

# **The Importance of the Indian Ocean Rim**

**Paper by**

**Stephen Smith MP**

**Minister for Defence**

## **Historic Shift towards Asia**

In this century, the Asia-Pacific and the Indian Ocean Rim will become the world's centre of gravity.

The rise of China is a defining element of Asia's growing influence, but it is far from the only or whole story.

Everyone sees the rise of China but the rise of India is still under-appreciated, as is the rise of the ASEAN economies combined.

The major and enduring economic strengths of Japan and South Korea also need to be acknowledged.

So must the great individual potential of Indonesia – as it emerges from a regional to a global influence.

The ongoing shift in influence is, however, not just about economics or demographics, it is also about military power, including maritime power.

The Asia-Pacific is home to four of the world's major powers and five of the world's largest militaries – the United States, Russia, China, India, and North Korea.

The Asia-Pacific is also home to many of the world's largest navies – including the navies of the United States, China, Russia, and India.

The implications of this historic shift continue to unfold.

Some seem to assume that the economic and strategic influence of the United States, the world's largest economy and superpower, will somehow be rapidly eclipsed overnight as a result of the new distribution of power.

That is not Australia's view.

In Australia's view, the United States has underwritten stability in the Asia-Pacific for the past half century and will continue to be the single most important strategic actor in our region for the foreseeable future, both in its own right and through its network of alliances and security relationships, including with Australia.

United States presence in this region is underpinned by the United States Pacific Command. USPACOM comprises about one-fifth of total US military strength, and includes six United States Navy aircraft carrier strike groups, two Marine Expeditionary Forces and 185,000 Naval and Marine personnel.

An ongoing United States presence in the Asia Pacific is essential to peace and stability in our region. Indeed, as the world moves to the Asia Pacific, it is even more important that there is a United States' presence in our region.

These considerations have informed our discussions with the United States on the US Global Force Posture Review. This has acknowledged that our respective military forces must be able to respond in a timely and effective way to the range of humanitarian assistance, disaster relief, peacekeeping or stabilisation contingencies that may arise in our region.

Stability in the Asia-Pacific has enabled economic and social development and prosperity, as well as the creation of a regional framework based on APEC and the ASEAN related fora, in particular the East Asia Summit.

With the rise of the Asia-Pacific comes a range of challenges.

Tensions have emerged over maritime and territorial disputes.

Australia reiterates its national interest, along with the international community, in freedom of navigation, the maintenance of peace and stability, respect for international law, and unimpeded lawful commerce in international waters.

Australia unequivocally opposes the use of coercion or force to advance the claims of any party or interfere with legitimate economic activity.

Tensions have emerged over maritime disputes in the South and East China Seas. More recently Iran's posturing on the Straits of Hormuz has been unwelcome.

United States, British and French vessels subsequently sailed through the Strait of Hormuz, as they were and are perfectly entitled to do so in accordance with international law.

Threats to freedom of navigation in the Straits of Hormuz are of serious concern and are unhelpful to security in the region.

Australia urges Iran to abide by its international legal obligations with respect to freedom of navigation in international seas.

Sea lines of communication are essential to trade and commerce. Abiding by international law, abiding by law of the sea, abiding by international norms in that respect is very important for trade and prosperity and also for peace and security.

And that applies not just to those straits in our region but to other sea lines of communication in other parts of the world.

Australia does not take a position on the competing territorial claims in the South China Sea and call on nations to clarify and pursue their territorial claims and accompanying maritime rights in accordance with international law, including the Law of the Sea Convention.

Australia welcomes the agreement last year between ASEAN and China on the set of draft guidelines to implement the Declaration on the Conduct of Parties in the South China Sea as the starting point for the resolution of such issues in the South China Sea.

The Declaration encourages each of the parties to comply with their commitments, to exercise self-restraint and to resolve their disputes through peaceful means.

This is a good starting point but more needs to be done.

### **India and the Indian Ocean**

India's role and place in the Asia Pacific Century continues to be under-appreciated.

Australia and the region need to look west as well as east.

India is the largest democracy in the world, and as India assumes the mantle of global influence accorded to it by its democratic status, growing economy and capacity, its strategic weight in the world will naturally increase.

India has global interests, but India's expanding strategic role has increasingly focused on our shared Asian neighborhood.

The critical strategic importance of the Indian Ocean is also substantially under-appreciated.

