

# Part II

## 4. Strengthened ASEAN Centrality and East Asia Collective Leadership


### ii. Role of Australia and New Zealand in Strengthened ASEAN Centrality and East Asia Collective Leadership

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## Role of Australia and New Zealand in Strengthened ASEAN Centrality and East Asia Collective Leadership

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Australia and New Zealand's economic and strategic interests lie in Asia and the Pacific. The ongoing success of Asia's economic integration is critically important to Australia and New Zealand's prosperity. The Association of Southeast Asian Nations (ASEAN)+6 countries<sup>1</sup> account for 63% of Australia's total trade. This makes Australia the most East Asian-oriented trading nation in the world. Just under 44% of Australia's trade is with Northeast Asia (ASEAN +3),<sup>2</sup> which is higher than any other major East Asian country. Australia also has the highest trade dependence on ASEAN, at 13%, amongst the +6 countries. For services, ASEAN accounts for 16.9% of Australia's total trade.

ASEAN accounts for 11.6% of New Zealand's trade; and its trade with Northeast Asia accounts for 30% of its total trade, of which China accounts for 19.7%. New Zealand's trade with the ASEAN+6 grouping accounts for 57.6%, but that includes its largest trading partner, Australia.

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<sup>1</sup> ASEAN plus Australia, China, India, Japan, the Republic of Korea, and New Zealand.

<sup>2</sup> ASEAN plus China, Japan, and the Republic of Korea.

Both Australia and New Zealand are open economies that are the major providers of energy, strategic raw materials, and agriculture to East Asia. Australia supplies more than a quarter of Japanese energy, making it Japan's largest supplier. Even with large energy transitions to cleaner sources, Australia is likely to remain crucial since natural gas is an important transition energy. It is also the dominant supplier of externally procured strategic raw material for Northeast Asia.

Both New Zealand and Australia will continue to feed Asia with quality agricultural exports. The comparative advantage of abundant land and technology mean that Australia and New Zealand will be increasingly important for ASEAN and Asia's food security.

The two countries are increasingly important for education, tourism, and other services trade. Given the complementarities in endowments, economic structures, and levels of development, these relationships will continue to deepen and be important in the future, as they evolve. In particular, educational ties and open migration policies provide a foundation for deeper services trade links and people-to-people ties. They also have well-established and quality institutions that are more familiar to those found in North America and Europe.

Australia and New Zealand's economies share high degrees of complementarity with ASEAN and East Asia, and given the differences in endowment structures, that is likely to continue. Australia and New Zealand will become more important suppliers of services, agriculture, and both fossil fuel and non-fossil fuel energy, as well as raw materials.

Institutional arrangements in Australia and New Zealand, as well as their governance, are a model for other economies. The high living standards and uninterrupted growth for the last quarter century, especially in Australia, have been managed by a set of macroeconomic policies and institutions which allow the economies to adjust flexibly to engagement with Asia. The rapid depreciation of the exchange rate kept Australia's economy from recession during the Asian financial crisis and as the Chinese-led global commodity boom ended in the 2010s.

The web of regional linkages between Australia, New Zealand, and East Asia are immense and will need to be leveraged and strengthened to manage the large changes in the structure of regional and global power.

The ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA) is an important lynchpin for furthering trade and investment but also for economic cooperation between Australia, New Zealand, and ASEAN partners. It is complemented by other bilateral agreements between individual ASEAN states. Australia and New Zealand are both part of the Asia-Pacific Economic Cooperation (APEC), the Regional Comprehensive Economic Partnership (RCEP), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP-11), and the ASEAN Regional Forum (ARF), as well as a web of other bilateral agreements throughout East Asia. Australia is also a member of the G20 alongside Indonesia, the Plus Three Northeast Asian countries, and India.

Australia and New Zealand are a middle and small power amongst much larger countries in Asia. Influence is most effective, or even only possible, through multilateral processes. A priority is to strengthen the connection between regional and global forums.

The economic cooperation provision in AANZFTA is a valuable avenue of capacity building. That provision is a vehicle for policy and institutional reform, exporting good governance principles and practices. That framework should be extended and made central in future agreements, including the RCEP. The capacity building provision is an important avenue for Australia, New Zealand, and the other +6 members to contribute to ASEAN and broader economic integration. It is underappreciated, but the economic cooperation agenda is a framework for political cooperation. Experience sharing in domestic policies and institution building can help avoid populist backlashes against globalisation and keep markets open. Beyond what is achieved in similar processes in APEC, the RCEP cooperation agenda can help to deliver on the negotiated commitments made in the RCEP as well as multilateralising those commitments.

The web of free trade agreements between Australia and ASEAN members, as well as New Zealand and ASEAN members, is extensive. New agreements amongst and beyond those countries will need to complement the existing arrangements and contribute to openness and reform to be important for the integration process.

As middle-to-small powers, Australia and New Zealand are best able to project interests and achieve economic diplomacy objectives when working with other middle powers in the region to shape the behaviour and norms of larger powers. Australia's engagement with Asia has been most effective when shared interests and objectives have been pursued in cooperation. That is evident in the realisation of the APEC process and the pursuit of mega regional trade agreements.

Australia hosted an ASEAN summit in 2018 that cemented Australia's commitment to ASEAN centrality to manage broader regional affairs. Australia and New Zealand's economic and political security depend on a stable East Asia with a coherent ASEAN at the centre. They are also major contributors to Asian economic and political security.