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**ANU College of Asia and the Pacific  
Collective Submission to**

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Committee**

**Inquiry into the Indian Ocean Region and  
Australia's Foreign, Trade and Defence Policy**

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## INTRODUCTION

Andrew MacIntyre

This submission seeks to bring together, in an integrated fashion, a number of the key dimensions of change around the Indian Ocean Rim (IOR) and highlight their implications for Australia. It draws on the expertise of a range of scholars from the ANU College of Asia and the Pacific. As such, it is a supplement to submissions from individual ANU scholars. The focus of the submission is on the interplay of domestic and international economic and political factors; how they play out among the IOR countries themselves and how they connect IOR countries with the rest of Asia.

Peter Drysdale presents an overview of economic and political dimensions of developments in India and how they relate to the wider Asian and global economic orders. A key theme of his analysis is that there is large untapped complementarity between the Indian and Australian economies, and that they are being drawn progressively closer together – like the Asian region as a whole.

Brendan Taylor focuses on the military balance of power in the Indian Ocean and Asia more broadly. Mindful of the rapid pace of economic change and the emerging shift from a regional power balance dominated by the United States to a more competitive state of affairs, he nevertheless presents a more cautious assessment than other leading strategic analysts. His central theme is that the growth of genuine strategic weight lags considerably behind rising economic indicators.

Nicholas Farrelly digs down into some of the underlying patterns of domestic politics in countries around the Indian Ocean, including, specifically, Burma and Sri Lanka. Among the issues he highlights is the impact of domestic political violence, particularly inter-ethnic violence on refugee flows as well as trade, tourism and aid. More broadly, he argues that if Australia is to adequately comprehend the dynamics of the region, our universities must look beyond established ways of viewing it.

Stephen Howes notes that the IOR is not a natural region and currently shares only modest levels of genuine economic interconnectivity. So much so, that while Australia will certainly want to prosecute trade and aid priorities with various parts of the IOR, it cannot effectively do so with the IOR as a whole. Other more established regional groupings and bilateral relationships will provide better opportunities for Australian leverage. In Howes' view, the countries around the rim of the Indian Ocean are without question important to Australia, but the IOR, as such, is not an appropriate target for sustained policy initiatives.

There is much food for thought in these assessments. They represent part of the portfolio of expertise that the ANU's College of Asia and the Pacific brings to bear on the Indian Ocean region. It is a body of expertise that stretches across the social sciences and humanities, ranging from precious knowledge on language and literature (including a world-leading online Sanskrit training program) through to the globally-renowned annual Narayanan Oration, featuring the foremost decision-makers and analysts of the Indian economy. The ANU has made a strategic commitment to further expand its scholarly capabilities relating to India and South Asia. When combined with our Southeast Asia and wider Asia-Pacific expertise, this provides an extraordinary resource to inform wider inquiry and national debate. For further information, please visit – <http://asiapacific.anu.edu.au>

## INDIAN ECONOMIC GROWTH AND ITS IMPLICATIONS FOR THINKING ABOUT INDIA'S REGIONAL AND GLOBAL ROLES

Peter Drysdale

India emerged largely unscathed from the impact of global financial meltdown to grow at an impressive 6.7 per cent in 2008-09. This was a performance that ranked second only to China's: although lower than the 9 per cent growth achieved in the three years immediately before. The IMF growth forecast for 2012 is 6.9 per cent, but with a weaker outlook.

### Economic performance

India's impressive economic performance shows the strength of Indian economy. India escaped the global financial contagion as the Indian banking sector was not exposed to sub-prime lending and risky assets. But India's continued good performance also demonstrates its domestic fundamental economic resilience, with growth fuelled by the high rates of domestic savings and investment.

India has taken its place within the councils of the world. Since November 2008, it has sat at the G20 summit. In the last year or so, the heads of government of all five UN Security Council members have visited Delhi; India has hosted the prime ministers of the United Kingdom and China and the Presidents of the United States, France and Russia. Most countries, including Japan and Germany but not yet China, acknowledge India's claim to permanent membership of the Security Council. The rush to pay tribute to New Delhi is palpable. India has arrived, so it seems, on the centre of the global stage.

