

**JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL
AND EXTERNAL TERRITORIES
INQUIRY INTO THE STRATEGIC IMPORTANCE OF THE INDIAN OCEAN TERRITORIES**

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SUBMISSION TO INQUIRY INTO THE STRATEGIC IMPORTANCE OF THE INDIAN OCEAN TERRITORIES

On 17 November 2016 the Joint Standing Committee on the National Capital and External Territories commenced an inquiry into the strategic importance of the Indian Ocean territories, with regard to:

- The changing regional security environment and security contingencies
- Defence capabilities in the territories and associated infrastructure development
- The scope of maritime, air and other cooperation with Indo-Pacific partners; and
- Impacts on local communities.

This Submission is being made on behalf of the National Security College, Australian National University. This Submission includes the following sections:

Executive Summary and Recommendations

Introduction

Section 1 The Coming Period of Strategic Change and Uncertainty in the Indo-Pacific region

Section 2 The Importance of Island Territories in the Indian Ocean Balance of Power

Section 3 The Strategic Importance of the Cocos and Christmas Islands for Australia

Section 4 The value of Australia's Island Territories for our Regional Defence Partnerships

Section 5 Information on the authors

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

- Australia is giving greater recognition to the strategic importance of the Indian Ocean and the need for it to play a more active role in that region.
- Major changes are occurring in the balance of power in the Indo-Pacific, which are likely to include a period of change and instability in the Indian Ocean.
- Access to infrastructure in Indian Ocean islands is at a significant strategic premium in the Indo-Pacific theatre. India and China, in particular, are actively developing dual-use or military infrastructure on Indian Ocean islands or elsewhere along on the Indian Ocean rim.
- Australia has been slower than some other countries to recognise the full strategic value of infrastructure on Indian Ocean coastal or island territories.
- Australia should build on its commitments in the 2016 Defence White Paper and further develop infrastructure in both the Cocos Islands and Christmas Island to help it extend its surveillance and operational reach in Southeast Asia and throughout the eastern Indian Ocean. Australia should be willing to carry the principal cost of such development and ensure that this infrastructure principally reflects Australia's strategic requirements.
- The development of such infrastructure has obvious benefits for the alliance with the United States, including potential access by US forces. It would also create options for Australia to offer emerging partners such as India and Japan access to such facilities on appropriate terms.
- Facilities in the Cocos and Christmas Islands could potentially form an important part of a shared maritime security and monitoring system in the Indian Ocean.

INTRODUCTION

We are currently witnessing major strategic changes occurring right across the Indo-Pacific region, a strategic system encompassing the Indian and Pacific Oceans, with maritime Southeast Asia at its core. This is likely to include a period of strategic instability and change in the Indian Ocean region (IOR).

This uncertain strategic environment in the IOR will have significant consequences for Australia, including the importance to Australia of its Indian Ocean territories. Among other things, it provides strong reasons for Australia to develop infrastructure on both the Cocos and Christmas Islands, for use by Australian defence forces. This Submission argues that such infrastructure should be primarily developed by Australia, at its own cost, to be available to support Australian air operations in Southeast Asia and the eastern Indian Ocean, including in case facilities currently used by Australia in the region become unavailable. We also argue that upgraded facilities on both Cocos and Christmas would provide Australia with valuable leverage in its relationships with regional defence partners and the United States.

This Submission will focus primarily on the strategic changes that are occurring in the broader Indian Ocean region and resultant imperatives to develop suitable defence infrastructure in Australia's Indian Ocean territories. It will not primarily address technical military issues or concerns relating to the impact of such infrastructure on local communities, which can be addressed by other specialists.

This Submission will first provide an overview of the coming period of strategic change and uncertainty in the Indo-Pacific region. Second, it will discuss the strategic importance of defence infrastructure on islands in the Indian Ocean and moves by the United States, China and India to develop infrastructure in the region. Third, it will discuss the particular strategic importance of the Cocos Islands and Christmas Island for Australia. Fourth, it will consider the value of Australia's Indian Ocean island territories for our regional defence partnerships.

1. THE COMING PERIOD OF STRATEGIC CHANGE AND UNCERTAINTY IN THE INDO-PACIFIC REGION

Over the coming decade, we are likely to see significant strategic changes occurring right across the Indo-Pacific region.¹ The changing balance of power in East Asia and the western Pacific, including the South China Sea, and its potential consequences for Australia has been the subject of considerable public debate that need not be repeated in this Submission. There has been considerably less public discussion about the IOR, which is also likely to experience the greatest period of strategic change for at least 40 years. These changes and uncertainties in Southeast Asia and the IOR will create strong imperatives to develop infrastructure on both the Cocos and Christmas Islands.

Australia has long relied on ‘great and powerful friends’ as the dominant security providers in the Indian Ocean. From the early nineteenth century until the late 1960s, except for a brief interregnum of 1942-44, the Royal Navy held virtually undisputed dominance of the Indian Ocean, more or less making it a “British lake.” From the late 1960s, the United States became the dominant power in the Indian Ocean. The regional dominance of Australia’s allies allowed it to underinvest in its contribution to maritime security in the IOR, including drastically underinvesting in defence infrastructure in Western Australia and the Indian Ocean territories.

The last major power change in the Indian Ocean occurred in the late 1960s-70s, triggered by the decolonisation of Britain’s Indian Ocean colonies and the withdrawal of the British military forces from east of Suez. At that time, Australia played a role in helping to successfully negotiate a smooth transition from Britain to the United States as dominant power in the Indian Ocean, in a manner quite favourable to Australia. This included, among other things, supporting the development of Diego Garcia as a major US military base that could extend the reach of US forces throughout the Indian Ocean region. Although the

¹ Rory Medcalf, “Mapping the Indo-Pacific: China, India and the United States” in Malik, M. (ed) *Maritime Security in the Indo-Pacific: Perspectives from China, India and the United States* (New York: Rowman and Littlefield, 2014).

