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Dear Senator Eggleston

I refer to your letter dated 1 December 2011 and enclose the Northern Territory Government's Submission to the Senate Inquiry into the Indian Ocean region. The Submission highlights the Northern Territory's interests within the broader context of Australia's engagement with the region.

In this 'Asian Century', the Northern Territory is geographically well-positioned to serve the rapidly growing Indian Ocean region. Darwin is Australia's 'Gateway to Asia' and the Northern Territory Government has invested heavily in strategic infrastructure to grow our capability to ensure the Territory can engage within this important region.

As highlighted in the Submission, the Northern Territory's growing interests and linkages in the Indian Ocean region encompass a number of diverse sectors, not least of which is defence. Darwin's importance in the defence of the nation, including of strategic energy assets and as a launching ground for effective humanitarian relief into the region cannot be understated.

Thank you for the opportunity to provide the Northern Territory Government's Submission on this significant matter.

Yours sincerely

PAUL HENDERSON

17 APR 2012



Northern  
Territory  
Government

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# **SUBMISSION TO THE SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES COMMITTEE**

## **INQUIRY INTO THE INDIAN OCEAN REGION**

**NORTHERN TERRITORY  
GOVERNMENT**

**April 2012**

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## EXECUTIVE SUMMARY

The Northern Territory Government's *Territory 2030* strategy is a 20-year roadmap that sets priorities and guides government's efforts over the next two decades. It forms the basis of the Northern Territory Government's engagement with countries of strategic interest to the Northern Territory, including within the Indian Ocean region. Key objectives under the *Territory 2030* strategy include: continue to grow the Territory economy; develop Darwin as an international hub for exports, education and health services, tourism; by 2030, Darwin will be recognised as a hub for international education; and establish Darwin as a key centre for oil and gas operations, maintenance and workforce.

To achieve these broad objectives and complementing the *Territory 2030* strategy, the Northern Territory Government's *Growing International Trade 2009-2013* priority action plan identifies key markets of strategic interest to the Northern Territory, including Indonesia, and emerging markets, including India and Malaysia. Under *Growing International Trade*, trade activities directed through the Department of the Chief Minister are strongly focused on, but not limited to, these countries in the Indian Ocean region.

This whole-of-Northern Territory Government Submission to the Senate Inquiry into the Indian Ocean region highlights the Northern Territory's interests within the broader context of Australia's engagement with the region. Northern Territory interests in the Indian Ocean region encompass trade, investment, tourism, education, defence and skilled migration.

Northern Territory trade with India, Indonesia, Singapore, Oman and the United Arab Emirates is significant and growing. Trade with Malaysia, South Africa and Thailand is growing from a relatively small base. With regards to tourism, Singapore is a targeted and growing market for the Northern Territory. Northern Territory education links with the region are also expanding, particularly with Indonesia, Thailand, Malaysia and Bangladesh.

The Northern Territory Government welcomes foreign investment and several countries in the Indian Ocean region with healthy sovereign wealth funds and private investment vehicles are considered potential sources of future investment for the Northern Territory.

As the minerals sector continues to develop through increased investment and as major resource projects come online, Northern Territory mineral exports to the Indian Ocean region will continue to expand to meet the demands of the region. The Northern Territory already exports ores to India and the Northern Territory mining sector is increasingly well-placed to supply mineral resources for India's continued industrial and infrastructure development.

There are opportunities for increased Northern Territory clean energy exports to the Indian Ocean region (i.e. liquid natural gas and uranium). India, Singapore and Thailand's development presents opportunities to strengthen energy exports and, in the case of Thailand and Singapore, presents a degree of competition as Darwin develops into a regional oil and gas maintenance and supply base. Opportunities also exist for increased collaboration between the Northern Territory and the Indian Ocean region in green energy and technology research and development and commercialisation.

Darwin is a significant player in the defence of Australia and Australia's national and economic security. Darwin's geographic proximity to the Indian Ocean region and regular defence exercises with foreign forces in the region are factors likely to continue to strengthen Australia's regional defence relationships. Darwin-based naval vessels involved in the protection of Australia's borders and maritime interests make Darwin Australia's busiest naval port. In the 2009 Defence White Paper, Darwin was identified as one of seven major logistics hubs in Australia and was additionally identified as one of two critical ports for operations in the defence of Australia and the immediate neighbourhood.

The Indian Ocean region includes key source countries for the Northern Territory's skilled migration program. As major projects (such as the \$34 billion Ichthys LNG project) progress in the Northern Territory and at a time of effectively full Northern Territory employment, the local labour market will need to be supplemented to meet the economic development needs of the Northern Territory, including through Australia's first Regional Migration Agreement.

Biosecurity has become an increasingly important issue in the region, and biosecurity threats to northern Australian animal and plant production have risen considerably in the last 20-30 years.

Northern Australia, the resources-rich jurisdictions of Western Australia, Queensland and the Northern Territory, will drive national economic growth and prosperity in the 21<sup>st</sup> Century. Northern Australia will spearhead the creation of jobs and new opportunities and will lead the way in forging new and dynamic relationships with the rapidly growing economies of Asia.

In this 'Asian Century', the Northern Territory is geographically well-positioned to serve the rapidly growing Indian Ocean region. Darwin is Australia's 'Gateway to Asia' and the Northern Territory Government has invested heavily in trade capacity and associated infrastructure to ensure the Territory can effectively service this important region.

As highlighted in this report, the Northern Territory's growing interests and linkages in the Indian Ocean region encompass a number of diverse sectors.

