



Research Institute
Independent Strategic Analysis of Australia's Global Interests

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Joint Standing Committee on the National Capital and External Territories
Department of the House of Representatives
PO Box 6021
Parliament House
Canberra ACT 2600

Inquiry into the Strategic Importance of the Indian Ocean Territories

Submission by Future Directions International

Dear Committee,

It is with great pleasure that Future Directions International (FDI) offers this submission to the Inquiry into the Strategic Importance of the Indian Ocean Territories.

FDI is an independent, not-for-profit research institute established to conduct comprehensive research of important medium- to long-term issues facing Australia. FDI's primary aim is to provide informed, balanced advice, which ultimately will result in policy changes that will enhance the quality of strategic decisions at senior levels of the public and private sectors in Australia for the benefit of all Australians.

The Changing Regional Security Environment and Security Contingencies

To achieve the outcomes above, leaders and their policymakers and implementers need to be aware of the geo-strategic complexities of their region. With this in mind, FDI noted in its 2012 publication, *Indian Ocean: A Sea of Uncertainty*, that:

The Indian Ocean is critical to global trade and food and energy security. Resources increasingly are being exploited by its littoral and island states. It is also a stage for the pursuit of global strategic and regional military and security interests. As the region emerges to become one of the twenty-first century's leading strategic theatres, it will once again be at the crossroads of global trade, economic growth and potential crises. It is a region in which instability and conflict can quickly arise from imprecise border delineations, internal conflicts, issues of energy and resource security and changing national interests. Over one-third of Australia's coastline borders the Indian Ocean. Security of lines of trade and the development of both on-shore and off-shore assets are essential

to Australia's economy and development. The Indian Ocean and its littoral and island states are poised to play an increasingly important role in Australia's future.

For all of the above reasons, a detailed knowledge of the evolving nature of the Indian Ocean, its littoral states and the role that Australia might play, is essential. As the westernmost outposts of this country, Australia's Indian Ocean Territories have the ability to confer significant strategic advantages. Of course, as the remote outliers that they are, such advantages cannot be taken for granted or automatically assumed. Indeed, it may be the case that they are being optimally used and resourced under the current arrangements. FDI considers that the broad focus of the Government's relationship with the Indian Ocean Territories is an appropriate approach. Even so, the submission below suggests a number of avenues that may offer scope for improvement to the benefit of the Territories and the nation as a whole.

Australia's external security continues to be predicated on the assumption that a direct attack by a foreign power is highly unlikely, if not unthinkable, and FDI sees no reason why that will not continue to be the case over the next decade at least.

That said, however, the regional dynamic is changing and becoming increasingly uncertain as the old order wanes and new uncertainties – and opportunities – arise in its place. The exact details of those changes have been discussed at great length in many other fora so, in the interests of brevity, this submission will not delve into them in greater depth. Suffice to say, however, that chief among them are the uncertainties flowing from the rise of China (and its efforts – not always without justification – at safeguarding its vital energy and trade flows); the stance taken by the United States towards Chinese provocations and acquisitions in the South China Sea and, indeed, the depth of its continuing commitment to the Indo-Pacific; the concurrent growth of India and how it manages its relationships with China and Pakistan in a theatre that it has traditionally regarded as its backyard and to which it is devoting increasingly greater attention; and, the growth of religious extremism in South-East Asia, particularly Indonesia, and the potentially destabilising effect that that could have for the region and for Australia's relations with it. The proliferation of such transnational crime as drug- and people-smuggling will continue to command the attention of the Australian Government.

More promisingly, incomes across the region are on the rise as living standards and educational levels continue to improve, offering new and expanding markets for Australian goods and services. For Australia, as it is for all Indo-Pacific states, keeping open the vital sea lines of communication that stretch across the Indian Ocean, together with their associated chokepoints, is essential and engaging as closely as possible with the other stakeholders will only become more necessary in the future. Given that the international situation is in such an unprecedented state of flux, it is important that Australia make the most of all the strategic options available to it.

Defence Capability in the Territories and Associated Infrastructure Development; Maritime, Air and Other Co-operation with Indo-Pacific Partners

The Cocos (Keeling) Islands are located 2,750 kilometres north-west of Perth, but 1,300km from Jakarta and 1,680km from Singapore; Christmas Island is just 518 kilometres (280 nautical miles) from Jakarta. The two territories are 900 kilometres apart.

From a strategic perspective, the primary benefit of the Indian Ocean Territories is the strategic footprint that they confer. The islands have the potential to act as a terrestrial aircraft carrier, as it were, that can significantly aid Australian force projection. Indeed, they are already fulfilling that role for Defence and the Department of Immigration and Border Protection.

On the other hand, of course, the islands' sheer distance from the mainland and their proximity to South-East Asia, together with the significant environmental, structural and cost challenges involved in constructing and maintaining a facility of type established on Diego Garcia, to which the Cocos (Keeling) Islands are often compared, are more likely to render the islands a strategic liability rather than an asset. The upgrading of the runway on the Cocos (Keeling) Islands to accommodate P-8A maritime surveillance aircraft, together with more frequent maritime patrols of the surrounding waters is probably sufficient, both to maintain maritime domain awareness and to effectively demonstrate the exercise of Australian sovereignty over the islands.