Soviet Union and radical Islamism presented some challenges after the late 1970s, US military predominance in the IOR has never been in serious doubt since that time.

In the coming decade, we are likely to see a new period of strategic change in the IOR which involves several new factors and players. This an important reason why Australia is giving greater recognition of the strategic importance of the IOR and the need for it to play a more active role there. As the Australian Defence White Paper 2016 notes:

The Indian Ocean region is also likely to become a more significant zone of competition among major powers, with China, India and the United States all increasing their levels of military activity in this region.²

Importantly, this new power transition is unlikely to be as smooth as the transition between two Anglo-Saxon powers in the 1960s-70s and will likely require significantly more attention and investment by Australia in order to maintain a favourable strategic environment. Among other things, the multipolar nature of this coming change makes the outline of the coming regional order relatively uncertain.

Although the United States is likely to continue to be the strongest military power in the IOR for some years to come, there is a significant risk that there will be a reduction of US defence resources committed to the region. Such a development would only accelerate the trend towards declining US influence, strategic instability and competition. Some in the region have for some time expected to see a gradual 'withering away' of US military power analogous to the gradual withering away of British military power in the Indian Ocean that occurred in the decades after 1945. While it is likely to be in Australia's interests to seek to extend US military dominance in the IOR for as long as possible, the election of the Trump administration could create new risks for the region and for Australia. One risk arises from perceptions of reduced US credibility as a reliable ally, which could undermine US influence with regional partners. Another risk arises from the potential for unpredictability of US policy under the new administration which has been suggested by Trump's rhetoric and

² Australian Government, Department of Defence, *Defence White Paper 2016* (Canberra: Australian Government 2016), paras 292-3.

actions. That remains to be seen but, indeed, there is a realistic possibility that the United States could become a cause of strategic uncertainty and unpredictability in the region, rather than an unalloyed pillar of stability. This could occur, for example, in case of a significant deterioration in US relations with countries such as Saudi Arabia, Iran and China. Such an eventuality would be of significant concern to Australia.

In conjunction with these uncertainties surrounding the role of the United States in the IOR, other powers are playing an increasingly important role in the region. This will almost inevitably make it a much more multipolar region involving at least three major powers and perhaps others. Among Indian Ocean states, India is emerging as the largest economic and military power. Although we are now relatively early in India's growth trajectory, it seems likely that India will become an ever more powerful and perhaps more assertive power in Australia's western neighbourhood. It seems clear that it would be in Australia's interests in coming decades to have a strong and productive relationship with a powerful, democratic and friendly India. But although India and Australia share many interests in the IOR, their relationship has historically been relatively thin. This means that Australia will need to pay greater attention to the relationship and think innovatively about how to develop new forms of cooperation with India in conjunction with traditional defence partners.³

The other big factor is the likelihood that China will become a major player in the IOR. China has strong imperatives to develop capabilities to protect its vital sea lines of communication in the Indian Ocean, particularly those carrying energy from the Persian Gulf and Africa to China's Pacific coast. China's role throughout the IOR is also growing in connection with its 'Belt & Road Initiative' (BRI) involving major investments in road, rail and power infrastructure in several Indian Ocean countries. For these reasons, China's naval presence will almost certainly continue to grow in both the western and eastern Indian Ocean, with significant consequences for Australia. To date, China's growing naval presence has been mostly focussed on the western Indian Ocean. This initially occurred in connection with anti-

³ For proposals in this regard, see David Brewster, *Australia, India and the United States: The challenge of forging new alignments in the Indo-Pacific*, United States Studies Centre, University of Sydney, 2016. <http://ussc.edu.au/publications/Australia-India-and-the-United-States-The-Challenge-of-Forging-New-Alignments-in-the-Indo-Pacific>

piracy operations in the Gulf of Aden, but has more recently involved the establishment of a permanent naval and air presence in Djibouti and quite likely also in Gwadar, Pakistan. But China also has strong strategic imperatives in the central and eastern Indian Ocean which one day could involve the establishment of a naval presence in or near the Bay of Bengal. Chinese submarines have visited the Indian Ocean a number of times in recent years and are likely to continue to do so on a regular basis. The ability to detect and monitor foreign naval activity in the Indian Ocean will provide significant advantages to resident powers such as Australia.

The changing strategic dynamics in areas close to Australian territory was emphasized in early 2014 when a Chinese naval task force entered the Indian Ocean through the Sunda Strait and conducted exercises in or near the Christmas Island EEZ before returning north via the Lombok Strait.⁴ Official Chinese media later described the exercise as involving “quick response training for electronic war in the Indian Ocean.”⁵ There is no indication that the Australian Government received formal advance notification of what was in effect a combat-simulation exercise conducted by Chinese forces close to Australia’s Indian Ocean territories.⁶ It is also notable that a subsequent Chinese counter-piracy exercise in a similar location was conducted unilaterally and without any apparent invitation to Australia to observe or participate.⁷

Although China has so far been relatively reluctant to become a major military factor in the IOR, any significant drawdown of US defence resources in the Indian Ocean could cause Beijing to fundamentally rethink its military role in the region and accelerate the development of its military presence. Any material growth in China’s military presence in

⁴ David Wroe, “China’s new military might is Australia’s new defence reality”, *Sydney Morning Herald*, 15 February 2014.

⁵ “Combat vessels training for quick response in electronic war”, CCTV.com, 2 February 2014. Available at <http://english.cntv.cn/program/newsupdate/20140202/100068.shtml>.

⁶ Rory Medcalf, ‘China makes statement as it sends naval ships off Australia’s maritime approaches,’ *The Interpreter*, 7 February 2014. <https://www.lowyinstitute.org/the-interpreter/china-makes-statement-it-sends-naval-ships-australias-maritime-approaches>

⁷ ‘Chinese naval taskforce conducts anti-piracy drill in Indian Ocean’ *China Military Online*, 5 May 2016, http://english.chinamil.com.cn/news-channels/china-military-news/2016-05/16/content_7057720.htm

the IOR could also trigger a phase of Sino-Indian strategic competition, again with potentially adverse consequences for regional stability.