## ADDRESSING THE TERMS OF REFERENCE

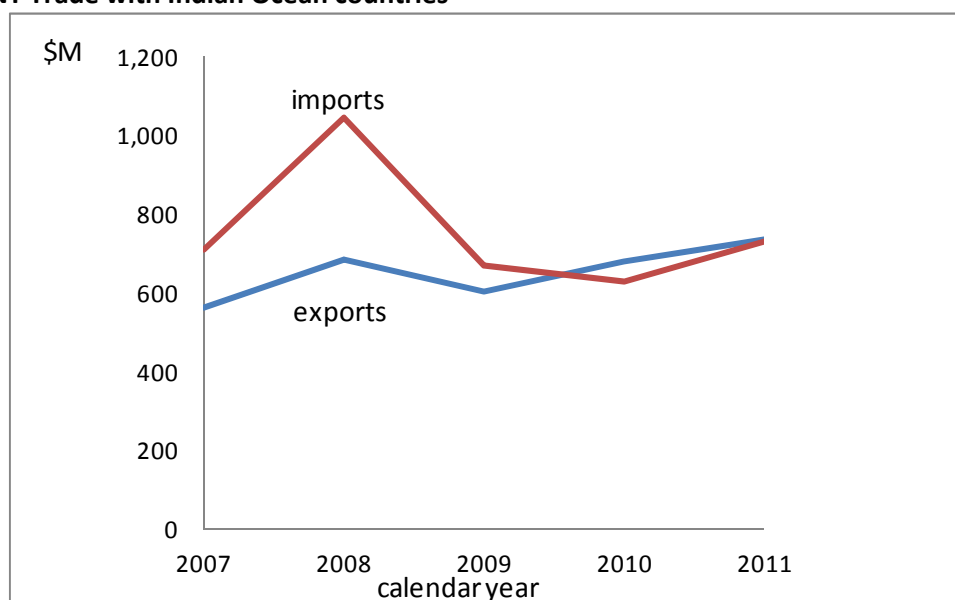
### 1. Trade and tourism opportunities for Australia, including the role of free trade agreements

#### Trade

The Port of Darwin is strategically positioned as Australia's nearest port to Asia and the nation's 'Gateway to Asia' for Australasian trade. With the completion of the AustralAsia rail link from Adelaide to Darwin in 2002, the Port of Darwin has become a strategic regional transport hub. The railway's northern terminus at East Arm Wharf has created a seamless inter-modal connection between Australia's land-based transport system and the shipping lanes that service Asia and the rest of the world.

Facilitated by this expanding trade capability, Northern Territory merchandise trade with countries in the Indian Ocean region<sup>1</sup> has been increasing on average over the last five years, following a decline in 2009 as shown in Chart 1 below.

**Chart 1: NT Trade with Indian Ocean countries**



Source: NT Treasury

The greater Indian Ocean region is not insignificant with regard to trade into the Northern Territory representing 64 per cent of the total imports in 2010 and 57 per cent in 2011. A considerable proportion of Territory imports from the region have been oil.

The region was also responsible for 10 per cent of the total export trade from the Northern Territory in 2010 and 11.5 per cent in 2011. Indonesia in particular, and to a lesser extent Malaysia, are of significant importance to the live cattle export trade representing 90 per cent of the overall trade in that industry.

Northern Territory trade with India, Indonesia, Singapore, Oman and the United Arab Emirates is significant and growing. Trade with Malaysia, South Africa and Thailand is growing from a relatively small base. Detailed trade statistics can be found at **Attachment A**.

<sup>1</sup> Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates, Yemen

The Northern Territory's biggest export markets in the region are Indonesia (mainly live animals), Oman (mainly alumina) and India (mainly metalliferous ores) (refer Table 1 below). Other export destinations include Singapore and Thailand (mainly petroleum and related materials and products), United Arab Emirates, Malaysia (mainly live animals), South Africa (crude materials only in Aug 2007 and Aug 2011), and Bangladesh (metalliferous ores in May 2008 and Aug 2009).

Imports to the Territory from the region are predominantly from Singapore and are comprised mostly of petroleum and related materials and products. Other sources of imports include Thailand (mainly vehicles for transport of goods and special purpose vehicles), Malaysia (mainly ships, boats and floating structures), Indonesia (mainly petroleum and related materials and products) and South Africa (mainly iron and steel).

**Table 1: NT Total Export and Import Figures (2007 to 2011 calendar year) \$ M**

	Exports	Imports	Proportion of total exports	Proportion of total imports
<b>Bangladesh</b>	1.61	0.07	0.0%	0.0%
<b>India</b>	533.50	9.40	16.4%	0.2%
<b>Indonesia</b>	1,355.58	98.24	41.6%	2.6%
<b>Iran</b>	35.20	0.26	1.1%	0.0%
<b>Kenya</b>	0.15	0.00	0.0%	0.0%
<b>Madagascar</b>	0.58	0.00	0.0%	0.0%
<b>Malaysia</b>	67.84	114.16	2.1%	3.0%
<b>Mauritius</b>	0.03	0.00	0.0%	0.0%
<b>Mozambique</b>	0.03	0.00	0.0%	0.0%
<b>Oman</b>	710.67	0.04	21.8%	0.0%
<b>Singapore</b>	203.54	3221.15	6.2%	85.0%
<b>South Africa</b>	14.13	35.77	0.4%	0.9%
<b>Sri Lanka</b>	0.01	0.00	0.0%	0.0%
<b>Tanzania</b>	0.06	0.00	0.0%	0.0%
<b>Thailand</b>	153.84	304.79	4.7%	8.0%
<b>United Arab Emirates</b>	181.10	4.47	5.6%	0.1%
<b>Yemen</b>	0.01	0.00	0.0%	0.0%
<b>TOTAL</b>	3,257.87	3788.35	100.0%	100.0%

Source: NT Treasury

### *Major Exports*

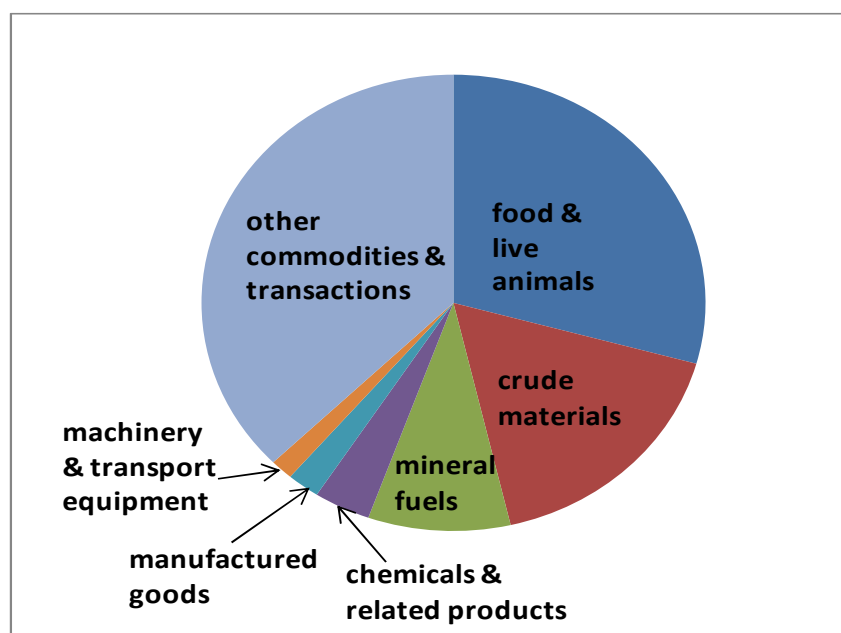
Major exports to the region are food and live animals (29 per cent), crude materials (17 per cent) and mineral fuels, lubricants and related materials (9 per cent) (refer chart 2 below). The export category of food and live animals is made up of mainly live animals (96.1 per cent), with foods taking up a small proportion. Crude materials exports are mainly metalliferous ores (99 per cent), while mineral fuels are mainly petroleum, petroleum products and related materials (99.9 per cent).

