severe response from the Myanmar security forces, which included the assault and killing of many Rohingya and the destruction of houses and other property; attacks were also conducted by pro-government militia groups. By the end of 2017, over 650,000 Rohingya people had moved to Bangladesh where they were accommodated in camps.73 In January 2018, negotiations were underway between Bangladesh and Myanmar to arrange the orderly repatriation of Rohingya from the camps, but uncertainty has continued about whether this could be pursued successfully and whether returnees could resume life in Myanmar with security and economic sustainability.74

The crisis in Rakhine State came at a time when Myanmar had been in political transition after the elections in 2015 in which the National League for Democracy, led by Aung San Suu Kyi, had emerged as the winner. Under the 2008 constitution the military retain substantial authority, including in internal security. The situation in Myanmar was further complicated by polarisation over the presence of the Rohingya in which the Government’s crackdown in Northern Rakhine appeared to have strong support within Myanmar, especially among the Buddhist majority.75

The conflict in Rakhine and the role of the security forces attracted some significant criticism, especially in Malaysia and Indonesia. Prime Minister Razak publicly criticised the Myanmar authorities and in Jakarta there were attacks on the Myanmar embassy. Individual ASEAN members sought to provide some humanitarian assistance, including Indonesia and ASEAN jointly. Indonesia had delivered basic needs assistance and constructed schools in Rakhine in 2016 and started a hospital construction project in November 2017. The ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre) delivered humanitarian assistance to Rakhine in October 2017.76 ASEAN as a whole called for a peaceful resolution to the conflict, as reflected in the ‘ASEAN Chairman’s Statement on the Humanitarian Situation in Rakhine State’ issued on 24 September 2017.77

The Australian Government condemned the violence in Rakhine and provided humanitarian aid. The Minister for Foreign Affairs, Julie Bishop, stated on 23 October 2017 that ‘the Australian Government condemns the ongoing violence in Rakhine State. We continue to call for the protection of civilians and unfettered access for humanitarian workers’.78 Australia contributed A$30 million in assistance, which included support for the World Food Program, Save the Children, Oxfam and Care. In providing assistance, the Australian Government was able to cooperate with Indonesia and on 1 October 2017 Ms Bishop said that ‘... some of our specialists are embedded with the Indonesian humanitarian team in Bangladesh now’.79 The Government faced calls from within the Australian community for more stringent action to protest against the developments in Rakhine State.
including cancelling cooperation with the Myanmar military. The United Kingdom suspended training assistance to the Myanmar military in September 2017 and the United States imposed a range of restrictions on interactions with the Myanmar military in October. The Australian Government did not pursue this approach, considering that continued engagement with Myanmar was a preferable path.

At the time of writing (early February 2018) the outlook for the Rakhine crisis remained highly uncertain. It was not clear if a process of return for Rohingya people in Bangladesh would be feasible or acceptable to them. There were also concerns that an ongoing conflict could see attempted involvement by external Islamist radical groups.

It may be noted that given ASEAN’s emphasis on the non-interference principle and on the value of maintaining consensus, while the issues discussed above could arise in bilateral discussions, they are not likely to be considered formally in the multilateral Special Summit in Sydney.

**Political order and Cambodia**

ASEAN’s members are highly diverse in political character and processes. The diversity and variety of political systems in ASEAN has been a consistent feature of the ASEAN region during Australia’s 44 years of multilateral relations and issues of domestic political order can be a focus for discussion in Australia. The Minister for Foreign Affairs, Julie Bishop, noted in a speech in Singapore in March 2017:

> Liberal democratic institutions such as rule-of-law, rather than rule by executive privilege, civilian control of the military, independent and competent courts, protection of property and intellectual property rights from state appropriation or theft, and limitations on the role of the state in commercial affairs remain the prerequisites for stable and prosperous societies, as they are for the creation of a vibrant and innovative private sector ... I note ASEAN upholds democracy as one of its core values in the Charter and I urge ASEAN to champion democratic norms and liberal political institutions throughout the Indo-Pacific.