These and other developments will increasingly require Australia to re-examine its role in the Indian Ocean order and its defence capabilities in the eastern Indian Ocean. The adoption in Australia of the idea of the Indo-Pacific as a strategic construct is also leading Australia to take a more integrated view of its strategic interests right along the Asian littoral between the Korean peninsula in northeast Asia to India in the west.⁸ Among other things, the Indo-Pacific concept is likely to lead to Australia to give greater priority to its defence relationship with India and its maritime security role in the eastern Indian Ocean.

2. THE IMPORTANCE OF ISLAND TERRITORIES IN THE INDIAN OCEAN BALANCE OF POWER

The strategic significance to Australia of its Indian Ocean island territories also needs to be understood in the context of the growing strategic importance of island territories throughout the Indian Ocean. Australia has in fact been slower than other countries that are active in the Indian Ocean to use island territories to its strategic advantage. Australia's Indian Ocean territories is now premium strategic real estate and needs to be invested in as such if Australia is serious about protecting and advancing its interests in the new multipolar Indo-Pacific security environment.

The vast distances across the Indian Ocean and the very few islands between the major landmasses creates a considerable premium for those countries that can gain access to airfield and port facilities on well-placed Indian Ocean islands – possibly even more so than is the case in the Pacific theatre. Despite the long ranges of surveillance aircraft (Australia's AP-3C Orions for instance operate out of South Australia) and the existence of air-to-air refuelling, the option of mid-ocean staging points remains extremely important in extending

⁸ See generally, Rory Medcalf, "Reimagining Asia: From Asia-Pacific to Indo-Pacific", The Asan Forum, 26 June 2015. <http://www.theasanforum.org/reimagining-asia-from-asia-pacific-to-indo-pacific/>

the range and effectiveness of aircraft operations. Similarly, access to onshore logistical facilities in appropriate locations is extremely important in maintaining a naval presence.

When Britain was the dominant power in the Indian Ocean, the Royal Navy operated a string of naval and air facilities around the Indian Ocean rim and islands. Important bases and staging points included Singapore in the east; Trincomalee (Sri Lanka) and Gan (Maldives) in the central Indian Ocean; and Aden, Mauritius and Capetown in the western Indian Ocean. As the Royal Navy drew down its resources in the Indian Ocean in the 1960s and 1970s, other powers sought to fill the vacuum. This led to considerable jostling between the Soviet Union, United States and others to gain access to port and/or airfield facilities throughout the IOR, including at Trincomalee (Sri Lanka), Gan (Maldives), Port Victoria (Seychelles) and Socotra (Yemen). However, it was the United States that, with the assistance of Britain, developed Diego Garcia as one of its most important military facilities in the Indian Ocean.

The role of Diego Garcia in US defence strategy

The US military base at Diego Garcia has a crucial role in the US military strategy in the Indian Ocean. The United States identified Diego Garcia in the 1960s as a future hub for its base network in the Indian Ocean. It has many advantages as a military base, including its geographical centrality, its position on the territory of a close ally, its isolated location and its lack of local population. The United States developed Diego Garcia through the 1970s and 1980s in part as a response to the growth of a Soviet presence in the Indian Ocean. Diego Garcia was a launch point for B-52 bombers in the event of nuclear war with the Soviet Union, and after the Cold War it was used as a major base for US attacks on Iraq in 1990 and 2003 and Afghanistan from 2001.

Today, the base has four main functions: a semi-permanent anchorage for a fleet of ships that can deliver prepositioned equipment sufficient for Army and Marine Corps Brigades to be deployed anywhere in the Indian Ocean region within one week; a hub for fast attack submarines and surface ships operating in the Indian Ocean; an airbase that supports the 'Global Strike' concept under which the US Strategic Command can make conventional strikes anywhere on the earth's surface; and the regional hub for communications, SIGINT

and satellite tracking capabilities.⁹ The base has been upgraded to host a nuclear-powered cruise missile submarine which, with the cruise missile firepower of an entire carrier strike group, will be a key part of the America's 'over the horizon' strategy in the Indian Ocean in coming years. Along with Guam in the Pacific Ocean, Diego Garcia, is now a crucial element in a system that allows the United States to pivot military power throughout the world.

The US military presence at Diego Garcia has been controversial in part because of the dispute between Mauritius and Britain over ownership of the Chagos Islands. Some other Indian Ocean states, including India, also disputed the US military presence there, seeing it as an unwanted interloper. While New Delhi formally continues to challenge Britain's territorial claims, Indian rhetoric about Diego Garcia has softened considerably in line with improvements in US-Indian relations and there is now an acceptance of the stabilising role that Diego Garcia currently plays in the region.

Recent developments in the Indian Ocean

Over the last decade or so there has been growing competition between India and China to develop new naval and air facilities all over the Indian Ocean region, particularly on island territories. According to one Indian defence analyst:

*Small islands dotting the Indian Ocean are emerging at the centre stage of great power politics unfolding in the Indian Ocean Region. These islands are critical in sustaining a credible presence in the vast Indian Ocean outreach, encompassing the key SLOCs forming the backbone of the global economy.*¹⁰

The following map shows major sea lines of communications and a selection of recent or potential infrastructure developments in and around the Indian Ocean.

⁹ Andrew S. Erickson, Walter C. Ladwig and Justin D. Mikolay, "Diego Garcia and the United States' Emerging Indian Ocean Strategy", *Asian Security*, Vol.6, No.3, 2010, pp.214-237.

¹⁰ Darshana M.Baruah, "The Small Islands Holding the Key to the Indian Ocean", *The Diplomat*, 24 February 2015.