Of all food and live animals exports, 93 per cent are live animals to Indonesia, 87 per cent of crude materials are metalliferous ore to India and 80 per cent of crude materials are petroleum and related materials to Singapore and Thailand.

Northern Territory crocodile farmers produce high grade skins which are exported to customers in the Indian Ocean region. Currently, export of horticulture products such as mangos, melons and bananas from the Northern Territory into the Indian Ocean region is limited. This is predominantly due to transport logistics and costs and the price that could be obtained for Territory products in that region. High-end markets within the region for horticultural products may be established in the future.

The development of niche markets for high-end or premium delicacy products would also be a focus for Northern Territory fisheries operators. For example, currently highly-prized Territory trepang is exported to Hong Kong.

**Chart 2: Major exports to the Indian Ocean region**

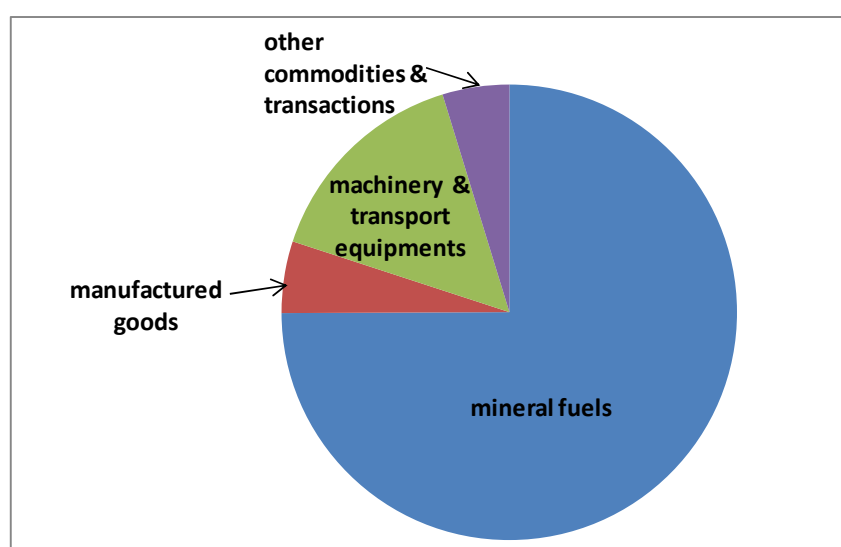


Source: NT Treasury

### *Major Imports*

Most of the imports from the region are mineral fuels, lubricants and related materials (75 per cent) and machinery transport equipment (15 per cent) (refer Chart 3 below), where 98 per cent of the mineral fuels, lubricants and related materials are petroleum oils from Singapore. Machinery and transport equipment are mainly specialised machinery (30 per cent), general machinery (27 per cent) and road vehicles (17 per cent).

**Chart 3: Major imports from the Indian Ocean region**



Source: NT Treasury

## Investment

The Northern Territory Government openly welcomes foreign investment in major developments, including tourism assets, property (residential, commercial and pastoral), and resource and energy projects. Foreign investment is attracted through various Northern Territory Government investment attraction activities coordinated by the Department of the Chief Minister. Several countries in the Indian Ocean region have healthy sovereign wealth funds and private investment vehicles and are considered potential sources of future investment for the Territory.

Leveraging existing Northern Territory political, business and cultural connections, while promoting investment, provides a key opportunity to attract future investment from the region. For instance, there are Indian Ocean Rim countries that consume increasing amounts of Territory resources, such as India, Malaysia, Oman and Singapore. There are significant opportunities to promote inward investment and grow trade from these countries in the resources, services, tourism, education and other sectors.

## Tourism

Tourism is a large economic driver of the Northern Territory economy and has a broad impact on other industry sectors. Tourism is worth over \$1.4 billion annually to the local economy in Gross Value Added and employs around one in six Territorians (17.2 per cent).

The Northern Territory is an attractive tourism destination offering unique encounters with local flora, fauna, world-heritage listed sites (including Uluru and Kakadu National Park) and Aboriginal art and culture. The Northern Territory offers experiences across the spectrum of tourism activities, including high-end luxury packages and adventure travel options.

In terms of the Indian Ocean region, visitation to the Northern Territory from Singapore has been steadily increasing (from a small base) over the past six years, with recent increases attributable to a rise in business travel. Tourism NT has an international office in Singapore to implement marketing and promotional activities.

Tourism opportunities with India are less obvious, but exist nonetheless. With growing middle class demand and ongoing economic reforms, increased opportunities to strengthen tourism linkages will likely emerge. Thailand and Indonesia also offer opportunities, underpinned by market growth and aviation linkages. Increased skilled migration to the Northern Territory (see p11) from countries such as India, Thailand and South Africa and expanding education links (see p8) with Bangladesh, Indonesia, India and Thailand will further contribute to tourism figures in the Northern Territory.

## Aviation

Darwin is currently serviced internationally by four carriers: Jetstar, Silk Air, AirAsia and Air North. Indonesian AirAsia has announced the suspension of its 4 flights per week on the Bali-Darwin sector effective 29 April 2012. Jetstar is establishing an international aviation hub in Darwin and the Northern Territory Government is working closely with Jetstar to support this. The wholly-owned subsidiary of Singapore Airlines, Silk Air commenced 4 weekly flights to Darwin from Singapore from March 2012. Silk Air is a full service airline offering business-class amenity.

Central to the Northern Territory Government's *Aviation Futures 2015* strategy is the development of the international aviation hub in Darwin and growth of low cost airlines in the region associated with progressive liberalisation of air services agreements. The development of the Darwin aviation hub, growing seat capacity into and out of Asia and increasing regional air services present growth opportunities for new markets in the region.