### Problems of governance

But despite India's strong economy and its moment in the global sun, most Indians will remember the past two years as a period of scams, scandals, corruption and national shame that threatened 'not only the country's brand equity but its economic prospects as well'. The sordid record included the corrupt mess of the Commonwealth games; a brazen real estate scam (the Adarsh housing society case) in Mumbai; and to top it all off the most audacious, gigantic, 'in-your-face' flouting of all governance norms and proprieties in the case of the allocation of 2G spectrum channels. The underbelly of Indian political corruption was exposed for all to see through publication of the Radia tapes that revealed, as Rajiv Kumar (of FCCI) says, 'the depth of the rot that has set in to India's administrative machinery' (<http://www.eastasiaforum.org/2011/01/20/indian-corruption-time-to-fight-back/>).

All this took place on the watch of Prime Minister Singh, whose personal honesty and integrity are beyond reproach, but that in no way qualifies the creeping systemic disease of administrative corruption that eats away at the fabric of Indian society and is a dead weight on India's economic promise.

There are two promising factors that will help see India through its current malaise: the now entrenched freedoms of a vigorously open press that have put the searchlight on venal politics and provides more and more effective monitoring and system accountability in the public interest; and the dynamism and vigour of India's entrepreneurial class and the corporate sector with its vast army of professionals in the new middle classes. Entrepreneurial energy was unleashed with the reforms in the early nineties and drives India's economic performance in spite of the burdens of administrative corruption.

Economic reform is far from done. Without maintaining the momentum of reform (in macro and fiscal policy, in the provision of infrastructure, in labour law and the privatisation of the public sector), India's economic chance will recede. But, despite recent setbacks, the expectation is that India will continue to enjoy strong growth.

### Growth potential

Ashima Goyal (of Mumbai's Indira Gandhi Development Research Institute) notes (<http://www.eastasiaforum.org/2012/02/25/policy-and-potential-economic-growth-in-india/>) that the Indian labour market is expected to absorb 12 million young workers a year over the next five years. That will require a 10 per cent rate of GDP growth — though growth has slipped back recently. In addition, some of the 300 million or so Indians living below the poverty line will have to transfer to higher-productivity employment. By way of comparison, the impact of unemployment from the global financial crisis in economically advanced countries only affected 22.5 million workers. The availability of capital for investment is roughly 40 per cent of GDP, with a ratio of savings to GDP of between 32 and 36 per cent and net capital inflow through the current account deficit of between 2 and 4 per cent of GDP. Given India's capital-output ratio, this investment should continue to support a 10 per cent rate of growth.

### Strategic implications

India's continuing economic growth also has strategic implications — and a potential to provide stability in the region. India is often thought of merely as little more than a chip in the game of managing the challenge of China — taken for granted, seen as a pawn in the growing power game between America and China, or so pre-occupied within its region as to stunt its potential global role. There are also expectations that India would automatically fall into defence alignment with the United States on China.

This is a naive view of India's strategic circumstance and thinking. In the first place, India is on course to become the third largest global economy by 2025. In a decade or two, India — 80 per cent of the South Asian economy — with its current rates of growth and demographic, nudging forward as East Asia's China-driven growth eases off, will be nested into its own large economic and political relationship with China. Such is likely to be the power of India's and China's economic scale and their proximity in drawing their economies closer and closer together and creating a new alignment of Asian interests. As international economics predicts — because of their growing economic size and their proximity — India's economic integration with East Asia, and China, is growing more rapidly than with any other part of the world.

A number of things contribute to this way of thinking. There is the vast change in Indo-American relations in the past decade, spurred by US interests in attending to its strategic vulnerabilities in the Indian Ocean because of the fragilities in its dealings with India in the past; India's desire to come in from the cold in developing its civilian nuclear capabilities; and India's unequivocal commitment to economic globalisation. The rapprochement with the United States was linked to putative concerns about the rise of China, although, no matter how much some might have wished it to be, that issue was never central to the historical watershed that has already taken place in Indo-American ties. The strategic importance of the Indo-American relationship stands independently of either country's approaches to China.