The countries of the Indian Ocean Rim are home to more than 2.6 billion people, almost 40 per cent of the world's population.

The security of its waters goes to the heart of global, regional and Australian strategic interests.

The proportion of world energy supplies passing through critical transport choke points, including the Straits of Malacca, the Straits of Hormuz and the Suez Canal will increase in the coming years.

The Indian Ocean already ranks among the busiest highways for global trade. It will become a crucial global trading thoroughfare in the future.

Crucial trading routes, the presence of large and growing naval capabilities, as well as transnational security issues such as piracy, drive Australia to put the Indian Ocean alongside the Pacific Ocean at the heart of our maritime strategic and defence planning.

In recognition of this imperative, Australia has joined the Indian Ocean Naval Symposium (IONS), an initiative of the Indian Navy.

Australia will host the IONS Conclave of Chiefs in Perth in 2014.

India and Australia are also leading the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), a Ministerial level forum with membership ranging across the entire Indian Ocean region.

With India the current IOR-ARC Chair and Australia the Vice Chair, we are jointly leading efforts to strengthen regional security architecture, with a particular focus on maritime security.

After India's two year period as Chair of IOR-ARC, Australia will take over as Chair for the subsequent two year period, and Indonesia expected thereafter.

India, Australia and Indonesia can all provide regional leadership through a forum that has much potential to deal with regional challenges.

This reflects a natural extension of significant and growing bilateral relationships between the three countries.

The IOR-ARC Ministerial Meeting in India late last year agreed to examine renaming the forum, including the option of an "Indian Ocean Community". This is consistent with India's and Australia's efforts to lift the organisation to greater prominence.

During the Minister for Defence's visit to India in December 2011, Mr Smith agreed with Indian Defence Minister A K Antony that Australia and India would boost Defence cooperation, particularly in the maritime sphere.

Mr Smith and Mr Antony agreed to strengthen military to military interaction across the Navy, Army and Air Force and to establish a 1.5 Track Defence Strategic Dialogue, to be held in Australia this year.

Most significantly, Australia and India agreed that officials would work towards establishing a formal bilateral maritime exercise.

While in India, Mr Smith visited Headquarters Western Naval Command in Mumbai, which highlighted the value of enhanced cooperation between our navies.

India's and Australia's navies are the two most significant navies of the Indian-Ocean littoral states. Both Australia and India have much to gain in working together to boost maritime security in the region.

Earlier this month, Mr Smith visited London for the Australia-United Kingdom Ministerial Consultations (AUKMIN). Mr Smith was pleased to announce that Perth will be hosting AUKMIN in 2013, following on from CHOGM in 2011.

Perth's status as Australia's Indian Ocean capital makes it a natural choice to host next year's AUKMIN meeting, underlining the growing international importance of the region.

### **Counter-Piracy**

Since the commencement of Operation SLIPPER in 2001, Australia has maintained a maritime contribution in the Middle East Area of Operations.

From 2001 to 2008, Australia's maritime contribution focused on maritime security operations in the northern Persian Gulf.

With the withdrawal of Australian Defence Force personnel from Iraq in 2008, the Operation SLIPPER maritime role shifted to counterterrorism and maritime security.

The Australian maritime contribution also became involved in international counter-piracy efforts which commenced in 2009 under a United Nations Security Council mandate.

The Australian maritime contribution is deployed to the US-led Combined Maritime Forces, which patrols more than 2.5 million square miles of international waters to counter terrorism, prevent piracy and reduce the illegal trafficking of people and drugs.

That contribution, along with our maritime partners will be responsible for conducting maritime security operations in the Gulf of Aden, Gulf of Oman, the Arabian Sea, Red Sea and the Indian Ocean.

These operations help develop and maintain maritime security and promote stability and prosperity.

In October 2011, Australia hosted a Forum on Indian Ocean Piracy in the margins of the Commonwealth Heads of Government Meeting, chaired by the former Foreign Minister Mr Rudd and the European Union (EU) High Representative for Foreign Affairs and Security Policy, Cathy Ashton.

The Forum was attended by Indian Ocean Rim countries and stakeholders promoting security in Somalia and off the Horn of Africa. The Forum underlined its deep concern at the threat posed by piracy and armed robbery against ships in the Indian Ocean. Somali piracy raised the costs of international trade and harmed the fishing and tourist industries of East African and Indian Ocean coastal and island states.