## Education

The Northern Territory is a safe, world-class destination providing government accredited international education opportunities. **Attachment B** shows the number of international students from the Indian Ocean region currently studying in the Northern Territory's Higher Education, Vocational Education and Training and English Language Intensive Courses for Overseas Students sectors. Bangladesh, Indonesia, India and Thailand are major source markets for international students in the Northern Territory, and to a lesser extent Thailand and Malaysia. There are currently no students from Oman, Singapore and United Arab Emirates in the Northern Territory.

The Indian Ocean region is currently not a significant source of students for the Northern Territory schools sector. In the Northern Territory, school students from Indonesia and Thailand choose Darwin as a study destination due primarily to family connections. There are currently three students from Thailand and one from Sri Lanka enrolled in Northern Territory Government schools.

From an education perspective, there are opportunities and challenges to Australia emerging from the economic rise of the Indian Ocean region. Asia is already the largest source of globally mobile students and is projected to become an even bigger source in the coming years.

For instance, to become an economic powerhouse, India needs to educate as many as 100 million young people over the next 10 years. Indian universities cannot accommodate all students who apply, especially in professional courses. For a country of more than 1.2 billion people, half of which are younger than 25 years old, there are only 400 universities. Overseas education is perceived to be superior and is highly valued in the job market. Middle class parents are willing to support their children's education in universities abroad and banks provide educational loans at attractive interest rates. Australia is a destination of choice for students seeking qualifications in business administration and management, computer science, information systems, medicine, nursing and health services.

Singapore, Malaysia, and Sri Lanka, among other Asian countries, aspire to be education hubs, attracting not only overseas students but also reputable institutions from other countries as branch campuses or joint institutions. Both Singapore and Malaysia have been attracting students from Asia and the Middle East since 2002, when the US visa policies became stricter in the wake of 9/11. Sri Lanka expects to establish 10 world-class foreign university campuses in the coming years and ease restriction on state universities to enrol foreign students with the aim of having 100,000 foreign students by 2020.

This could potentially hamper Australia's efforts to attract students from Asia, as these alternatives seem to be less expensive and closer in proximity. For instance, attempts by Singapore, Malaysia and Sri Lanka to develop education hubs may directly compete with Northern Territory Government efforts to develop Darwin into a 'university town' – a hub for international education under the '*Territory 2030*' strategy. On the other hand it also provides opportunities for Northern Territory/Australian institutions to establish campuses offshore in countries such as Singapore, Malaysia and Sri Lanka to meet the demand in this region.

## **2. Australian mineral exports, including competition and synergies in the region**

### **Mineral exports**

The Northern Territory is highly prospective and opportunities for bulk mineral ore exports continue to be unlocked along the north/south transcontinental rail corridor in the Northern Territory and southern Australian regions. The demand for bulk mineral export facilities has seen the Northern Territory Government invest in excess of \$25 million in bulk materials handling facilities at East Arm Port. This includes rail receiving facilities, stockpiles and a 2,000 tonne per hour shiploader.

As the minerals sector continues to develop through increased investment and as major resource projects come online, Northern Territory mineral exports to the Indian Ocean region will continue to expand to meet the demands of the region. The Northern Territory already exports ores to India, and the Northern Territory mining sector is increasing well-placed to supply resources for India's continued industrial and infrastructure development.

### **Energy exports**

#### **LNG**

There are opportunities for increased clean energy exports from the Northern Territory to the Indian Ocean region (i.e. LNG and uranium). India, Singapore and Thailand's development presents opportunities to strengthen energy exports and, in the case of Thailand and Singapore, presents a degree of competition as Darwin develops into a regional oil and gas maintenance and supply base.

Future demand for LNG imports by Thailand presents opportunities for not only increased exports but also investment opportunities in LNG projects offshore. Thai domestic gas reserves in the Gulf of Thailand, which account for approximately 70 per cent of the country's gas requirements, will be depleted within a decade. Thailand's sole LNG terminal (Map Ta Phut) commenced operations in September 2011 and has a regasification capacity of 5 million tonnes annually, with capacity expected to be doubled by 2016. Singapore's first LNG terminal is scheduled to become operational in 2013. With these developments, it is anticipated that Northern Territory oil and gas linkages in the region will continue to strengthen.

The Northern Territory Government's strategic investment to establish a Marine Supply Base to service growing offshore LNG developments will underpin our engagement in the regional oil and gas sector (see p10 for further details).

#### **Uranium**

As the Australian Parliament passes the necessary legislation and bilateral arrangements are negotiated, the export of uranium to India may proceed in the near future. India's emergence as a market for uranium exports will be significant as Australia has the largest known resource deposits in the world and the Northern Territory has Australia's second largest known deposits (14 per cent; behind South Australia's 78 per cent). Whilst the Northern Territory currently has very limited uranium supply opportunities to service the Indian market, the Northern Territory is well positioned to emerge as a supplier and likely investment target in the mid to long-term, due to extensive exploration activity in this field with future uranium mines expected to come online from as soon as 2014/15. Additionally, opportunities exist in India in terms of education and training in areas such as mining and regulatory process.

### *Green energy exports*

There are opportunities for increased collaboration between the Northern Territory and the Indian Ocean region in green energy and technology research and development and commercialisation (i.e. solar, wind, geothermal and tidal research). For instance, the Desert Knowledge Australia Solar Centre is a demonstration facility for commercialised solar technologies operating in the arid solar conditions of Alice Springs, Central Australia.

Clean/green energy is a key growth area for Singapore, with the government committing S\$350 million (US\$228 million) to develop Singapore as a global clean/green energy hub over the next five years. While the main emphasis is on solar power, the industry development efforts will also extend to fuel cells, wind power, tidal power, energy efficiency and carbon services.

Due to rapid economic expansion, India has one of the world's fastest growing energy markets. This coupled with limited domestic fossil fuel reserves drives India's ambitious plans to expand its renewable and nuclear power industries. Increasingly India is focused on developing alternative sources of energy, including solar and wind energy.

### **3. Strategic developments in the Indian Ocean, including growing naval influences and defence postures and their implications for Australia and the region**

Darwin is a significant player in the defence of Australia and Australia's national and economic security. Darwin-based naval vessels involved in the protection of Australia's borders and maritime interests make Darwin Australia's busiest naval port. In the 2009 Defence White Paper, Darwin was identified as one of seven major logistics hubs in Australia and was additionally identified as one of two critical ports for operations in the defence of Australia and the immediate neighbourhood.