## Strategic realities

Sourabh Gupta (<http://www.eastasiaforum.org/2012/03/25/india-s-foreign-policy-in-the-asian-century/>) points out that India's leaders have shown a consistent grasp of the country's strategic purpose. As a strategic protagonist in the prospective geo-politics of Asia, will India seek, Gupta asks, to forge a broad set of strategic partnerships, while maximising its leverage by not aligning with any particular state or group of states? Or will it develop a preferred partnership with a select power or set of powers? As a recent entrant to the East Asian emerging power equation, will India seek to serve as its 'external' balancer? Or will it, with Machiavellian realism, lend its weight to the winning side of the immediate regional challenge of the day, and periodically shift between strategic partners? Will India seek to forge a 'natural alliance' of democratic states in the Indo-Pacific, framed in conscious contradiction to China and its regional interests? Or will it seek to articulate an alternate, pan-Asian model of international relations that is keyed to regional tradition and historical circumstance and driven at its core by shared Sino-Indian interests? Inheriting the strategic compass of its colonial masters, will India aspire to impose a liberal-minded primacy in its backyard? Or will it affix its strategic identity to a set of shared values that might tolerate coercive strategies of intervention by necessity, although it is unlikely to accept them as a generalised principle?

India's National Security Advisor, Shivshankar Menon, has defined India's enduring principles ([http://www.idsa.in/key speeches/AmbShivshankarMenon\\_13ASC](http://www.idsa.in/key speeches/AmbShivshankarMenon_13ASC)) of order for the emerging Asian century. He has argued that India's foreign policy posture needs to be 'inclusive, comprising all powers — regional and extra-regional — relevant to the practice of Asia's security. Its geographic scope ought to be extensive, extending from the Suez to the Pacific and seamlessly enfolding the maritime periphery with the rising continental core. Its security structure ought to be plural and open-ended, having learnt its lesson from past collective security failures. Finally, its institutional mechanisms ought to be consultative and non-prescriptive, respectful of the region's preference for consensus-based approaches to problem solving, and centred in that crossroads of Asian inter-civilisational interaction, Southeast Asia'.

## Global aspirations

India can have ambition to be 'an enabling power, seeking to establish a loose understanding of principles and practices related to the core issues of the region's international relations, such that power is exercised in a spirit of self-restraint by its dominant entities'. India can also be an engaged power, and 'hope to frame its rise in consonance with the greater Asian region as a whole'. India will probably be a pluralistic power, 'facilitating the involvement of the widest spectrum of participants in the region's endeavours, and eschewing exclusivist multilateral constructs (particularly in the area of non-traditional security)'. And India may in some circumstances be a stabilising power, 'prepared to use its considerable security capabilities to help resist revisionism and maintain a more stable equilibrium — a key national interest'.

As India grows into its global role over the next decade or two, economic modernisation — and the creation of an environment to facilitate this agenda — will remain an overriding imperative. It is important that India succeeds in this task and in the aspirations that its leading foreign policy analysts have defined for it, consistently with its own political DNA, and that Australia appreciates these roles leaving behind increasingly irrelevant conceptions of India in contest with China and East Asia.

These global conceptions of India's role are also extremely important for progress on India-Pakistan relations, as in the recent entrenchment of most-favoured-trading relations between the two countries. As the relationship between India and Pakistan becomes nested in robust commitment to the global rules and framework of cooperation, so bilateral economic dealings will swamp bilateral political dealings and negative-sum or zero-sum security issues, as they have in East Asia, in the relationship between China and Japan.