Figure: Indian Ocean sea lines of communication and recent or potential infrastructure developments.

Chinese infrastructure development in and around the Indian Ocean

As is well known, in recent years China has engaged in an aggressive program of developing a series of artificial islands in the South China Sea for use as airfields and naval forward operating bases. Despite their apparent vulnerability to attack, these could eventually facilitate China’s military dominance of that area and would also be useful staging points for China as it projects power into the eastern Indian Ocean. Some analysts also claim that China is following a “String of Pearls” strategy in the Indian Ocean – developing a string of “dual-use” ports across the northern Indian Ocean that would potentially be available for use by the Chinese navy. Chinese port developments in Myanmar (Kyaukpyu), Sri Lanka (Hambantota and Colombo) and Pakistan (Gwadar) are often held up by some analysts as putative Chinese naval bases. Although some analysts point to the vulnerability of these

ports as full scale naval bases in the event of major conflict,¹¹ there can be little doubt that they could be highly useful logistics points for Chinese naval vessels and aircraft operating in the region.

In December 2015, China crossed its own Rubicon when it announced its intention to build its first overseas military base: naval and military facilities at Obock in Djibouti. This is ostensibly to provide logistical support for China's anti-piracy operations in western Indian Ocean and peacekeeping operations in Africa, but is also well placed next to the sea lines of communication that transit the Gulf of Aden and the Suez Canal.¹² Beijing is also pushing ahead with plans to construct overland links between western China and the Pakistani port of Gwadar as part of its BRI and according to recent reports, which have not been denied by Beijing, China intends to station naval vessels and troops at the port.¹³ The location of Gwadar, some 600km east of the Strait of Hormuz, would significantly enhance China's capabilities to respond to contingencies in and around the Persian Gulf and the Arabian Sea. Importantly, the new Chinese facilities at both Obock and Gwadar will not only include port and logistics facilities, but also new airfields with long runways that could significantly extend China's maritime surveillance and strike reach in the Indian Ocean.

In coming years we are likely to see the development of further Chinese military facilities in the Indian Ocean region as China seeks to enhance its capabilities to defend its interests in the western and eastern Indian Ocean.¹⁴ There has been speculation that China might seek access to infrastructure on the East African coast perhaps, for example, in Tanzania. There is

¹¹ Daniel Kostecka, "The Chinese Navy's Emerging Support Network in the Indian Ocean" *China Brief*, Vol.10, No.15, 22 July 2010; and James R. Holmes and Toshi Yoshihara, "China's Naval Ambitions in the Indian Ocean", *Journal of Strategic Studies*, 31/3, (June 2008), pp.379-80.

¹² David Brewster, "China's announcement of its first overseas military base is the taste of things to come" *Lowy Interpreter*, 2 December 2015.
<http://www.lowyinterpreter.org/post/2015/12/02/Chinas-first-overseas-military-base-in-Djibouti-likely-to-be-a-taste-of-things-to-come.aspx>

¹³ PTI, "China deflects queries over naval deployments at Gwadar port in Pakistan", *The Economic Times*, 30 November 2016.
<http://economictimes.indiatimes.com/news/defence/china-deflects-queries-over-naval-deployments-at-gwadar-port-in-pakistan/articleshow/55706511.cms>

¹⁴ You Ji, "China's Emerging Indo Pacific Naval Strategy" *Asia Policy*, No.22 (2016), pp.11-19.

also a realistic possibility that China might develop naval and other military facilities in the central and eastern Indian Ocean, and as noted above, some Indian analysts have flagged possible Chinese naval bases in locations such as Hambantota in Sri Lanka, or even on reclaimed/artificial islands in the Maldives.

Indian infrastructure development in the Indian Ocean

India has also stepped up its moves to expand its naval and military presence throughout the region. Since the late 1980s, India has been developing its military capabilities in its Andaman and Nicobar Islands, much of it focused on enhancing India's maritime surveillance capabilities in the Malacca Strait and Southeast Asia. In December 2015, India's Navy chief, Admiral R K Dhowan acknowledged that the Andaman and Nicobar Islands are what he called a "very very important aspect" of India's security.¹⁵ This is largely driven by the proximity of these islands to the Malacca Strait, one of the few routes between the Indian and Pacific Oceans, and one of the busiest waterways on earth.

India's main base in the Andaman and Nicobar Islands is at Port Blair on Great Andaman Island, which includes a naval base and a naval air station with a 3,300m runway. In 2016, the Indian navy began staging its new P-8I Poseidon maritime surveillance and strike aircraft based on the Indian mainland through Port Blair.¹⁶ The Indian Air Force also maintains a facility at Car Nicobar island with a 2,700m runway, that could be used for staging of aircraft based on the Indian mainland for air operations in Southeast Asia. In 2012, the Indian navy opened a new naval air station on Great Nicobar Island, which overlooks the Six Degree Channel, one of the main shipping channels through the Malacca Strait. The airfield, with a 1,100m runway, is used for the Dornier Do 228 reconnaissance aircraft and UAVs.

Access to facilities in the Andaman and Nicobar Islands is highly valuable not just for India, but potentially also for its defence partners. In 2013, a RAND report prepared for the US

¹⁵ Sunil Raman, The Strategic Importance of Andaman and Nicobar Islands, *The Diplomat*, 3 January 2016.

¹⁶ David Brewster, "India beefs up maritime surveillance near Malacca Strait" *Lowy Interpreter*, 26 January 2016. <http://www.lowyinterpreter.org/post/2016/01/26/India-poised-to-dominate-western-approaches-to-key-shipping-lane-and-Australia-may-help.aspx>

Department of Defense argued that in the event of a conflict the US Navy would seek to deploy a detachment of broad area maritime surveillance UAVs to Port Blair airport in the Andaman Islands, to increase surveillance over the Strait of Malacca.¹⁷ Although Australia currently has access to facilities in Singapore and Butterworth, Malaysia, in some circumstances access to facilities in the Andaman and Nicobar Islands might also be useful.