The recent announcement of deployments of US Marines on a rotational basis to Darwin for training and exercises, and the Australian Government's recognition of the need to protect Australia's offshore oil and gas assets in the north and north west of Australia, will likely result in increased defence activity in the region. The large Australian Defence presence (Army, Navy and Air Force) as well as the US marines will provide capacity and capability to provide humanitarian aid and disaster relief in the region if and when required.

A small number of naval units from countries in the Indian Ocean region continue to use the Port of Darwin for rest and recreational purposes and resupply visits and are involved in defence exercises in the northern Australian area from time to time.

Regular defence exercises with foreign forces in the region and Darwin's geographic proximity to the Indian Ocean region are factors likely to strengthen Australia's regional defence relationships.

The Defence White Paper and the Australian and US Posture Reviews each identify key indicators as to the relevance and importance of the Northern Territory in the Indian Ocean region. A more detailed outline of defence activities can be found in **Attachment C**.

#### 4. The Indian Ocean Rim Association and other relevant bodies and their future directions

There is no official Northern Territory Government engagement within this Association or other relevant bodies at this time.

#### 5. Other relevant matters

##### Darwin - Regional Oil and Gas Maintenance and Operations Base

Darwin's development into a regional oil and gas maintenance and operations base has generated a host of trade and investment opportunities in the Indian Ocean region, which will continue to expand as the pace of development increases (pp6-7 elaborate further).

The \$34 billion Ichthys LNG project, the largest in the Northern Territory's history, reached a successful Final Investment Decision on 13 January 2012 and will be a significant driver of the Northern Territory's economy for many decades to come. Future developments in the Prelude, Kitan and Montara oil fields will also be significant. As the resources in the Timor Sea and Browse basin move from exploration to production, Darwin's importance as a regional maintenance and operations base grows.

To further cement Darwin's role in the oil and gas industry in the region, the Northern Territory Government is establishing a Marine Supply Base at East Arm. In February 2012, the \$104 million contract to build and operate a world-class Marine Supply Base was announced, with practical completion expected by October 2013.

##### Skilled Migration

The Australian Government has commenced negotiating Australia's first Regional Migration Agreement (RMA) for the Top End of the Northern Territory, which is designed to help Darwin-based business hire overseas workers where a genuine need exists to do so. Major projects in the Northern Territory will draw local workers away from smaller employers, and the proposed RMA will assist those businesses to backfill these gaps in their workforce. The RMA program is expected to be in place in the first half of 2012, and will act as a pressure valve for the local economy, helping businesses experiencing a shortage of staff to find workers when none can be sourced domestically.

The Indian Ocean region includes key source countries for the Northern Territory's skilled migration program. These countries may also have pools of skilled labour trained to appropriate standards suitable for recognition in Australia, and are likely to be valuable recruitment grounds as Northern Territory businesses seek the required workforces for remote projects at a time of effectively full Northern Territory employment.

In recent years, the Northern Territory Government has sought to attract skilled migrants from South Africa through participating in migration exhibitions in the country. India and Indonesia are also skilled migration target countries for the Northern Territory, with a focus on attracting international students to undertake study in skill shortage areas at the Charles Darwin University and supporting the migration of eligible applicants by Northern Territory nominations under the General Skilled Migration Program. Work is also currently being undertaken with the Government of Thailand on a pilot project to facilitate the entry of skilled workers to the Northern Territory under the subclass 457 temporary visa framework.

Countries from the Indian Ocean region represented 30 per cent of the total number of overseas skilled workers granted visas to settle in the Northern Territory in 2010-11. **Attachment D** shows the percentage of visas issued for the Indian Ocean region where the Northern Territory is the intended jurisdiction of residence in 2010-11.

## Biosecurity

Biosecurity has become an increasingly important issue in the region, with biosecurity threats to northern Australian animal and plant production having risen considerably in the last 20-30 years. The Northern Territory has a history of being a gateway for past incursions with multiple outbreaks of citrus canker and exotic fruit flies, the entry point for cattle tick, buffalo fly, mimosa and a number of other organisms. Some of these organisms have devastating economic impacts. In the past, some significant disease and pest incursions are believed to have been started by wind-blown dispersal of organisms from countries neighbouring northern Australia.

This situation is particularly acute in the Northern Territory which has an extensive coastline and substantial land area to protect. A Northern Territory Biosecurity Strategy is currently being developed which will consider options for addressing this situation and may require a partnership approach with the Australian Government to implement fully.

## CONCLUSION

The economic growth of key economies in the Indian Ocean region, including India, Indonesia, Malaysia, Oman, Singapore, Thailand and the United Arab Emirates, are set to continue at a strong pace. This growth will be reliant on the stable and long-term import of energy, minerals and other resources. Darwin is Australia's 'Gateway to Asia' and the Northern Territory Government has invested heavily in trade capacity and associated infrastructure to ensure the Territory can effectively service this important region.

Northern Australia, the resources-rich jurisdictions of Western Australia, Queensland and the Northern Territory, will drive national economic growth and prosperity in the 21<sup>st</sup> Century. Northern Australia will spearhead the creation of jobs and new opportunities and will lead the way in forging new and dynamic relationships with the rapidly growing economies of Asia. In particular, as Darwin develops into a regional oil and gas maintenance and operations base, links with the region in the oil and gas sector will continue to strengthen.

In addition to the evident merchandise trade, Northern Territory engagement with the region will continue to broaden and deepen in other sectors, including tourism, education, defence, skilled migration and people-to-people links.

The Northern Territory enjoys a multicultural and diverse population with strong ties to the Indian Ocean region. These people-to-people links are invaluable to our regional engagement, and will continue to underpin many future activities in the region.

The Northern Territory Government places a strong emphasis on cultivating and expanding government-to-government links with the region. The importance of this region is evident with the Deputy Chief Minister of the Northern Territory having personal responsibility for the Asian Relations portfolio within the Northern Territory Government.

As the Australian Government continues to explore and negotiate Free Trade Agreements (FTAs) in the region (including existing FTAs with Singapore, Thailand and ASEAN/New Zealand; and agreements under negotiation with India, Indonesia and Malaysia and Gulf Cooperation Council), further trade and investment opportunities will be facilitated.

