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RE: Inquiry into economic, social and environmental sustainability in the Indian Ocean Territories

I, Shumi Akhtar (Associate Professor at the University of Sydney Business School), would like to express my gratitude for the opportunity to provide a submission to the Joint Committee's inquiry on the challenges, barriers and opportunities for economic, social and environmental sustainability in the Indian Ocean Territories (IOT). The IOT is comprised of Christmas Island and the Cocos Islands, which are located 2,600 kilometres from Western Australia as shown in Figure 1. These territories are located neighbourhood of Australia but also closer to our Asian trade partners such as Indonesia, Malaysia and Singapore.

Figure 1



Source: Regional development Organisation





My submission is with specific reference to the following terms of reference:

- a. *Encouraging innovation and investment that addresses sustainability challenges and provides economic opportunities. This could include innovative approaches to waste management, and capitalising on the unique environmental qualities that represent the marketing and strategic advantage of the Islands in the long term.*
- b. *Building on investments in education and research by encouraging partnerships across the IOT with local, mainland and international organisations with an education, research, biodiversity or sustainability focus to drive investment and innovative economic outcomes.*
- c. *Identifying how the community can contribute to citizen science, and capitalise on jobs flowing from government investment, including in education and research.*
- d. *Socially responsible development that addresses the social impact of cost of living and geographic isolation; and supports community needs and aspirations.*
- e. *Strengthening and diversifying the IOT economies; and identifying future infrastructure needs to support sustainable economic growth.*

A diverse multifaith, multilingual and multicultural community resides in these territories, providing a great opportunity for investors keen to connect with locals from the Pacific regions. The IOT have great potential to become a centrepiece of sustainable economic growth and development for socially responsible investors. Sustainable development can only be achieved through well-structured and well-planned long-term investment in economic, human and environmental capital. Currently, the female half of the world's human capital is undervalued and underutilised. Women and their potential contributions to economic advances, social progress and environmental protection have been marginalised. This is certainly critical for the IOT region. With the appropriate training and education, the female population in this region



could drive economic growth, reduce poverty, enhance societal well-being and help ensure sustainable development in the agriculture, tourism and fishery industries. Akhtar et al. (2021) evidenced that Islamic financial assets are being utilised for sustainable infrastructure and projects that benefit the wider community. Given the countries with the closest proximity of these islands are Indonesia and Malaysia, two Muslim-majority nations, there would certainly be room to attract foreign direct investment from these countries given sustainability plays an important role in Islamic finance. Similarly, Middle Eastern investors may also be a potential source of investment.

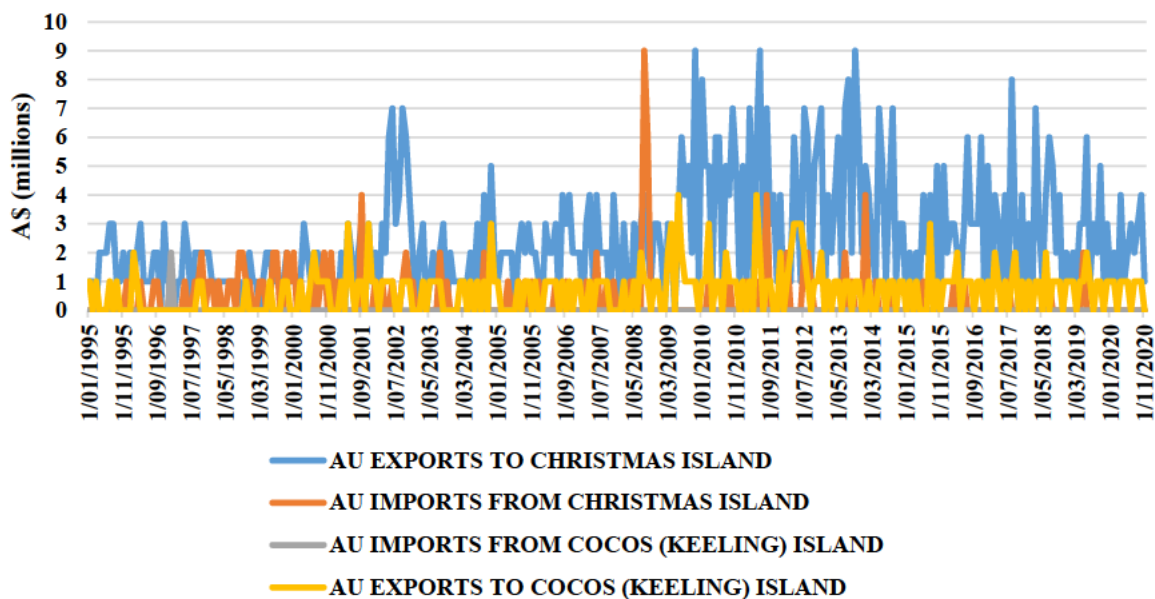
Australia's current trade profile with the IOT requires further attention. As depicted in Figure 2, we have a long standing of export and import relationship with the island territory. However, it is concerning that Australia's trading activities with the IOT are declining. Given the current trade tension between Australia and China, it is in our best interests to explore alternative trade partners, including our Pacific neighbors.