The Minister’s comments came during a period in which some observers have expressed concern that political trends in some ASEAN members have been moving in a direction away from democratic principles and practices and further towards authoritarianism. Recent discussion and concern has focused on examples, including the reassessment of a dominant role by the military in Thailand; judicial convictions of peaceful activists in Vietnam; the autocratic approach of President Duterte in the Philippines (including the extrajudicial killings of alleged narcotics offenders); and an alleged decline in democratic norms of tolerance in Indonesia (such as the imprisonment for blasphemy of the former Governor of Jakarta, Basuki Tjahaja Purnama, known widely as ‘Ahok’). In this context, recent political developments in Cambodia have attracted some attention in Australia.

Australia had a significant role in the peace process in Cambodia in the late 1980s and early 1990s which led to a United Nations transitional administration, UN-organised elections in 1993, and the emergence of a new elected coalition government. Cambodian politics after 1993 continued to be heavily influenced by the Cambodian People’s Party (CPP), which assumed a predominant position in July 1997 after a period of political conflict, and which, after the elections in 1998, consolidated its political dominance. The CPP did face ongoing competition from other parties in the 2013 elections: the opposition Cambodian National Rescue Party (CNRP) achieved a strong result and gained 22 additional parliamentary seats (reducing the CPP’s majority from 90 to 68 in the 123-seat National Assembly).

In the lead-up to the next national elections (due in July 2018), the CPP...
Government, led by Prime Minister Hun Sen, moved to impose restrictions on opposition activities. These included the arrest of opposition leader Kem Sokha on treason charges in September 2017; the forced closure of a major English-language daily newspaper along with a number of radio outlets; the expulsion of a US-funded pro-democracy group; and the imposition of new restrictions on political parties.

In November 2017, the Supreme Court of Cambodia dissolved the main opposition party, the Cambodian National Rescue Party, and also imposed on 118 members of the CNRP a five-year ban on political activity. The CNRP, as noted above, had performed strongly in the 2013 national elections and increased its vote in commune elections in June 2017, which were won by the CPP. The Supreme Court’s actions were seen as paving the way for the CPP to contest the upcoming 2018 national elections with the opposition greatly weakened. On 17 November 2017, the Minister for Foreign Affairs, Julie Bishop, stated:

> Australia is deeply concerned by the dissolution of Cambodia’s main opposition party, the Cambodian National Rescue Party (CNRP), and the banning of CNRP parliamentarians and officials from engaging in politics for five years. This development has serious implications for democracy in Cambodia. It is the culmination of a series of troubling actions, including reduced access to free media, restrictions on civil society and intimidation of the opposition, specifically the detention of CNRP leader Kem Sokha … As a friend of Cambodia, Australia urges the Cambodian Government to allow all its citizens to exercise their democratic rights, particularly ahead of the 2018 national election.

It may be noted that as with the issue of Myanmar and the Rohingya discussed above, while developments in Cambodian politics may arise in bilateral discussions, they are not likely to be considered formally in the multilateral Special Summit.

**Institutional associations and relations**

Another issue in the context of Australia’s relations with ASEAN is the possible future of institutional relationships. The wide-ranging linkages between Australia and the ASEAN countries, the importance of economic relations and prospects for further development and the relevance of cooperation on a range of security issues have fostered some debate in Australia on the relationship overall and how it could be extended. Tony Milner and Ron Huisken (both from the Australian National University) have argued in a recent paper that the substantive importance of ASEAN for Australia has not been matched by public awareness and that political leaders and the Government should heighten the focus on ASEAN as a high priority in Australian foreign policy.

There have also been suggestions that in the longer term Australia should aim to join ASEAN, assuming that there were to be a consensus within the Association to pursue such a step. Former Prime Minister Paul Keating stated in November 2012 that ASEAN:

> … represents the security architecture of south-east Asia, the one with which we can have real dialogue and add substance. In the longer run we should be a member of it—formulating the trade, commercial and political interests we already share.