In this 'Asian Century', Darwin will continue to emerge as Australia's northern capital and is well positioned to serve the rapidly growing Indian Ocean region.

## APPENDIX

### ATTACHMENT A – Northern Territory Merchandise Trade with Indian Ocean Region – Statistics

Total exports to the region by commodity (2007-11 calendar year)

Rank	Exports	\$M			Proportion of Exports
1	other commodities and transactions			1215.3	37.3%
2	food and live animals	live animals meat others	917.3 33.9 3.4	954.5	29.3%
3	crude materials, inedible, except fuels	metalliferous ores others	548.9 6.7	555.6	17.1%
4	mineral fuels, lubricants and related materials	petroleum gas	296.6 0.4	297.0	9.1%
5	chemicals and related products			119.1	3.7%
6	manufactured goods			55.2	1.7%
7	machinery & transport equipments			47.7	1.5%
8	miscellaneous manufactured articles			13.1	0.4%
9	beverages and tobacco			0.4	0.0%
	GRAND TOTAL			3257.9	

Total imports from the region by commodity (2007-11 calendar year)

Rank	Imports	\$M			Proportion of Imports
1	mineral fuels, lubricants and related materials	Petroleum gas Others	2,827.3 8.8 0.2	2,836.3	74.9%
2	machinery and transport equipments	Specialized machinery General industrial machinery & equipment Road vehicles Others	170.7 160.1 148.8 98.0	578.0	15.3%
3	manufactured goods			194.4	5.1%
4	other commodities and transactions			179.7	4.7%
	GRAND TOTAL			3,788.4	

Total NT exports to the region by country (\$ 000)

	2007	2008	2009	2010	2011	TOTAL (\$ 000)
Bangladesh	0	1584	22	0	0	1606
India	56662	158633	71974	133104	113130	533503
Indonesia	295023	308045	280465	258042	214007	1355582
Iran	4349	18339	12498	12	0	35198
Kenya	3	0	15	2	5	25
Madagascar	154	0	426	0	0	580
Malaysia	23604	10633	7095	10808	15700	67840
Mauritius	14	0	2	13	0	29
Mozambique	26	0	0	0	6	32
Oman	4	113266	178451	206906	212042	710669
Singapore	89999	11678	18155	51955	31749	203536
South Africa	7334	233	22	48	6488	14125
Sri Lanka	0	0	10	0	0	10
Tanzania	0	38	13	0	7	58
Thailand	85382	40484	3726	9139	15112	153843
United Arab Emirates	439	19032	28843	8510	124278	181102
Yemen	0	0	10	0	0	10
<b>TOTAL \$ (000)</b>	562993	681965	601727	678539	732524	3257748

Total imports to the NT from the region by country (\$ 000)

	2007	2008	2009	2010	2011	TOTAL (\$ 000)
Bangladesh	0	62	0	0	7	69
India	3452	1268	1011	1449	2223	9403
Indonesia	10014	37365	30437	13295	7130	98241
Iran	0	4	24	23	209	260
Kenya	0	0	0	0	0	0
Madagascar	0	0	0	0	0	0
Malaysia	45363	25026	9376	19108	15284	114157
Mauritius	0	0	0	0	0	0
Mozambique	0	0	0	0	0	0
Oman	0	0	41	0	0	41
Singapore	544334	927590	534683	543586	670961	3221154
South Africa	4022	9621	6513	10609	5003	35768
Sri Lanka	31	12	29	20	75	167
Tanzania	0	0	0	0	0	0
Thailand	101506	44443	86667	41187	30983	304786
United Arab Emirates	541	733	838	556	1802	4470
Yemen	0	0	0	0	0	0
<b>TOTAL \$ (000)</b>	709263	1046124	669619	629833	733677	3788516

Source: NT Treasury

## NT export trade by country 2011

India - Export Trade 2011	
item	tonnes out
Copper ores and concentrates	135,650
Grand Total	135,650

Indonesia- Export Trade 2011	
item	tonnes out
Cattle, live (excl. calves)	106,774
Distillates, automotive (light diesel fuel)	572
Electrical machinery, apparatus and appliances, nes	2
Gaseous hydrocarbons, nes	24
General industrial machinery and equipment, nes	7
Hay, chaff, fodder and similar feeding stuff for animals (ex	10,493
Industrial machinery and equipment (excl. agricultural and c	22
Metal waste and scrap of iron or steel	1,731
Other miscellaneous manufactured articles, nes	180
Prefabricated buildings	18
Waste paper	154
Grand Total	119,977

Malaysia- Export Trade 2011	
item	tonnes out
Cattle, live (excl. calves)	2,430
Empty used containers	445
Hay, chaff, fodder and similar feeding stuff for animals (ex	294
Inorganic chemicals, nes	47
Metal waste and scrap of iron or steel	40
Waste paper	381
Grand Total	3,637

Singapore- Export Trade 2011	
item	tonnes out
Chemical materials and related products, nes	136.419
Construction machinery and equipment	39.92
Commodity not specified	16
Empty used containers	980.68
Fabricated construction materials	290.9
Gaseous hydrocarbons, nes	182.618
General industrial machinery and equipment, nes	15.5
Inorganic chemicals, nes	141.77
Limestone and other building stone	588.1
Metal waste and scrap of iron or steel	528.03
Metal waste and scrap of non-ferrous metals	3153.71
Non-ferrous metals (excl. copper, aluminium, lead, zinc, nic	747.8
Other empty used packagings	8.95
Other miscellaneous manufactured articles, nes	5.9
Personal effects (other than motor vehicles)	15.42
Plastics in primary forms & cellulose esters and ethers (exc	14.152
Rig Tender Miscellaneous	23.951
Road vehicles, nes	5.34
Rubber tyres and tubes	25
Stone and gravel (excl. limestone & other building stone)	595.4
Tinned sheets or plates of iron or steel	5.18
Tubes, pipes and fittings of iron or steel	100.625
Waste paper	50.76
<b>Grand Total</b>	<b>7672.125</b>

South Africa - nil

Sri Lanka - nil

Thailand- Export Trade 2011	
item	tonnes out
Empty used containers	108
Inorganic chemicals, nes	3
Miscellaneous consignments, nes not classified by commodity;	7
<b>Grand Total</b>	<b>118</b>