India has also been very active in developing island infrastructure elsewhere in the Indian Ocean. In the central Indian Ocean, India has long aspired to the old British air and naval base at Gan Atoll, in the southernmost group of islands in the Maldives. Gan has a 2,650 runway and a deepwater port with refuelling facilities, all of which are in the process of being modernised and improved. Like Diego Garcia, which lies a further 700 km to the south, Gan can potentially be used to dominate the central Indian Ocean. After the British departed Gan in 1976, Iran, the Soviet Union and even Libya tried to acquire use of the base, which was only prevented through Indian pressure on the Maldivian government. Currently Indian aircraft and naval vessels use facilities at Gan on an occasional basis but India does not yet appear to have a significant permanent presence there.¹⁸ One senior Indian official commented that Gan “could eventually provide the Indian Navy with a listening post to monitor the movements of Chinese vessels as they sail to and from Africa, ferrying oil and gas.”¹⁹

In the western Indian Ocean, in 2012 the Indian Navy opened a small forward operating naval base at Kavaratti Island in India’s Lakshadweep Islands off the southwest coast of mainland India, which is valuable in helping to further extend the navy’s reach in the Arabian Sea. Several other forward operating naval bases have also been established in the Lakshadweep Islands.

¹⁷ Michael J. Lostumbo et al, *Overseas Basing of US Military Forces: An Assessment of Relative Costs and Strategic Benefits* (Santa Monica: RAND Corporation, 2013).

¹⁸ Sergei DeSilva-Ranasinghe, “China-India Rivalry in the Maldives”, *The Jakarta Post*, 17 June 2011; Dutta, “Indian Navy eyes Maldives”.

¹⁹ Rahul Bedi, “India strengthens military co-operation with the Maldives”, *Jane’s Defence Weekly*, 21 August 2009.

India has also been active in developing its presence in the southwestern corner of the Indian Ocean, especially near the sea lanes that carry oil from West Africa around the Cape of Good Hope to East Asia and at the northern end of the Mozambique Channel near the major offshore hydrocarbon deposits that are being developed off Mozambique and Tanzania. India has long maintained close defence relationships with the island states of Mauritius and Seychelles which it uses to facilitate Indian defence access throughout the western Indian Ocean.²⁰ The infrastructure in Mauritius and Seychelles currently available to India or in the process of planning or construction will considerably enhance India's maritime surveillance and strike capabilities in the southwest quadrant of the Indian Ocean and along the East African coast.

India has long had a very close defence relationship with the island state of Seychelles, which is located around 2,000 km off the coast of Tanzania. A former Seychelles President once described his country to a US official as "an aircraft carrier in the middle of the Indian Ocean without the planes."²¹ In 2016, the Indian Navy began experimenting with the deployment of its P-8I Poseidon maritime surveillance aircraft to the main island of Seychelles, ostensibly to help police its EEZ.²² In early 2015, New Delhi also announced that it would be developing infrastructure on Seychelles' remote and virtually uninhabited Assumption Island located near the north end of the Mozambique Channel. This infrastructure, which is due to be completed in 2017, will include the radar and signal intelligence capabilities, an improved airstrip for use by the Indian navy and a forward operating naval base.²³

²⁰ David Brewster, "An Indian sphere of influence in the Indian Ocean?" *Security Challenges*, Vol. 6, No. 3 (Spring 2010), pp. 1-20.

²¹ "Seychelles: General Ward, U.S. Africa Command Visit 19 August Helps Cement New, Closer Relationship", 8 September 2009"
<http://www.cablegatesearch.net/cable.php?id=09PORTLOUIS271&q=india%20security%20seychelles>

²² Franz-Stefan Gady, "India Deploys Submarine-Hunting Surveillance Aircraft to Seychelles", <http://thediplomat.com/2016/03/india-deploys-submarine-hunting-surveillance-aircraft-to-seychelles/>

²³ Stanly Johny, "We're working with India to ensure security in Indian Ocean: Seychelles" *The Hindu*, 8 June 2016. <http://www.thehindu.com/news/international/were-working-with-india-to-ensure-security-in-indian-ocean-seychelles/article8705917.ece?css=print>

India has extremely close relations with Mauritius, including providing Mauritius' National Security Advisor and effectively operating the Mauritian coast guard and maritime air wing. This means, among other things, that the Indian defence forces have more or less guaranteed access to infrastructure in Mauritius. In 2015, India reportedly reached an agreement in principle to develop infrastructure on the remote Agalega islands, around 1,000km north of the main island of Mauritius, near the north end of the Mozambique Channel.²⁴ Although work has not yet commenced, the infrastructure will likely include signal intelligence capabilities, an improved airstrip and a jetty.²⁵

These are all early moves which likely presage a long period of strategic competition in the Indian Ocean.²⁶ In particular, China's naval strategy in that theatre is still evolving. In the short term China is probably focused on developing limited and asymmetric sea denial capabilities in the Indian Ocean, but in the medium to long term this could evolve into a strategy of limited sea control – and the state of the Sino-US relationship will be an important driver of this. For its part, India is developing its own naval capabilities, with US assistance. In the future, one of Delhi's likely key focus areas will be on developing India's maritime surveillance capabilities over a broad area running from the Indonesian archipelago in the northeast Indian Ocean to the Persian Gulf in the northwest and the Mozambique Channel in the southwest. Given the distances involved, this will almost certainly require enhanced collaboration with other regional partners.²⁷ For example, while India owns the Andaman and Nicobar Islands near the Malacca Strait, its surveillance reach across the other key straits through the Indonesian archipelago is very limited.

²⁴ David Brewster "Modi builds India's sphere of influence in the Indian Ocean" *Lowy Interpreter*, 17 March 2015. <http://www.lowyinterpreter.org/post/2015/03/17/Modi-builds-Indias-sphere-of-influence-in-the-Indian-Ocean.aspx>

²⁵ Bharat Karnad, "Nothing Major in Mauritius", 21 March 2016.