When DFAT commented on the issue in 2012, it saw significant obstacles: ASEAN would not wish to accept Australia as a member; membership, if achieved, would require Australia to refrain from criticism of ASEAN countries and from putting forward alternatives to ASEAN positions; and Australia would need to accept other ASEAN countries (notably the ASEAN Chair) representing Australia in discussions with the major powers. The case for Australian long-term membership of ASEAN has continued to be advanced. Graeme Dobell (Australian Strategic Policy Institute) argued in July 2017 that looking to the future:

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91. Prak Chan Thul and Amy Sawitta Lefevre, ‘Cambodia’s main opposition party dissolved by Supreme Court’, *Reuters*, 16 November 2017.
Instead of constant pledges of engagement and partnership, Australia’s future in Southeast Asia lies in joining ASEAN ... Australia should reach for membership of the Community in 2024, the 50th anniversary of Australia becoming the first ASEAN dialogue partner.96

Advancing relations: the 2018 Special Summit

In the past 50 years ASEAN has made a major contribution towards maintaining peace and enhancing stability among its own members, arguably ASEAN’s greatest single achievement. It is pursuing ambitious projects to deepen inter-relationships within the ASEAN Community. It has sponsored a number of wider cooperative dialogues which have drawn in many external states, including all the major powers with interests in Southeast and East Asia. While these institutions have found it difficult to extend their activities beyond the stage of dialogue and confidence-building, East Asia is likely to have had far fewer opportunities for dialogue without ASEAN’s role and efforts.

In the lead-up to the Special Summit, both the Australian Government and the Opposition have emphasised the importance of ASEAN to Australia. Prime Minister Turnbull, in his speech to the Shangri-La dialogue in Singapore on 2 June 2017, said:

In marking ASEAN’s half-century this year, we should acknowledge its success. ASEAN embodies opportunity in our region. It is the region’s strategic convenor ... As our strategic space becomes more crowded, the challenge for ASEAN is to show that the impressive statecraft of the past can be sustained in a more complex future, to remain nimble enough in a more testing time. Australia’s interests in ensuring that this is the case are very clear. We support a strong, united ASEAN that continues to convene and strengthen organisations such as the East Asia Summit, the region’s only leaders-led forum that can help manage the region’s strategic risks. And we support an ASEAN that remains committed to liberal economic values. So I look forward to welcoming to Sydney in March 2018 all ten ASEAN leaders at the first ASEAN-Australia Special Summit. This will be an unprecedented opportunity to reinforce Australia’s strategic partnership with ASEAN.97

In a speech to the Lee Kuan Yew School of Public Policy in Singapore on 24 January 2018, Senator Penny Wong (Leader of the Opposition in the Senate and Shadow Minister for Foreign Affairs), said of ASEAN:

... the real question is not just ‘what has ASEAN achieved’ but ‘where would we be without it’? ... Australia has been blessed with an unexpected but valuable political buffer: ASEAN. With its diversity and heterogeneity, ASEAN has enhanced Australian security. As Kishore Mahbubani and Jeffrey Sng have pointed out, if the unthinkable were to happen, and ASEAN were to dissolve, one of the biggest losers would be Australia. If ASEAN were to do well, Australians would be amongst its biggest beneficiaries ... ASEAN already supports the two key institutions for addressing regional security issues—the ASEAN Regional Forum and the East Asia Summit. These, I think, are of critical importance, because they bring all the key protagonists into a common conversation about and in pursuit of regional stability and security.98

Senator Wong also said that, ‘Labor welcomes the ASEAN-Australia Special Summit, to be convened in Sydney in mid-March this year. A Shorten Labor Government will certainly build on the outcomes of this Summit’.99

The March 2018 Special Summit will be a further step in a process of leadership dialogue that began in 1977 with the visit of Prime Minister Malcolm Fraser to Kuala Lumpur, just 18 months after the first ASEAN heads-of-government summit in Bali.100 The next leaders summit did not take place until 2004 (with New Zealand), but since then such meetings have become more frequent, with further summits held in 2010 and 2014 (for the fortieth anniversary of multilateral relations). At the 2014 summit it was agreed that the ASEAN and Australian heads of government would now meet on a regular basis and in August 2015 it was announced that leaders

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96. Mr Dobell presents his arguments for Australian membership in further detail in Graeme Dobell, *Australia as an ASEAN community partner*, Special report, Australian Strategic Policy Institute, Canberra, February 2018.
98. Penny Wong (Leader of the Opposition in the Senate and Shadow Minister for Foreign Affairs), *Peace and prosperity in a time of disruption*, speech, Lee Kuan Yew School of Public Policy, Singapore, 24 January 2018. See also Mahbubani and Sng, *The ASEAN miracle*, op. cit.
100. See Frost, *Engaging the neighbours*, op. cit., pp. 44–45.
would convene every two years: the first of these regular meetings was in Vientiane in September 2016 and the second will be in Sydney in March 2018.  