Source: Darwin Port Corporation

## ATTACHMENT B – Foreign students currently studying in the NT

Country	Charles Darwin Uni (CDU) Higher Education	CDU VET	Int'l College of Advanced Education	General English (Navitas)
Austria	2	1		
Bangladesh	32	6		
Botswana	1			
Brazil	6	1		
Cambodia	1			1
Canada	11			
China	60	1 +9		1
Colombia	3			2
East Timor	6	3		18
Fiji	1			
France	3			
Germany	7	3+5	1	1
Greece				1
Hungary	1			
India	63	21	4	1
Indonesia	32	5	1	2
Iran, Islamic Republic of	2			
Iraq	1			
Ireland	1	1	1	
Italy	3	1		1
Japan		1		
Kenya	1			
Korea, (Republic of (South)	16	5	4	1
Korea, People's Democratic Republic		1		
Lebanon	18			1
Liberia	1			
Malaysia	20			
Mexico	3			
Myanmar	4			
Nepal	80	13	4	
Nigeria	12			
Pakistan	34	7	2	
Palestine		1		
Papua New Guinea	2	1		
Peru	1			
Philippines	112			1
Poland	1	21		
Portugal	1			
Russian Federation	1			
Seychelles	1			
South Africa		1		
Sri Lanka	2	3		1
Sweden	2	2		

Country	Charles Darwin Uni (CDU) Higher Education	CDU VET	Int'l College of Advanced Education	General English (Navitas)
Taiwan	9	5	1	2
Thailand	9	5	11	4
Timor-Leste	1			
Turkey				1
United Kingdom British – Cit	7	3	3	
United States of America	3	3	1	
Vietnam	20	11	1	1
Zimbabwe	10	2		

NB. There are currently no students from Oman, Singapore and United Arab Emirates in the Northern Territory.

*Source: NT Department of Education and Training*

## **ATTACHMENT C – The Australian Defence Force in the Northern Territory**

Darwin is the only Australian capital city which is closer to other countries than it is to the nation's capital. It is also closer to many large population bases throughout South-East Asia than any other city centre on Australian soil. It was bombed more frequently than Hawaii during WWII and has played a significant role following the East Timor crisis and the Bali bombing. Darwin, with its existing infrastructure, is a significant player in the defence of Australia and Australia's national security.

Darwin's close proximity to South-East Asia and Australia's major oil and gas fields in northern Australia, its suitability as a mounting base for military and humanitarian operations, deployments and exercises in the region, its contemporary infrastructure, capacity for growth and easy lifestyle, make it an ideal location for a growing Defence presence.

The Australian Government decision in 1987 to increase the Australian Army's presence in the north of Australia has seen 1st Brigade relocated into new and modern facilities at Robertson Barracks. Enhanced capability through capital equipment procurement and close access to the Mt Bundy and Bradshaw Field training areas has contributed to the Brigade's growth, force development and success in deployments to East Timor, Iraq and Afghanistan. The 1st Brigade in Darwin is strategically located close to the northern approaches allowing rapid deployment in defence of Australia's interests. The Brigade is a major contributor to the Northern Territory economy and is a valuable contributor to the community.

As the hub for border protection under Operation Resolute, naval activities in Darwin are significant in making Darwin Harbour the busiest naval port in Australia. Operation RESOLUTE is the ADF's contribution to the whole of government efforts to protect Australia's borders and offshore maritime interests. Up to 400 ADF personnel are assigned to Operation RESOLUTE. ADF assets assigned to Operation RESOLUTE include seven Royal Australian Navy Armidale-class patrol boats (ACPBs), with up to an additional two ACPBs when the unauthorised arrival threat level warrants further response capability.

With the majority of ACPBs based and supported in Darwin, HMAS Coonawarra is an important element of Royal Australian Navy operations. The proposed replacement of patrol boats with larger multi-role offshore combatant vessels and the requirement for Darwin-based 1st Brigade to deploy using amphibious load facilities onto the new Landing Helicopter Dock will mean that increased naval infrastructure will be required in Darwin.

Darwin has the added advantage of a naturally occurring deep water harbour with opportunities to plan for and reserve the required long-term land component of a dedicated base if required. The Northern Territory Government is regularly engaged with Defence in relation to future Navy requirements in northern Australia. Forward planning will avoid future urban encroachment and support the requirements of a naval base free from conflicts due to transport of provisions, armaments, fuel and equipment through residential areas.

Darwin has been identified in the Defence White Paper 2009 as one of the seven major logistics hubs in Australia. A new infrastructure project to consolidate Joint Logistics Unit North (JLUN) into a single facility on Robertson Barracks confirms Darwin as an important logistics hub for Defence. With the capability of supporting Defence both locally and during military contingencies and operations reaching into South-East Asia and beyond, expansion of JLUN to cater for increased Defence operations and capability is a logical and strategic outcome.

Darwin was also recognised in the Defence White Paper 2009 as one of two critical ports for operations in the defence of Australia and the immediate neighbourhood.

The 2002 Bali bombing highlighted the importance of Darwin with its well-resourced hospital and infrastructure playing a key role in Australia's response and repatriation of its citizens.

The Royal Darwin Hospital is recognised as Australia's National Critical Care and Trauma Response Centre. Recent natural disasters, such as earthquakes and the tsunami in South-East Asia, highlight the strategic advantage that storage of disaster relief stores in Darwin may have to lessen response times. The Northern Territory Government supports initiatives for the prepositioning of Australian and United States military and humanitarian relief equipment and stores in Darwin to better respond to disaster and emergency relief efforts. This support is extended to the storage of operational military stores for contingency requirements.

Darwin provides existing support for forward bases to the north-west. The charter of the Royal Australian Air Force's No 396 Expeditionary Combat Support Wing (396ECSW) based in Darwin is to provide Air Force and Combat Support Group with a diverse range of combat support and fixed base services, including ongoing support to the bare bases in northern Australia and also the capability to activate and support aerospace operations from forward or deployed locations to meet contingency requirements. The location of air assets in the north (either permanently or on rotation) reduces response times for surveillance, border protection, operational deployment, security and emergency response contingencies.

Urban encroachment on bases and training areas in southern states makes the Northern Territory's RAAF Base Darwin and RAAF Base Tindal attractive alternatives for basing additional assets to enhance operational readiness for protection of air and sea approaches and for training. Delamere Air Weapons Range provides unrestricted access and minimal air space congestion increasing the flexibility for combat training for Australian and foreign military air forces.