The IOT could be a mecca for environmentally minded investors. These islands offer remarkable possibilities to prospective investors in terms of future land development and management, ecotourism and hospitality, improving technological and transportation infrastructure and untapped potential in the agriculture and fishing industries.



Figure 2

Australia's (AU) exports and imports with Christmas and Cocos Islands: 1995 - 2020



Tourism is a vital part of the islanders’ income, which includes fishing, boating and diving. There is tremendous opportunity and possibilities to take advantage of these islands’ natural beauty. Given the geographical location and surroundings of these islands, ocean energy is an area where more investment is needed. In fact, ocean energy is approaching a near commercial stage. Innovation and R&D investment are necessary to develop this renewable energy resource, which will help this region be self-sufficient in a sustainable manner.

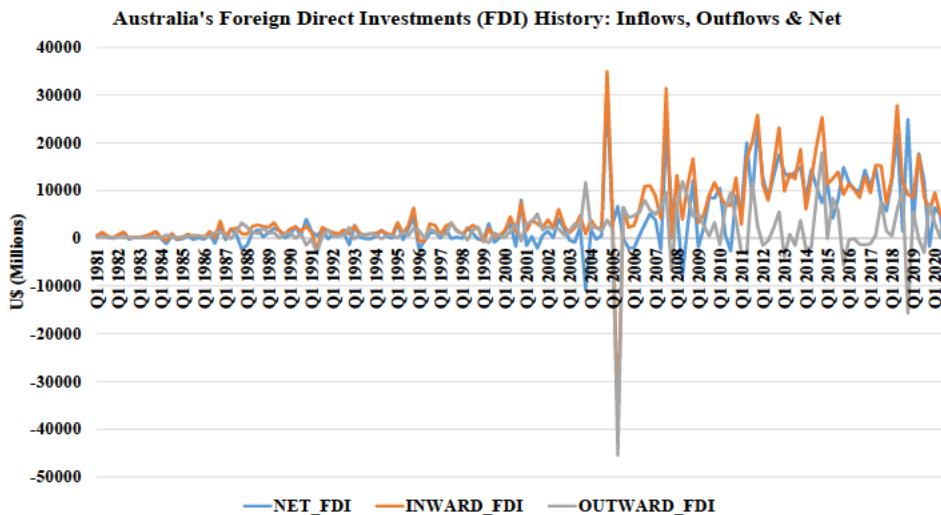
According to an OECD report, the combustion of biomass for power generation is a well-proven technology. It is commercially attractive and highly economic, which can contribute to carbon emission reduction. A large number of multinational corporations around the world are



seriously considering environmentally friendly technology and investment opportunities – which may be an area of opportunity for Australia’s multinational corporations who are often the primary career of foreign direct investment activities.

For example, Figure 3 shows that (inflows, outflows and net position as depicted in Figure 1) our net position in respect of foreign direct investment is barely improved to what it was 30 years ago in the 1990s. The answer to this seemingly perplexing question is simple – its past governments and policymakers have failed to appropriately manage its investment risks. Poor judgment in foreign policy decade after decade has left Australia in its current vulnerable position. Unless the government takes drastic measures in diversifying its investment portfolio in the international market, the situation will only worsen, further hampering our COVID-decimated economy. A continuous need for capital, lack of a solid financial plan and poor transparency in foreign investment policies are the culprit behind our poor foreign investment position. In this light, there is no better time to plan strategically and wisely as to who we want our future trading partners to be in order to develop and secure our economy for future generations.

Figure 3





Over reliant on one or fewer nationals for trade and investment means a disaster is waiting to happen.

To conclude, the IOT are a national treasure. The Australian government must make informed strategic decisions on foreign direct investment by international investors; we must preserve these islands' rich culture and heritage and this should not be compromised by foreign investors.

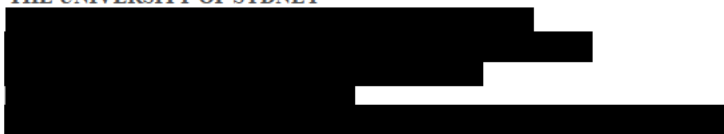
I happily welcome any opportunity to discuss further at the public hearing if required by the Committee on this important inquiry.

Thank you.

Sincerely,

Shumi

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Acknowledgement

1. Figure was generated using data from Eikon, Bloomberg, Refinitive, Morning Star, Capital IQ and Data Stream.
2. Source of Data for Graphs/Figures and Table Production: Australian Bureau of Statistics, Bank of International Settlement, Thomson Reuters, Eikon, SDC Platinum, Capital IQ, BvD, Morning Star, Worldscope, Bloomberg and DataStream, Refinitive, Trading Economics, United Nations, Thomson Reuters, OECD, IMF, ATO and World Bank and Regional Development Organisation.
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