#### Some Australian dimensions

India is a potentially large economic partner for Australia. India has embarked on a great externally-oriented reform. The scale and the nature of forces that are driving India's involvement in the global economy are also deepening integration across Asia. This huge process in which India and Australia are both now engaged in the Asian economy, from different ends, will inexorably draw the two countries more and more closely together. This is a strategic opportunity, and to capture it is important not only to Australia and to India but also regionally and globally. The direct imperative that will shape the future of the Australian and Indian partnership in Asia is the deep complementarity between our two economies. Already that is having its impact on the growth and importance of our bilateral trade and investment.

Australia's trade and economic relationship with India is now one of our fastest growing. India is already Australia's second largest market for metallurgical coal and is a huge potential market for energy, including uranium.

What is now happening between Australia and India is the emergence of a trade pattern that is well established in Australia's relationships with East Asia. The trade relationship with Australia is also strategically important to East Asia. Australia alone supplies around half of Northeast Asia's key imported industrial raw materials and more than 22 per cent of Japan's energy supplies (not including uranium)—Australia is a more important energy source for Japan than is Saudi Arabia. These are large, deep, reliable relationships, critical to the prosperity and stability of the entire Asian region. India's continued growth and industrialization is forging a relationship between Australia and South Asia that, 10 or 20 years hence, is likely to match the well-established relationship with East Asia.

Yet there are very few in New Delhi who understand the nature of Australia's resource trade and broader relations with East Asia and the real potential of a similar partnership with India. A priority is to articulate, together with India, policies and strategies important to the successful realization of this historic opportunity and the arrangements that need to be put in place to help secure it.

In geo-political terms this requires developing a strategic view of India as connecting directly to what is happening in the rest of Asia, not a separate counterpoint in dealing with East Asia. This will involve dealing with India within the frameworks that have been put in place to assist in the management of that, as India becomes itself more closely enmeshed with the East Asian economy. India is already a member of the East Asian Summit. It is even more important that it be brought into the APEC (economic) arrangement and that mechanisms be developed around both arrangements to engage the rest of South Asia. Through this prism Australia can leverage its relationship with India and can make a useful contribution to adding ballast to the India-Pakistan relationship. It will also involve more proactive and direct diplomacy with India as a global player, importantly in the G20.

Getting policy strategies right on India will be more likely if there is vastly enlarged Track 2 diplomatic engagement (see Attachment 1). On the economic front the South Asian Bureau of Economic Research (SABER) initiative has been valuable in this respect (Attachment 2). Also see East Asia Forum ([www.eastasiaforum.org](http://www.eastasiaforum.org))

## **THE INDIAN OCEAN AND THE ASIAN BALANCE OF POWER**

Brendan Taylor

As China rises, how far and how fast is Asia's power balance shifting? Head of the Lowy Institute for International Policy, Michael Wesley, is of the view that 'our strategic environment is evolving faster than we think.' The Australian National University Professor Hugh White goes even further, positing that 'the major strategic shifts have already taken place.'

Recent tensions in the South China Sea have been widely interpreted as supporting such claims. Dissecting the recent standoff between Chinese and Philippine naval ships in the South China Sea, the American scholar Michael Auslin concludes: 'The Scarborough Shoals dispute shows Chinese assertions aren't stopping, and that Beijing's ability to intimidate neighbours is shifting the balance of power.'

It is risky, however, to draw too many conclusions about Asia's larger strategic balance from this particular fracas. That is because the South China Sea isn't really a vital interest for any of Asia's great powers (except perhaps for China) notwithstanding US Secretary of State Hillary Clinton's claims to a July 2010 Asian security meeting that the South China Sea is a 'national interest'.

The Indian Ocean is a different matter. This body of water genuinely does engage the interests of Asia's great powers. Moreover, their competitive posturing and positioning in this part of the world will, over the coming decades, provide perhaps the clearest indication of how Asia's larger strategic balance is evolving.

The Indian Ocean matters to Asia's great powers for two main reasons: a) economic/energy security and b) status.

On the first of these two factors, the Indian Ocean is already the world's busiest commercial seaway and its importance will only grow over the coming decades as the energy needs of China and India increase exponentially. Just as significantly, the idea of commercial 'access' has been a concept underpinning US grand strategy in Asia for over a century, going back to the American opening to Japan and China in the 1800s, and there is nothing to indicate any deviation from this enduring trend.