Noting United Nations Security Council Resolution 2015 passed on 24 October 2011, the Forum endorsed the international efforts to restore peace and stability in Somalia.

Diplomatic efforts to address the drivers of Somali piracy through initiatives to build governance, security and economic livelihoods on land in Somalia were one crucial way to address the root causes of piracy off the Horn of Africa. The Forum also endorsed the targeted international and regional approaches to tackling piracy.

Participants at the Forum welcomed the work of the Commonwealth, the EU, regional and international organisations, notably the UN and its contact group on piracy, coalitions of countries and individual states in countering piracy in the Indian Ocean region.

Participants also agreed that regional ownership and burden sharing was essential and therefore attached great importance to support the regional anti-piracy strategy and action plan adopted in Mauritius in October 2010 by the Eastern and Southern African and the Indian Ocean regions.

The Forum also noted the opportunities offered by the significant number of countries who shared a common legal heritage and the opportunities this presented to the Commonwealth, other international organisations and states in the delivery of legal assistance and support to criminal justice systems.

Noting the Forum was held in the margins of CHOGM 2011, the participants encouraged common law countries to work together in support of criminal justice approaches to countering piracy and urged the Commonwealth Secretariat to keep this work under active consideration.

Defence Minister Smith and former Foreign Minister Rudd announced at the Forum that Australia will host a Counter-Piracy Conference in Perth in 2012 as part of its ongoing commitment to international counter-piracy efforts.

The Perth Counter-Piracy Conference will explore ways to assist Somalia and other affected countries to address the drivers of piracy. It will also afford an opportunity to compare the experiences of counter-piracy cooperation in other regions, such as South-East Asia and West Africa.

### **The Importance of Regional Architecture**

Australia has greatly benefited from the Asia-Pacific region's long period of peace, security, stability and prosperity.

We owe this in great part to the creation and growth of regional institutions like ASEAN and its related forums, institutions that continue to build habits of dialogue and cooperation in the region.

Since coming to office, the Government has advocated the need for a regional Leaders' meeting which can consider both strategic and security matters, as well as economic matters, with all the relevant countries of our region in the same room at the same time.

That is why Australia strongly supported the inaugural meeting of the ASEAN Plus Defence Ministers Meeting (ADMM Plus) in Hanoi in October last year.

That is why we very much welcome the entry of the United States and Russia into an expanded East Asia Summit (EAS) this year. The United States and Russia joined with ASEAN countries plus Australia, China, India, Japan, New Zealand and the Republic of Korea.



Presidents and Prime Ministers, Foreign Ministers and Defence Ministers from all key countries in the region now meet to discuss the full gamut of issues, from the economy and trade and investment through to peace and security.

Australia is pleased to co-chair with Malaysia the maritime expert working group of the ADMM Plus.

The establishment of the ADMM Plus offers real opportunities for practical military to military and defence to defence cooperation, including for disaster relief and humanitarian assistance.

Another important regional security forum is the Five Power Defence Arrangements (FPDA).

The FPDA brings together Australia, Singapore, New Zealand, Malaysia and the UK. The FPDA was established in 1971 to provide transitional security assurances for the newly formed independent states of Malaysia and Singapore.

As Singapore and Malaysia's Defence capabilities increased, the Arrangements have developed into a forum for continued multilateral Defence interaction between members.

Today, the FPDA retains conventional capabilities while also adapting to deal with modern non-convention challenges, such as counter-terrorism, maritime security, humanitarian assistance and disaster relief.

### **US Global Force Posture Review**

The US Global Force Posture Review was established to ensure the US could respond to current and likely future changes in the international security environment. It seeks a politically sustainable, operationally resilient, and geographically dispersed US force posture.

The US considers its engagement in the Asia-Pacific to be an increasingly important strategic priority given the region's location between the Pacific and Indian Oceans, its proximity to vital strategic sea lanes, and increased great power interest in the area.

One of the key Force Posture Review priorities for the United States is to increase engagement with Australia and its partners in Southeast Asia, and to strengthen regional confidence in US engagement in the region.

We have seen that reinforced by President Obama's commitment to enhancing US engagement with the Asia Pacific during his visit to Australia and more recently in the US.

In his speech to the Australian Parliament in Canberra, President Obama committed the United States to making its "presence and missions in the Asia-Pacific a top priority", while at the same ensuring that "reductions in US defence spending will not come at the expense of the Asia-Pacific."