<https://bharatkarnad.com/2016/03/21/nothing-major-in-mauritius/>

²⁶ David Brewster, "India and China: Playing 'Go' in the Indian Ocean" *Lowy Interpreter*, 12 August 2016, <http://www.lowyinterpreter.org/post/2016/08/12/India-and-China-Playing-Go-in-the-Indian-Ocean.aspx>

²⁷ Darshana Baruah, "Expanding India's Maritime Domain Awareness in the Indian Ocean", *Asia Policy*, No.22 (2016), pp. 49-55.

3. THE STRATEGIC IMPORTANCE OF THE COCOS AND CHRISTMAS ISLANDS FOR AUSTRALIA

Since the Cocos Islands and Christmas Island came under Australian jurisdiction in the 1950s they have largely been on the periphery of Australia's strategic considerations. But they are now coming under increased scrutiny as part of a renewed focus on Australia's defence capabilities in the Indian Ocean. While Australia would in most circumstances seek to act in the IOR in conjunction with its defence partners, including with the United States, Southeast Asian partners and India, strategic uncertainties mean that Australia also needs to be mindful of maintaining independent capabilities as much as possible.

The availability of a suitably upgraded airfield at West Cocos Island would significantly extend Australia's ability to project air power westwards throughout the eastern and central Indian Ocean as well as northwards into the Southeast Asian archipelago, the South China Sea and the Andaman Sea/Bay of Bengal. The lengthening of the airfield at Christmas Island would provide Australia with a very useful staging point for extending Australian air operations through the Southeast Asian archipelago. However, the strategic vulnerability of Christmas Island means that facilities also need to be available on Cocos. Australia has long used facilities in Singapore, Malaysia and Diego Garcia for operations in the eastern Indian Ocean and Southeast Asia. However Australia must also plan for capabilities in the event of the unavailability of those traditional facilities.

The strategic importance of Cocos first came to the fore in 1944-45, when Allied forces no longer had access to air bases in Southeast Asia, which had come under the control of Japan. For this reason, the airfield at West Cocos Island was developed for use as a strategic forward operating base by the RAF and RAAF for attacks on Japanese forces in Burma, Sumatra, Java and Singapore, much of which was effectively out of reach from air bases in India and Ceylon. The airfield at Cocos would have likely become an important element in the retaking of Southeast Asia by Allied forces during the course of 1945 and 1946, although the war ended before that became necessary.

In the 1950s, both Christmas Island and Cocos Islands were viewed by Australia as potentially valuable staging points for civilian and military aircraft crossing the Indian Ocean. Cocos was used in the 1960s for Australian military aircraft transiting to Malaysia during the Indonesian Confrontation, and by Qantas between 1952 and 1967 as a staging point for flights to Africa. However, advances in the range of civilian aircraft made both Cocos and Christmas Island unnecessary for use by normal civilian traffic.

The Indian Ocean territories again became of strategic interest in connection with increased Soviet naval activity in the Indian Ocean during the 1970s, particularly after the Soviet intervention in Afghanistan in 1979. These developments led Australia to better integrate itself with US military activities in the Indian Ocean, particularly in maritime air surveillance. Australia launched Operation *Gateway*, which included regular surveillance of the Malacca Strait area and the South China Sea, with Australian aircraft frequently staging through Butterworth in Malaysia. Australia and the United States also began operating joint reconnaissance patrols out of or staging through the Cocos Islands, Diego Garcia and Singapore.²⁸ It is also believed that Christmas Island was used, at least experimentally, for a US operated Sonar Surveillance System to track Soviet submarines transiting the Indonesian archipelago.²⁹

Australia's strategic interests in its Indian Ocean territories, and Australia's ability to defend those territories, was considered by Ross Babbage in the 1980s³⁰ and it is worth summarising his conclusions:

²⁸ William T. Tow, "ANZUS: a strategic role in the Indian Ocean?" *The World Today*, Vol.34, No.10, 1978, pp.401-8.

²⁹ Desmond Ball, *A Suitable Piece of Real Estate: American Installations in Australia*, Marrickville: Southwood Press, 1980, p.121.

³⁰ See Ross Babbage, *Christmas and Cocos Islands: defence liabilities or assets?*, Canberra, Strategic and Defence Studies Centre, 1987; and Ross Babbage, *Should Australia plan to defend Christmas and Cocos Islands?*, Canberra, Strategic and Defence Studies Centre, 1988, pp.1-3.

The strategic value of Cocos Islands

- Access to Cocos could be critical in supporting air operations to assist in the defence of Indonesia, Malaysia or Singapore from external attack. Cocos would also be useful for supporting air operations westwards in the Bay of Bengal area.³¹
- Should the straits through the Indonesian archipelago be obstructed, commercial shipping between the Indian and Pacific Oceans would be forced to transit Torres Strait or pass south of Australia, greatly increasing shipping densities near Cocos Island. This would substantially increase the significance of Cocos for surveillance purposes.³²
- The location of Cocos may also lend itself to other strategic purposes, particularly for intelligence collection e.g. a satellite ground station, as part of an over-the-horizon radar system or even (to some extent) for conventional radar.³³
- Australia has a strong negative interest in denying the Cocos to an adversary, which could use them to threaten Australia's western approaches.³⁴

The strategic value of Christmas Island

- Christmas Island would be potentially useful for supporting air operations in Southeast Asia and further north.³⁵
- Christmas Island would be a valuable site for intelligence collection, including for surveillance of submarines transiting the Java Trench.³⁶
- Australia has a strong negative interest in denying the Christmas to an adversary, which like Cocos could be used to threaten Australia's western approaches.³⁷

The defence of Cocos and Christmas

- It would be possible, with substantial investments, to defend Cocos and Christmas from low level contingencies.