The Indian Ocean also matters to Asia's great powers because of the status associated with a military presence there. Some Indian leaders, for instance, see a clear link between their country's naval expansion in this part of the world and India's status as a great power. In years gone by the Chinese too regarded the Indian Ocean region as a 'zone of influence'. Consistent with this, Beijing's rekindled interest in the Indian Ocean can in part be correlated with larger aspirations to regain China's rightful place in the world.



India, China and the US are each expanding their presence in the Indian Ocean in line with these interests. Much of New Delhi's energies over the past decade have been directed towards developing a security presence and a set of strategic relationships in the Indian Ocean region, with particular emphasis given to the so-called maritime 'choke points' which provide entry points to it. China has embraced a so-called 'string of pearls' strategy for the Indian Ocean which involves establishing commercial port facilities with friendly countries in the region which some analysts claim also facilitate naval access. The US too is contemplating ways to increase its operational access to the Indian Ocean whilst also encouraging India to play an even greater role as a counterweight to China's burgeoning naval presence.

While Asia's great powers become increasingly active in the Indian Ocean region, important limits on their capacity to fully realize their strategic objectives look set to remain. Serious questions have been raised, for example, regarding the operational readiness of the Indian armed forces, with one recent report suggesting that more than half of its military equipment has slipped into the 'obsolescent' category. China remains hampered by the distance between its naval ports in Southern China and the Indian Ocean, while its capacity to logistically sustain operations in this theatre remains unproven. Distance is also a challenge for the US, as is New Delhi's reluctance to enter into any kind of formal alliance relationship with Washington due to a strong independent streak which, largely for historical reasons, is seemingly hardwired onto its strategic DNA.

The causes of and constraints upon great power activism in the Indian Ocean provide insights into the larger strategic order that is unfolding in Asia. What the preceding observations suggest is that Asia is currently in the process of transitioning from an order based around American strategic primacy to one best characterized as a competitive balance of power. Yet they also indicate that this transition is occurring at a far more gradual pace than commentators such as Wesley and White suggest.

This should not come as much of a surprise. In his Magnum Opus *The Rise and Fall of the Great Powers*, the Yale historian Paul Kennedy reminds us that it takes time to translate economic prosperity into genuine strategic weight. As the Asian century unfolds, we will need to find more sophisticated ways for understanding that process (particularly as it applies to China and India) and its ramifications for the larger Asian balance. Closely monitoring unfolding strategic trends and developments in the Indian Ocean provides an ideal 'test case' for undertaking such as exercise.

## **DOMESTIC POLITICS ON THE INDIAN OCEAN RIM**

**What does Australia need to know about domestic politics in the countries of the Indian Ocean region, and what can Australia do in relation to our knowledge deficit?**

Nicholas Farrelly

Australia proudly claims significant, even world-leading, expertise on the politics of Southeast Asia and the Pacific. Investment in understanding domestic politics in the countries

nestled around the Indian Ocean rim has trailed far behind. In this vast region the challenge for Australia is to choose its areas of preoccupation carefully and to prioritise resources to those where emerging economic, political, strategic and humanitarian interests are at stake. To determine these priorities, Australians need to generate fresh enthusiasm for understanding opportunities in countries with radically different political cultures. The priority should be to develop knowledge about those Indian Ocean countries with the potential to leave behind their histories of violent and authoritarian politics.

Burma—an important Southeast Asian country on the Indian Ocean rim—is at the top of that list. Today it is emerging from fifty years under military dictatorship with a new appetite for international engagement and collaboration. Mind-boggling ethnic, linguistic and geographic diversity marks Burma as a genuine “crossroads of Asia”, and its strategic position wedged between Bangladesh and Thailand means it has the potential to be a valuable partner on the Indian Ocean rim.