As previous sections have suggested, the Special Summit is occurring at a time when there are major opportunities for further economic interactions between Australia and ASEAN, but when there are also significant security challenges facing Southeast Asia and Australia. Prime Minister Turnbull noted in his speech to the Shangri-La Dialogue:

Now in this brave new world we cannot rely on great powers to safeguard our interests. We have to take responsibility for our own security and prosperity while recognising we are stronger when sharing the burden of collective leadership with trusted partners and friends.

The 2018 Summit will involve a number of meetings and events which should heighten the profile of ASEAN-Australia relations for both sides.

The week leading up to the Summit has been designated ‘ASEAN-Australia Week’ and will provide a program of academic, educational, sporting and cultural events presented by a range of non-governmental organisations. The ASEAN-Australia Business Summit will help to provide Australian and ASEAN businesses with the connections needed to strengthen economic partnerships and will include three major components. A CEO Forum will discuss prospects for further integration in areas including agri-business supply chains, infrastructure, digital transformation, energy futures, tourism destination development and aviation. Policy recommendations will be developed for consideration by the leaders at the Special Summit, to bolster trade and economic relations. An SME (small and medium-sized enterprise) conference on 16 March will bring together regional specialists, business leaders and successful exporters to share knowledge and insights with Australian SMEs who are, or are considering, exporting to ASEAN. There will also be a Women in Business breakfast on 16 March. A Counter-Terrorism Conference on 16–17 March will convene senior officials from Australia and ASEAN members:

... with a view to enhancing regional connectivity and cooperation to combat terrorism and violent extremism. Officials will discuss how they can work together more effectively to combat this rapidly evolving threat, including through policy and law enforcement responses and by intensifying information sharing.

AUSTRAC will host a related meeting, the ASEAN-Australia Codeathon. The Codeathon will be held over 32 hours and will gather together financial intelligence units, banks, developers and other partners to discuss and develop digital solutions to help combat terrorist financing and enhance cybersecurity.

The centrepiece heads-of-government Summit will convene on 17 and 18 March and will include a formal Summit and a Leaders Retreat. The heads-of-government Summit, it may be suggested, could seek to advance relations in several major ways. The leaders could discuss and evaluate recent regional security challenges and avenues towards further joint cooperation, including continuing to work towards enhancing the role of the East Asia Summit. The leaders could review economic cooperation and trade and commerce relationships. This could include assessment of how trade and economic negotiations and agreements can best contribute to economic relations. The leaders summit could also assess the wide range of cooperation which is ongoing in specific sectors and consider how best Australia can contribute to ASEAN’s pursuit of its goals for the ASEAN Community.

For the future, Australia’s relations with ASEAN are likely to be affected by five major factors. The first factor will be ASEAN’s progress towards its declared goals of economic integration and security cooperation. ASEAN is economically and politically very diverse, has a strong emphasis on consensus-based decision-making and has relatively limited institutional resources to support its programs. If ASEAN can continue to progress towards greater integration while maintaining cohesion among its members, the basis for its relationship with Australia will deepen and further increase in value for both sides.

101. Ibid., p. 179.
102. Turnbull (Prime Minister), Keynote address: 16th IISS Asia Security Summit, op. cit.
103. The discussion below draws from the ASEAN-Australia Special Summit 2018 official website.
The second factor will be the climate and evolution of interactions among the major powers. In the past five years, tensions among the major powers have increased and there is little basis for strategic trust in some key major power relationships, including between the United States and China. If this state of tension continues or worsens, it could increase pressures on ASEAN and reduce its capacity to continue to be a viable diplomatic actor in East Asia.