³¹ Babbage, *Christmas and Cocos Islands*, p.11.

³² *Ibid.*, p.11.

³³ *Ibid.*, p.12-4.

³⁴ *Ibid.*, p.12-4.

³⁵ *Ibid.*, p.11

³⁶ *Ibid.*, p.25-6.

³⁷ *Ibid.*, p.26.

- Were either or both of Cocos and Christmas to be attacked by a major force it would be difficult for Australian forces operating from the mainland to provide effective and timely support.
- The cost of making of substantial forward deployments of Australian forces to defend the islands may be disproportionate to their strategic significance. However, the islands could also be defended in strength as part of a first line of defence strategy of diverting an adversary's attention from the mainland.³⁸

Babbage's conclusions in 1987 probably remain more or less valid today, with the possible exception of his musings about the possibility of using the islands as a first line of defence for mainland Australia.³⁹ However, this Submission argues that the contemporary strategic landscape probably makes it even more imperative for Australia to develop independent capabilities to support air operations in Southeast Asia and the eastern Indian Ocean, and to potentially allow allies and partners access to such facilities on appropriate conditions.

It is also worth noting that in a new era of undersea competition, with a proliferation of submarine capabilities across the Indo-Pacific, strategically-located islands may play useful roles in future sea-bed sonar networks analogous to the vast SOSUS arrays of the Cold War era. The expense and ambition of such arrangements makes them essentially hypothetical at present. Australia's Indian Ocean territories are also located close to the submarine cables that provide internet and telecommunications connectivity from Western Australia to Asia and beyond.

Proposed upgrades of infrastructure on Cocos and Christmas

The pending retirement of Australia's AP-3C Orion surveillance fleet and their replacement with P-8A Poseidon aircraft, has forced the issue of whether the airfield at West Cocos should be upgraded. In 2012, the Australian Defence Force Posture Review recommended among other things, the development of infrastructure at the northwest ports of Exmouth,

³⁸ Ibid., p.39-40.

³⁹ These arguments may be more reflective of the Defence of Australia doctrine that was adopted at that time.

Dampier, Port Headland and Broome to allow greater use by warships; the upgrading of the airbase at Exmouth for greater use by maritime surveillance and strike aircraft; and the upgrading of the existing airfield at Cocos.⁴⁰ In relation to the Cocos and Christmas Islands, the report stated:

5.1 The 2009 Defence White Paper directed that Defence should maintain the capability to project military power, if required, from 'strategically significant offshore territories' (WP 6.42).

5.2 The Cocos (Keeling) Islands have significant military strategic value as a staging location for maritime air patrol and surveillance activities, given their position in the Indian Ocean and close to Southeast Asia.

5.3 The Cocos Islands airfield is in poor condition and needs to be lengthened and strengthened to support the larger and heavier P-8A Poseidon after it replaces the AP-3C Orion from 2017. At present, Global Hawk UAVs could operate from Cocos Islands, but the condition of the airfield and its limited infrastructure impose constraints.

5.4 The Department of Finance and Deregulation has funded limited repairs for the airfield in 2012, but this work will not allow P-8 aircraft to operate without significant fuel and payload restrictions. Fuel stocks and other facilities such as accommodation on the islands are limited and more intensive use of the airfield would require major upgrades.

5.5 Christmas Island remains a valuable location for supporting border protection operations by refuelling Navy vessels and staging aircraft.

Recommendations

(12) Defence should upgrade the Cocos (Keeling) Islands airfield facilities to support unrestricted P-8 and UAV operations (and KC-30 operations with some restrictions, if cost-effective noting the larger footprint needed by this aircraft).⁴¹

⁴⁰ Mark Dodd, "Defence urged to shift presence to the north", *The Australian*, 31 January 2012, p.2.

⁴¹ Australian Government, *Australian Defence Force Posture Review*, 30 March 2012, p.26.

These recommendations were reflected in the Defence White Paper 2013.⁴² Plans to upgrade the Cocos airfield to support maritime surveillance aircraft were also noted with approval by the 2013 report *The importance of the Indian Ocean rim for Australia's foreign, trade and defence policy* by the Senate Foreign Affairs, Defence and Trade References Committee.⁴³ We note approvingly that the 2016 Defence White Paper committed the Government to upgrading the facilities on Cocos Islands to support the activities of P-8A Poseidon maritime surveillance and response aircraft.⁴⁴

Defence analyst, Dr Carlo Kopp, has proposed an ambitious plan of transforming the West Cocos into a Strategic Forward Operating Base for the Australian Defence Forces.⁴⁵ This would potentially include parallel runways and hardened shelters and Kopp suggests that may also be possible to build a naval replenishment facility at nearby Direction Island. This level of development of military infrastructure may not be required by the current strategic environment. However, if the strategic environment in the Indian Ocean changed significantly to Australia's disadvantage, such facilities could be extremely valuable.

The upgrading of defence infrastructure on Christmas Island has received relatively less attention than Cocos, other than passing references to use of the island in support of border protection operations. Although Christmas is in some circumstances (such as cases where an adversary was operating from Indonesian territory) significantly more vulnerable to attack than Cocos, its proximity to Southeast Asia also increases its strategic value: in particular, its location near the Sunda and Lombok Straits and the Java Trench make it ideal for supporting surveillance activities being conducted by Australia and/or its partners. As China has recently demonstrated with the development of well-placed artificial islands in the

⁴² Australian Government, Department of Defence, *Defence White Paper 2013* (Canberra: Australian Government 2016), para 5.42.

⁴³ The Senate Foreign Affairs, Defence and Trade References Committee, *The importance of the Indian Ocean rim for Australia's foreign, trade and defence policy* (Canberra, Australian Government, 2013).

⁴⁴ Australian Government, *2016 Defence White Paper*, p. 101.