Since elections in November 2010 Burma has begun crafting new political, economic and cultural institutions as the basis for more democratic government. The quasi-civilian government of President Thein Sein is now implementing audacious reforms with recent liberalisation of civil liberties and the financial sector just the beginning of a genuinely exciting process for the country’s 60 million people. Hope among the people was boosted in April 2012 when Aung San Suu Kyi and 42 others from her National League for Democracy were elected to the country’s legislatures. These changes show that even the most consistently repressive governments have potential to reform.

For Australia the current changes to political conditions in Burma are notable for three reasons. First, Australia has remained heavily engaged with Burmese political events during the years of military rule and is still considered a useful broker among western democracies. Second, political changes in Burma come at a time of intriguing geopolitical shifts in the wider Southeast Asian region. These shifts see increasingly assertive Chinese re-positioning amid the so-called “East Asian pivot” of the United States. Third, the prospect of a more peaceful, prosperous and democratic Burma is one that should be enthusiastically welcomed in Australia. It endorses decades-long efforts by Australia to motivate political reform. Australia can now play a role in further incentivising reform and developing the foundations of a long-lasting partnership between the two countries.

For Burma the end of inter-ethnic conflicts will mark the most profound turning-point. Tragically, its inheritance of cultural diversity has led to generations of political violence, including the world’s longest-running civil wars. President Thein Sein’s ongoing effort to generate a suite of ceasefires with all ethnic armies has taken on new impetus with a tentative truce agreed by the Karen National Union in early 2012. That agreement brings to an end 63 years of war. The only major inter-ethnic conflict in Burma today, between the government and the Kachin Independence Army, is the President’s next priority.

More generally, political violence is a persistent fact of life around the Indian Ocean rim and for Australia this raises a number of issues. Such conflicts generate humanitarian calamity and refugee flows, and also limit opportunities for trade, tourism, education and aid activities. In Sri Lanka the end of the 26-year civil war between the Liberation Tigers of Tamil Eelam and the government in 2009 should be considered only the beginning of a process of national reconciliation where Australia can play a constructive role. After prolonged civil conflict in places like Sri Lanka and Burma, diaspora populations—such as the more than 70,000 Sri Lankans in Australia, or the 12,000 Burmese—are crucial to the success of peace-building efforts. The problem is that developing the capacity for national-level peace-building

activities, even for a country of Australia's wealth and expertise, still requires long-term efforts to build knowledge and mutual trust.

If Australia is to understand domestic politics in this region there is a clear need to focus on minority groups, especially where their marginalisation is an aspect of conflict. Australia has, for example, received many ethnic Karen, Mon and Kachin refugees from eastern Burma who are unable to return to their homes. For the past five years Australia has also struggled to categorise and manage the small numbers of Rohingya asylum seekers fleeing conflict and economic calamity in western Burma. Reports that Australian authorities fail to confidently determine their identities emphasise the challenges that come with the movement of such marginalised "fourth world" peoples.

In considering any of these issues it is clear that Australians have only a limited capacity to absorb news and information. However, over time it is likely that educational, journalistic and policy activities can help to shape awareness. Describing the "Indian Ocean rim" as "a region" is a good place to start. While Australia still grapples with how to best develop its relationship with Indonesia, extra priority on the other two most populous countries of the Indian Ocean region, India and Bangladesh, means we need a way of clarifying our shared humanity. Perhaps it is through new links to the Indian Ocean region made possible by the Internet that these issues will find their answers.

At this stage, the organisational priorities of academic institutions ensure that Australian knowledge about politics in the countries of Indian Ocean rim is not well integrated. These topics fall inelegantly between the study of Southeast Asia and South Asia in ways that have tended to discourage creative regional re-imagining. This is unfortunate because while the region benefits from inter-locking economic and security relationships, it also enjoys shared cultural, religious and linguistic heritages. Millennia of trade and traffic across the Indian Ocean region has led to many commonalities which, without effort, Australians will struggle to comprehend. The value placed on Theravada Buddhism in parts of this region, not to mention the varieties of Hinduism and "oceanic" Islam that predominate, means that a shared set of cultural expectations and vocabularies already exists. In the years ahead many more Australians will need to develop fluency with such Indian Ocean politics and cultures.