The President reiterated the US commitment to the Asia Pacific with the release of the new US Defense Strategic Guidance in January, and Secretary of Defense Panetta confirmed that the US enhanced commitment to the Asia Pacific would be quarantined from US defense budget cuts in his announcement last Friday of US Defense Budget Priority and Choices.

Prime Minister Gillard and President Obama announced during the President's visit to Australia new force posture initiatives that significantly enhance defence cooperation between Australia and the US.

Coming on the 60th anniversary of the ANZUS Alliance, these initiatives strengthen an already robust partnership that has been an anchor of stability and peace in the Asia-Pacific region.

Starting this year, Australia will see the rotational deployment of US Marines to Darwin and Northern Australia, for around six months at a time, where they will conduct exercises and training on a rotational basis with the ADF.

The initial deployment will consist of a small liaison element and a company of 250 US Marines, which will expand over the coming five/six years to a rotational presence of up to a 2,500 person Marine Air Ground Task Force. The US Marines will exercise and train on a rotational basis with the ADF in the Northern Territory.

The increased training and exercising with the US Marines will be an important opportunity for the ADF to build and refine its amphibious capability as the LHDs come on line and as the ADF implements Plan BEERSHEBA.

As part of our ongoing work with the US on its Global Force Posture Review, we will also examine the possibility of increased US access to Australia's Indian Ocean port, HMAS *Stirling*.

### **Australian Defence Force Posture Review**

It is equally essential that the ADF is correctly geographically positioned to meet future security and strategic challenges.

That is why I announced the Force Posture Review in June last year.

The Review is addressing the range of present and emerging global, regional and national strategic and security factors which require careful consideration for the future.

These strategic and security factors include:

- the rise of the Asia-Pacific as a region of global strategic significance;
- the rise of the Indian Ocean rim as a region of global strategic significance;
- the growth of military power projection capabilities of countries in the Asia Pacific;
- the growing need for the provision of humanitarian assistance and disaster relief following extreme events in the Asia Pacific region; and
- energy security and security issues associated with expanding offshore resource exploitation in our North West and Northern approaches.

The Force Posture Review will feed into the 2014 Defence White Paper.

The last time Australia did something of this significance was in the 1980s when Professor Dibb and Robert Cooksey did some work for one of my predecessors, Kim Beazley that informed the 1987 White Paper and its outcomes.

Those reviews resulted in the establishment of some of our so-called bare bases, RAAF Scherger in Queensland for example and also saw the move of some of our naval assets and submarines to HMAS *Stirling* (Fleet Base West) in Western Australia.

The need for an ADF Posture Review is driven by our strategic circumstances.

Australia's strategic interests are overwhelmingly positioned to the north, the north west and north east, and to the Indian Ocean Rim.

A 'Brisbane Line' disposition of Navy, Army or Air Force assets does not reflect the reality of where the ADF must operate, whether for military operations or humanitarian assistance and disaster relief, or other contingencies.

It is essential to consider whether the ADF is appropriately geographically positioned to respond in a timely way to Australia's strategic and security demands.

Two of our leading national security experts, Allan Hawke and Ric Smith, both former Secretaries of the Department of Defence, are overseeing Defence's work on the Force Posture Review.

### **Expert Panel's Progress Report**

On 30 January, the Minister for Defence released the Expert Panel's progress report.

The Expert Panel's progress report is essential and compulsory reading for Navy and anyone interested in Navy.

The progress report offers a range of thoughts and options on how the ADF could be better geographically positioned to respond in a timely way to Australia's strategic and security demands.

The progress report points to the Asia Pacific Century as reinforcing the need for a force posture that can support operations in Australia's Northern and Western approaches, as well as operations with our partners in the wider Asia Pacific region and the Indian Ocean Rim.

The progress report points to expanding maritime capabilities as significantly influencing Australia's future force posture.

Joint amphibious capability is envisaged as having a transformational effect on Navy, Army and the ADF generally, driving force posture considerations.

The Expert Panel also examines possible basing options in the North and North West of Australia and the possibility of arrangements that enhance access to commercial ports.

The Expert Panel also highlights the potential for greater wharf capacity and support facilities at HMAS *Stirling* (Fleet Base West) to support major surface combatant capability and operations.

The Expert Panel noted that while Fleet Base East remains a highly effective homeport location for Navy, in the future, the impact of encroachment pressures on Navy's presence in Sydney could present increasing challenges and that an additional fleet base in a location like Brisbane could complement and relieve that pressure.