A third factor is whether wider multilateral dialogues can come to play a more active role in contributing to security in Southeast and East Asia. ASEAN has invested major efforts in developing dialogues and the East Asia Summit is the only group which brings together all the major powers with interests in the region. If the East Asia Summit can build on recent moves to enhance its cooperation and establish a greater institutional identity, this will be of value to ASEAN and Australia, which has been a supportive member of the EAS from the outset.

The fourth factor will be the character and evolution of Australia's linkages with ASEAN as an institution. Australia is an active dialogue partner of ASEAN and it has close relationships with the ASEAN Secretariat, bolstered by its multilateral assistance program. There may be opportunities to extend institutional relations, particularly since it is widely considered that ASEAN will need to increase the level of institutional capacities it has available to support its ambitious integration plans.

The fifth factor which will affect the prospects for Australia’s ASEAN relations is the continuation of progress in consolidating bilateral relations with ASEAN members. This is particularly important in the case of Indonesia where the strength of relations at official levels has not necessarily been matched by communication and confidence among both countries’ communities. Strong bilateral relations will clearly be a bedrock for Australia’s multilateral engagement with ASEAN.

Australia has gained great benefits from ASEAN’s contribution to security and stability in Southeast Asia since 1967. Australia has a major stake in ASEAN’s capacities to achieve its declared goals and the March 2018 Special Summit provides a valuable opportunity to renew and enhance the ASEAN-Australia relationship.
Appendix A

Australia–ASEAN economic relationship

Australia–ASEAN economic relationship

General information

| Headquarters: | Jakarta |
| Population: | 636.8 million (2016) |
| Currency: | Not applicable |
| Members: | Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam |

Economic indicators (a)

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<tr>
<td>GDP (US$ billion) (current prices)</td>
<td>2,428.9</td>
<td>2,510.8</td>
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<td>2,448.2</td>
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<td>GDP per capita (in 2015 US$)</td>
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<td>GDP per capita PPP (in 2015 US$)</td>
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<td>Real GDP growth (% change year/year)</td>
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<td>4.5</td>
<td>4.6</td>
<td>4.6</td>
<td>4.9</td>
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<td>Current account balance (% GDP)</td>
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<tr>
<td>Current account balance (US$ billion)</td>
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<td>8.1</td>
<td>7.9</td>
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<td>Inflation (% change year/year)</td>
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Australia’s trade and investment relationship with ASEAN-10 (b)

Australia’s trade and investment relationship with ASEAN-10, 2016-17 (A$ million)

- **Exports**:
  - Total merchandise trade (exports + imports): 72,659
  - Major Australian exports, 2016-17 (A$ million):
    - Crude petroleum: 2,972
    - Wheat: 2,912
    - Coal: 2,108
    - Copper: 1,259
  - Major Australian exports, 2016-17 (A$ million):
    - Refined petroleum: 7,412
    - Goods vehicles: 4,804
    - Crude petroleum: 4,317
    - Passenger motor vehicles: 2,300

- **Imports**:
  - Total merchandise trade (exports + imports): 72,659
  - Major Australian imports, 2016-17 (A$ million):
    - Refined petroleum: 7,412
    - Goods vehicles: 4,804
    - Crude petroleum: 4,317
    - Passenger motor vehicles: 2,300

Australia’s trade in services with ASEAN-10, 2016-17 (A$ million)

- **Exports**:
  - Total merchandise trade (exports + imports): 13,145
  - Major Australian exports, 2016-17 (A$ million):
    - Education-related travel: 5,189
    - Professional, technical & other business services: 2,679
  - Major Australian services imports, 2016-17 (A$ million):
    - Personal travel excluding education: 7,987
    - Transport: 3,021

Australia’s investment relationship with ASEAN-10, 2016 (A$ million)

- **Australian investment in ASEAN-10**: 97,487
- **ASEAN-10’s investment in Australia**: 126,946

ASEAN-10’s global merchandise trade relationships

**ASEAN-10’s principal export destinations, 2015**

1. China 16.1%
2. United States 14.9%
3. Japan 11.7%
4. South Korea 10.2%
5. Australia 4.1%

**ASEAN-10’s principal import sources, 2015**

1. China 26.4%
2. United States 11.0%
3. Japan 10.2%
4. South Korea 7.6%
5. Australia 2.4%