This is especially prudent at a time when Australians need to be prepared not only for benign and welcoming receptions. There are aspects of the Indian Ocean rim's security and political balance that continue to raise worrying questions for Australians; these questions would multiply if great power competition served to destabilise the nascent neighbourhood order. Before we can hope to help manage future contingencies in this region Australia requires a more concerted and integrated approach to our knowledge. Knowledge of domestic politics, especially in situations of violence and antagonism, is an essential component of the Australian calculus and without understanding local political drivers we will struggle to ever adequately prepare for the challenges ahead.

## THE INDIAN OCEAN REGION: SOME AID AND TRADE CONSIDERATIONS

Stephen Howes

The Indian Ocean Region is not a natural region from many points of view. It covers a vast area from Indonesia and parts of South-east Asia more broadly, to India and South Asia, through to Iran and the Middle-East down to the East African countries and South Africa. This is a group of countries which has very little in common except that they border the Indian Ocean. They may as a result face some common security challenges. But they would seem to face few development challenges in common.

Australia has played a leading role in regional institution building, including in institutions which we are a member of (e.g. APEC) as well as even some we are not a part of (e.g. ASEAN). In the case of ASEAN, Australia has been providing support since the 1970s, when we became ASEAN's first dialogue partner.

There will no doubt be consideration of whether Australian aid should provide support to the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). Indeed, it may already be the case that Australia provides such aid. I would caution against any such proposal. Australian funding for ASEAN is perceived to have had some positive impact, but ASEAN remains a very ineffective organization. Generous Australian funding may have allowed ASEAN countries to minimize their own funding obligations and thereby to inadvertently weaken ASEAN itself. These risks are even higher in the case of IOR-ARC. Australia should contribute as a member, not as a donor.

More generally, Australia has a range of aid relationships with the members of the IOR-ARC. Indonesia is in fact the biggest beneficiary of the aid program. South Asia is a growing part of the aid program (Sri Lanka, Bangladesh), though Australia has recently decided not to maintain an aid program to India. Africa is also a growing part of the aid program. Australia's aid to Africa has traditionally been concentrated in East Africa (e.g. Mozambique, Kenya, Tanzania), but with the aid scale up has become more widely spread through the continent. Australia does not provide much aid to the Middle-East. The aid it does provide is focused on Iraq and Palestine.

Given this underlying diversity, it does not make sense to consider the Indian Ocean Region as a coherent grouping for the aid program. The traditional regional differentiation provides a much better guidance to strategy. Australia will continue to have an extensive bilateral program in a country like Indonesia. As argued by the recent Independent Review of Aid Effectiveness, support to African countries is best delivered through core funding to effective international organizations. Support to Bangladesh and Sri Lanka will probably require a mix.

While the above considerations are written primarily with trade in mind, I note that the terms of references refer specifically to free trade agreements. The same logic used above would caution against putting effort into the development of a free trade agreement with Indian Ocean Region countries. Whether free-trade agreements are a good idea is itself a matter of debate. But certainly if they are to be pursued, they should be with individual countries or with regions of countries that are themselves closely integrated. Thus, if any FTA makes sense for Australia, it would be one with, say, India or ASEAN, not with the Indian Ocean Rim countries.

## NOTES ON CONTRIBUTORS

### **Professor Andrew MacIntyre** **Dean, ANU College of Asia and the Pacific**

Andrew MacIntyre is Professor of Political Science. His current research projects include a multi-author study of Asian regional institutions and an assessment of the trajectory for democracy in Southeast Asia. He is the convenor of the Emerging Asia working group, one of six groups commissioned by the United States Studies Centre, Sydney University, as part of the US-Australia Alliance in the 21st Century project. Recent past projects include an edited book on the political economy of East Asia 10 years after the financial crisis (Cornell University Press 2008); a review of the state of knowledge on the rule of law and development (Annual Review Political Science, 2008); and a policy paper on current developments in Indonesia and their implications for Australia (Australian Strategic Policy Institute 2008). He is a regular contributor of opinion to the ANU's East Asia Forum.