As Allan Hawke and Ric Smith wrote to me in their covering letter forwarding the report: "In our view, Navy faces the greatest challenges in accommodating the practical and conceptual changes required...".

That challenge is reflected by the Expert Panel's preliminary conclusions as they relate to Navy. They are as follows:

- While permanent Navy bases in the North West are not operationally necessary given the availability of bases at Perth and Darwin, there is a case for Defence to pursue improved access arrangements at commercial ports such as Exmouth, Dampier, Port Hedland and Broome.

- Defence to increase the prominence of the Fleet Base West command and upgrade the current rank level of Commanding Officer HMAS Stirling from Captain to Commodore in view of:
  - the prominence of the ADF and Navy presence in Western Australia; and
  - the increasing importance of the Indian Ocean and the need to support whole-of-Government and international engagement efforts.
- Defence to proceed with its plans to homeport the Air Warfare Destroyers and LHDs at Fleet Base East in the short term but also develop additional options as set out below.
- Defence to develop options to expand wharf capacity and support facilities at Fleet Base West to:
  - a. support major surface combatant capability and operations by:
    - i. providing adequate infrastructure and facilities, including missile loading and maintenance facilities, to homeport at least one Air Warfare Destroyer as well as the Future Frigate class; and
    - ii. providing facilities that are also able to be used for deployments and operations in Southeast Asia and the Indian Ocean by US Navy major surface combatants and aircraft carriers;
  - b. support submarine capability and operations by:
    - i. enabling Fleet Base West to continue as the primary submarine homeport when the expanded Future Submarine fleet enters service; and
    - ii. providing facilities that are also able to be used by US Navy nuclear-powered submarines.
- Defence to develop a long term option for establishing an additional east coast fleet base for the LHDs and/or Future Submarine, noting that Brisbane is:

a. well provided with industry capacity for maintenance, repair and sustainment;

b. closer to mounting bases (for embarking land forces) and likely operating areas in the archipelago to our north and the South Pacific;

c. out of the 'cyclone belt'; and

d. located in a Nuclear Powered Warship-rated port, to facilitate US Navy visits.

- Defence to plan to expand the capacity of bases at Darwin and Cairns to accommodate the OCV and replacement LCH, noting:

a. the scale and cost of any expansion at Darwin and Cairns would depend on the final size of the OCV; and

b. the OCV will also need to be postured for its mine counter measures and hydrographic survey roles.

- Defence to develop a more consolidated long term master plan for meeting Navy's Force 2030 basing requirements, which also addresses the implications of increased US activities and presence in Australia.

And in the context of the ADF's Joint Amphibious Capability:

- Plans for developing an amphibious mounting base capacity at Townsville are appropriate and on track.
- Defence to develop an alternative amphibious mounting option for Darwin that includes the development of roll-on, roll-off loading facilities at East Arm wharf, rather than rely on embarkation and loading via watercraft (noting the benefits for the ADF and future US Marine rotations through Darwin).
- Defence to develop options to allow large amphibious ships to embark Army units based in Brisbane and (as a lesser priority) Adelaide, in addition to Townsville and Darwin.

More broadly, the Review is also examining logistics support requirements, training areas for large-scale and joint training exercises, demographic and economic factors, public communications strategies, and engagement with industry, particularly the minerals and petroleum resources industries in Australia's North and West.

The Review's final report will be submitted to the Government at the end of March this year.

The Government will then closely examine the Force Posture Review, which will form part of the security and strategic considerations for the 2014 White Paper.

## **Conclusion**

The Asia Pacific is a region in strategic flux. The changes in our immediate region present a number of strategic challenges for Australia, but also enormous opportunities in the years ahead.

Australia sees the continued and enhanced presence of the United States as fundamental to ensuring the continuation of the security and stability in our region that has underpinned the economic growth and prosperity in the post World War Two period.

Australia will continue to play a role in ensuring the security and stability of the region, including with our Alliance partner the United States.

Fundamental to this is the need to have strong, modern and capable naval and maritime capabilities able to respond to the full range of challenges ahead. As we look to the future, it is vital that we heed the hard lessons learnt over the past few years in preparing for the future.

As we increasingly recognise the importance of maritime security, I wish you well in your discussions on the challenges facing navies and the broader maritime community in the future, in the Asia Pacific region and beyond.