<http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>

⁴⁵ Carlo Kopp, "Strategic Potential of the Cocos Islands and Christmas Island", *Defence Today* Vol9, No.4 (2012), pp.18-21.

South China, even highly vulnerable defence infrastructure can have significant strategic consequences.

4. THE VALUE OF AUSTRALIA'S ISLAND TERRITORIES FOR OUR REGIONAL DEFENCE PARTNERSHIPS

As noted, infrastructure at Cocos and Christmas Islands should be primarily developed to provide Australia with capabilities in the eastern Indian Ocean, including as a hedge against any circumstances in which Australia did not have access to other facilities in the region. That being said, an important secondary consideration would be the strategic value for Australia in potentially granting access to such infrastructure, on appropriate terms, to its regional defence partners, including the United States, India and potentially other partners. The mere existence of such facilities would increase Australia's value as an Indian Ocean partner.

Australia's principal defence partnership in the IOR is of course with the United States. We have previously argued that Australia should also promote the incremental development of a defence and security partnership with India.⁴⁶ Japan also has significant interests in the IOR and, in a multipolar Indo-Pacific, it is in Australia's interests to promote Japan's role in the region. The availability of facilities in Australia's Indian Ocean territories could potentially play an important role in such partnerships.

Strategic uncertainties in the IOR give Australia a very direct interest in promoting India's role as a complement to that of the United States. For more than a decade the United States has encouraged India to take a more active role in the IOR, reflecting several objectives: to develop India as a balance to China across the Indo Pacific; to encourage India to make a greater contribution to regional security; and to use India's huge military establishment to supplement scarce US defence resources. Some argue that this as part of a new US 'Nixon doctrine' of supporting friends and allies taking greater security

⁴⁶ See, for example, David Brewster, *Australia, India and the United States: The challenge of forging new alignments in the Indo Pacific*.

responsibilities in their own regions.⁴⁷ Like Washington, Australia sees considerable value in encouraging India to assume an expanded regional security role to supplement the United States.

The interests of the three countries are converging. New Delhi is becoming increasingly concerned about the growth of China's military presence in the Indian Ocean and sees the US and Australian military presence in the IOR as important stabilising factors. Indian concerns have been heightened by developments such as the deployment of Chinese submarines to the Indian Ocean and the development of a Chinese naval presence at Djibouti and potentially at Gwadar. There is a strong view among many Indian strategists that China is challenging India's aspirations in the region, and this will require India to play a much more active security role in the Indian Ocean.⁴⁸ Nevertheless, most Indian strategists understand that India simply does not have the material capabilities or facilities to address this threat on its own and it will not have sufficient capabilities to do so for years to come.

Despite a number of caveats and sensitivities in the Australian and US relationships with India, there is much that can be achieved among the three countries in the Indian Ocean region, including in joint exercises, intelligence and cyber cooperation, shared maritime domain awareness and HADR/SAR. A key area for potential trilateral cooperation is in intelligence, surveillance and reconnaissance (ISR) to improve maritime domain awareness and Australia's Indian Ocean territories could have considerable value for such cooperation. The vastness of distances across the Indian Ocean makes tracking of vessels and aircraft a difficult task and beyond the resources of any single country. It is a field in which India has shown particular interest in cooperating with both the United States and Australia. The recent signing of 'white shipping' information sharing agreements between India and Australia, and India and the United States may be steps towards broader information sharing arrangements which could ultimately include the shared use of facilities around the IOR.

⁴⁷ Walter Ladwig, "A Neo-Nixon Doctrine for the Indian Ocean: Helping States Help Themselves," *Strategic Analysis*, Vol.36, no. 3 (2012): 384-399.

⁴⁸ Rory Medcalf, "The Western Indo-Pacific: India, China and the Terms of Engagement", *Asia Policy*, No.22 (2016), pp.61-69.

The recent finalisation of the India-US Logistics Exchange Memorandum of Agreement may ease the way for similar facilities sharing arrangements between Australia and India. There is potential for Australia to allow India access to facilities in Australia's Indian Ocean territories as part of a mutual arrangement in relation to Indian facilities in the Indian Ocean. Some influential Indian security thinkers are supportive of such initiatives to advance practical cooperation, which would signal a major advance in strategic trust and practical cooperation between these two Indian Ocean powers. The United States, India and Australia are all making major investments in ISR capabilities, which will include Boeing P-8 maritime aircraft as a key element in maritime ISR capabilities. The use of common platforms could also create important opportunities for cooperation in training, support and maintenance.

Military infrastructure in Cocos and/or Christmas could be valuable to Australia's defence partners in different ways. For the United States, facilities at Cocos could provide an important 'gap filler' between its major bases at Diego Garcia and Guam, as a partial alternative to Singapore. For India, access to air facilities at Cocos or Christmas could potentially allow it to extend an effective maritime air surveillance system to other straits through the Indonesian archipelago (Lombok and Sunda). Other defence partners such as Japan could also find staging facilities at Cocos or Christmas highly useful in moving defence assets around the Indian Ocean region. Australia's ability to provide valuable or essential defence facilities to its partners could enhance its role in such partnerships, thereby enhancing Australia's influence in the region.

5. INFORMATION ON THE AUTHORS

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Professor Medcalf is Head of the National Security College at the Australian National University. His background spans diplomacy, journalism, think tanks and intelligence analysis. He played a formative role in the Lowy Institute as director of its International Security Program from 2007 to 2015. He has worked as a senior strategic analyst with the Office of National Assessments, Canberra's peak intelligence analysis agency. His experience as an Australian diplomat included a posting to New Delhi, a secondment to the Japanese Ministry of Foreign Affairs, truce monitoring after the civil conflict in Bougainville and policy development on Asian security institutions. He has been active in developing Australia's relations with India, including as founding convener and co-chair of the Australia-India Policy Forum, the leading informal policy dialogue between the two countries. He was a member of the advisory panel on the 2016 Defence White Paper.

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