Given the islands' strategic location, co-operation with other Indo-Pacific partners could take the form of joint exercises in the area with the Singaporean and Malaysian defence forces. Such exercises could be conducted separately, jointly or under the remit of the Five Power Defence Arrangements and include personnel from New Zealand and the United Kingdom. Equally, all opportunities for closer co-operation with India should be considered and such joint exercises may provide just such an opportunity. The inclusion of personnel from the Indonesian armed forces would have great utility in not only further improving the relationship with that country generally, but also in easing any unfounded concerns in Jakarta relating to a greater Australian (and foreign) defence presence in the area.

Notwithstanding the limitations noted above, and, in addition to the existing co-operative arrangements that Australia has with France in the Southern Ocean to monitor illegal, unreported and unregulated fishing, FDI has previously made the case for an Indian Ocean version of the FRANZ disaster relief arrangements that operate in the south-west Pacific with France and New Zealand. The Indian Ocean version of FRANZ envisaged by FDI would incorporate not only Australia and France, but also India and Indonesia (and, potentially, South Africa), in a formalised and streamlined disaster response mechanism that would complement the existing international search and rescue zones and which would be able to respond more rapidly and effectively to the effects that are increasingly likely to emanate from climate change in the Indian Ocean region. In that instance, the Indian Ocean Territories are ideally placed to facilitate Australian – and partner country – responses to such situations. The challenge, of course, is determining the appropriate scale and cost of the necessary infrastructure. As is the case with an expanded general Defence footprint on the islands, their remoteness from the mainland and the consequent lengthy supply lines are negative factors but, if nothing else, the resulting additional infrastructure would certainly be of benefit to local communities on the islands.

Impacts on Local Communities

In terms of the impacts on local communities, from an economic perspective, the tourism industry may be able to play a more important role than it currently does. While tourism will always be constrained by the islands' remoteness from the Australian mainland, low populations and the sheer cost of getting and doing business there, that is not to say that more small-scale, high-value, low-impact tourism ventures could not prosper there if adequately encouraged and promoted. The encouragement of suitable tourism ventures, including more accommodation options, will be necessary because, in an obvious case of supply and demand, airlines cannot be blamed for only offering the currently limited range of flights. Further financial incentives may therefore be necessary, but will need to be balanced against the impacts on local communities, particularly that on Home Island in the Cocos (Keeling) group. Community consultation will be especially important in finding that balance. A viable, small-scale tourism sector, with the added cachet of having a certain exclusive mystique about it would also contribute to fostering a greater sense of connection with the Indian Ocean Territories on the part of mainlanders.

In view of their proximity to South-East Asia, it may be equally, if not more, viable to better promote the islands to travellers from that region. The charter flights operated by Garuda Indonesia from Jakarta could be supplemented by regular, scheduled flights on that carrier and also, perhaps, by Silk Air, as the regional wing of Singapore Airlines. Other regional carriers may also display interest. As noted above, the islands are geographically close to both Jakarta and Singapore yet, in terms of ambience, they are a world away from both cities and, with some appropriate marketing, infrastructural improvements and better accommodation choices, could be promoted as tropical getaways for adventurous city dwellers from the South-East Asian capitals.

Appoint a Dedicated Minister for External Territories

FDI also observes that Australia's external territories, in general, receive low levels of public awareness. To the extent that they momentarily gain public attention, it is usually for less than positive reasons. It is an attribute that, incidentally, they share with Indonesia. Part of the reason why the external territories occupy such a low priority is that there is no focal point for their administration or media comment and inquiry. While it makes sense to keep the current bureaucratic and service delivery structures in place, a dedicated Minister for External Territories would raise the importance of the territories and could influence important defence and scientific Cabinet decisions that have a direct impact on the islands. Incorporating the Indian Ocean Territories into either Western Australia or the Northern Territory, as has been discussed over the past year, will be more likely to see the islands simply subsumed into larger entities that, while obviously not as remote as Canberra and smaller than the Commonwealth, are still nonetheless likely to have less awareness of both residents' concerns and the islands' overall strategic importance to the nation as a whole than would a dedicated minister.

Conclusion

FDI thanks the Committee for the opportunity to make the above submission. FDI is also pleased to note that it finds nothing particularly controversial in the arrangements currently pertaining to the Indian Ocean Territories. While there are challenges to the islands'

reaching their full potential, both economic and strategic, at the government level at least, there is a high level of awareness of their strategic importance, of which this inquiry provides further evidence. The greatest challenge may be to raise the Australian public's awareness of the uniqueness and importance of the Indian Ocean Territories.

Yours faithfully,

Major General John Hartley AO, (Retd)
Institute Director and CEO
Future Directions International