#### **Protection of Natural Resources – Oil and Gas, and Australian Offshore Territory**

The Northern Territory, Western Australia and the Joint Petroleum Development Area (JPDA) represent over 80% of Australia's oil and gas production. The annual value of oil and gas exports in the north-west of Australia (Northern Territory/Western Australia/JPDA) is over \$18 billion. This is expected to more than double to in excess of \$40 billion by 2020. LNG alone currently represents over \$9 billion of annual production and will be the biggest contributor to growth in the region.

Protection of Australian offshore oil and gas interests and infrastructure and the northern Australian offshore territories of Christmas and Cocos (Keeling) Islands is essential to Australia's national interests. As a major LNG and transport hub, Darwin provides the essential infrastructure and resources to enable the Australian Defence Force to implement offshore security requirements.

The Timor Sea, which contains vast reserves of natural gas, associated liquids and oil, holds great potential for future oil and gas exploration opportunities. The total resource is still being explored with new discoveries indicating an overall capacity that cannot yet be quantified. Darwin is now well-established as a major LNG export hub, with Darwin LNG producing 3.5 million tonnes a year. The proposed US\$25 billion INPEX Ichthys LNG project will see natural gas piped 855 km from the Browse Basin off the Kimberley coast to Darwin for processing into LNG. The product will supply a major proportion of Japan's future energy requirements. The INPEX Ichthys LNG project alone is expected to have a life of 40 years.

As a major hub for the oil and gas industry, Darwin is the logical place to coordinate the protection and security of offshore oil and gas infrastructure and the Australian offshore territories at Christmas and Cocos Islands. With existing infrastructure, augmented by appropriate military assets, staging of an emergency security response from Darwin is a viable strategic option. The flight time to the majority of the north-west oil and gas resources is shorter from Darwin than from any other established regional centre.

### **Defence Exercises**

Defence exercises are regularly staged in the Northern Territory and adjacent waters. In 2010-11 the Northern Territory hosted seven major exercises. These unilateral, bilateral and multilateral land, sea and air exercises involve Defence forces from Australia and the region including the United States, Singapore, Thailand, Malaysia, France, Indonesia and NATO.

Exercises are staged from Darwin and Tindal at sites throughout the Northern Territory including Bradshaw Field Training Area (8500 sq km), Mt Bunday, Delamere Air Weapons range and the North Australia Exercise Area. These exercises demonstrate the close relationship and cooperation between Australia and other countries in the region as well as the suitability of facilities in the Northern Territory to support such activities.

### **Growing the North**

Cities along the east coast of Australia have experienced dramatic population growth in recent decades placing pressure on water supplies, energy provision, land and transport infrastructure. Darwin does not have the resource limitations experienced in other city centres. With access to substantial natural and renewable resources such as water, oil and gas and solar, the development of additional infrastructure required to support a larger population becomes viable. With the population density on the east coast placing pressure on infrastructure and resources, the growth of northern Australia and associated opportunity for economic and industry development provides both business and employment opportunity in the north. This growth will require a shift in population into northern Australia and would assist to ease infrastructure congestion and density issues on the east coast.

The growth of Darwin as a regional oil and gas maintenance and operations base and the development of the Marine Supply Base will see increased local industry involvement in supporting the oil and gas industry. The increased need for engineering, air and maritime support for offshore activities will require local industry to expand and develop skills and capability. This will see local industry continue to grow in both capability and size with many skill sets and capabilities directly transferrable across industry sectors.

### **Australian Defence Force Posture Review (ADFPR)**

The Australian Defence Force is undertaking a posture review concurrently with the United States Global Force Posture Review.

When announcing the ADFPR, Minister for Defence Stephen Smith, said 'a World War II Brisbane Line disposition of Navy, Army or Air Force assets south of a line drawn from Brisbane to Adelaide does not reflect the reality of where the ADF must operate'.

The ADFPR preliminary report released in January 2012 states 'significant investments will be required, particularly in Northern Australia, to ensure the ADF is appropriately positioned geographically to meet Australia's long term strategic and security interests'.

A joint Australia/US announcement in November 2011 further recognised the strategic importance of the Northern Territory. From 2012, 250 US Marines will rotate through Darwin for joint training and exercises with Australian Defence Forces.

This will grow to 2500 over the next five years. In conjunction with the deployment of US Marines to Darwin, it is proposed that Defence and humanitarian equipment and stores will be prepositioned in the Northern Territory. The prepositioning of equipment and stores in the Northern Territory will provide an increased capability to provide humanitarian relief and disaster response in the region.

The significant Defence presence in the Northern Territory, the contribution Northern Territory-based Defence forces make to the protection of Australia and its interests, the role of the Northern Territory in supporting Australian and foreign Defence force exercises and training, and the recognition of the significance of the Northern Territory to Defence operations in the Defence White Paper and the Australian and US Posture Reviews are all key indicators to the relevance of the Northern Territory in the Indian Ocean region.

*Source: NT Department of Business and Employment*

## ATTACHMENT D – Business and Skilled Migration to the Northern Territory from the Indian Ocean Region

Percentage of visas issued for the Indian Ocean region where the Northern Territory is the intended place of residence in 2010/11

Citizenship	Business Skills	Employer Sponsored	Skilled Australian Sponsored	Skilled Independent	State/Territory Sponsored skilled	Grand Total
India	0.0	11.3	4.9	46.2	25.6	15.3
Indonesia	0.0	1.0	0.0	3.8	3.2	1.5
Iran	0.0	0.5	0.0	7.7	0.6	0.8
Kenya	0.0	0.8	0.0	1.9	0.0	0.6
Malaysia	0.0	0.5	2.4	0.0	0.6	0.6
South Africa, Republic of	0.0	6.7	0.0	0.0	0.0	4.8
Sri Lanka	0.0	0.7	0.0	0.0	7.6	2.2
Thailand	0.0	0.8	0.0	0.0	0.6	0.7
Zimbabwe	0.0	3.5	0.0	3.8	2.6	3.2
<b>Grand Total Indian Ocean</b>	0.0	25.7	7.3	63.5	40.9	29.6
<b>Grand Total all Countries (%)</b>	100.0	100.0	100.0	100.0	100.0	100.0
<b>Grand Total all Countries (visas)</b>	10	1,127	41	52	340	1,570

Source: NT Department of Business and Employment