Along serving as Dean of the College, Professor MacIntyre is also Director of the new Research School of Asia & the Pacific. He was previously Director of the Crawford School of Economics and Government. Prior to his joining the ANU he was a professor at the University of California, San Diego.

Professor MacIntyre was the founder of the Australia-Indonesia Governance Research Partnership, is an active member of the Australian American Leadership Dialogue and sits on the advisory board of the Australian American Education Leadership Foundation. He is a member of the Board of Directors of the Asia Foundation – Australia, Honorary ACT President of the Committee for Economic Development of Australia (CEDA), and a member of the Board of the ANU Centre for Arab and Islamic Studies. He is also a member of the Academy of Social Sciences in Australia. He is the recipient of the Japanese Foreign Minister's Commendation for contributions to the promotion of relations between Japan and Australia (2006) and the Presidential Friends of Indonesia award (2010). He has served as a consultant to government institutions and companies in Australia, the United States and China as well as international agencies such as the World Bank, the Asian Development Bank and the ASEAN Secretariat.

### **Emeritus Professor Peter Drysdale** **Crawford School of Public Policy** **ANU College of Asia and the Pacific**

Peter Drysdale is Emeritus Professor of Economics and the Head of the East Asian Bureau of Economic Research and East Asia Forum at the Crawford School of Public Policy at the Australian National University. He is widely recognised as the leading intellectual architect of APEC. He is the author of a number of books and papers on international trade and economic policy in East Asia and the Pacific, including his prize-winning book, *International Economic Pluralism: Economic Policy in East Asia and the Pacific*. He is recipient of the Asia

Pacific Prize, the Weary Dunlop Award, the Japanese Order of the Rising Sun with Gold Rays and Neck Ribbon, the Australian Centenary Medal and he is a member of the Order of Australia.

**Associate-Professor Brendan Taylor**  
**Head, Strategic and Defence Studies Centre**  
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ANU-MacArthur Asia Security Initiative Focus Group leader (since 2009); Associate Investigator, Australian Research Council Centre of Excellence in Policing and Security (since 2008); Graduate Studies Convenor, Political Science and International Relations, Australian National University (2007-2009); Course coordinator for SDSC core course 'Grand Strategies in the Asia-Pacific (since 2007); Lecturer, Strategic and Defence Studies Centre (2006-2009); Post-doctoral Fellow, Strategic & Defence Studies Centre, (2003-2006).

**Dr Nicholas Farrelly**  
**Research Fellow, School of International, Political and Strategic Studies**  
**ANU College of Asia and the Pacific**

My research stretches across the Southeast Asian region and focuses on relationships between government control, spatial organisation and political conflict. I have examined these themes in northern Burma, northeast India and southwest China. While studying these borderland areas I have continued to research, write and lecture about Thailand, a country at the heart of some of my oldest academic interests. In 2006 I co-founded a website on mainland Southeast Asia called *New Mandala*. It offers regular analysis of social and political issues in Thailand and Burma, and the other countries of the region. My research is taking on an increasingly comparative flavour as I develop field sites outside the parts of mainland Southeast Asia that I know best. In my current position I convene the new undergraduate program in the study of peace, conflict and war. I also provide commentary for the Australian and international media, particularly at times of acute public interest in Southeast Asia and its conflicts.

**Professor Stephen Howes**  
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Prior to joining the Crawford School, Stephen was Chief Economist at the Australian Agency for International Development. He worked from 1994 to 2005 at the World Bank, first in Washington and then in Delhi, where he was Lead Economist for India. In 2008, he worked on the Garnaut Review on Climate Change, where he managed the Review's international work stream. He continues to work as an advisor and consultant for AusAID and the World Bank on issues relating to aid effectiveness and climate change policy.

Stephen serves as a Board Member for the Pacific Institute of Public Policy, and sits on the Advisory Board of the Asian Development Bank Institute. He is the Director of the International and Development Economics teaching program at the Crawford School, and is also Director of the Development Policy Centre.