



**Australian Government**

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**Department of Foreign Affairs and Trade**

**Senate Foreign Affairs, Defence and Trade References  
Committee**

**Inquiry into Australia's trade and foreign relations with  
the Indian Ocean rim**

**April 2012**

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## **TERMS OF REFERENCE**

The following matter be referred to the Senate Foreign Affairs, Defence and Trade References Committee for inquiry and report by 1 November 2012:

The importance of the Indian Ocean rim for Australia's foreign, trade and defence policy, with particular reference to:

- (a) trade and tourism opportunities for Australia, including the role of free trade agreements;
- (b) Australian mineral exports, including competition and synergies in the region;
- (c) strategic developments in the Indian Ocean, including growing naval influences and defence postures and their implications for Australia and the region more generally;
- (d) the Indian Ocean Rim Association and any other relevant bodies and their future directions; and
- (e) other relevant matters.

The committee is calling for submissions from organisations and people interested in developments in the Indian Ocean Region.

## GLOSSARY

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ACD	Asia Cooperation Dialogue
ACIAR	Australian Centre for International Agricultural Research
AEAS	Australian Education Assessment Services
AFP	Australian Federal Police
AISRF	Australia-India Strategic Research Fund
AOSIS	Alliance of Small Island States
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
AU	African Union
AusAID	Australian Agency for International Development
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRICS	Brazil-Russia-India-China-South Africa Group
CECA	Comprehensive Economic Cooperation Agreement
CGIAR	Consultative Group for International Agricultural Research
CHOGM	Commonwealth Heads of Government Meeting
Commonwealth	Commonwealth of Nations
COM	Council of Ministers (IOR-ARC)
COMESA	Common Market for Eastern and Southern Africa
CPLC	Community of Portuguese Language Countries
CPP	UNODC Counter-Piracy Program
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSO	Committee of Senior Officials (IOR-ARC)
CTF	Combined Task Force
DFAT	Department of Foreign Affairs and Trade
EAC	East African Community
EAS	East Asia Summit
EEZ	Exclusive Economic Zone
ERP	Estimated Resident Population
EU	European Union
FAO	United Nations Food and Agriculture Organisation
FSU	Fisheries Support Unit (IOR-ARC body)
FTA	Free Trade Agreement
G20	Group of Twenty
GAFFSP	Global Agriculture and Food Security Program (World Bank)
GCC	Cooperation Council for the Arab States of the Gulf (Gulf Cooperation Council)
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery (World Bank)
GNP	Gross National Product
GNU	Transitional Government of National Unity (Madagascar)
HAT	High Transitional Authority (Madagascar)

HDI	Human Development Index
IACEPA	Indonesia-Australia Comprehensive Economic Partnership Agreement
IAEA	International Atomic Energy Agency
ICG	Intergovernmental Coordination Group
IGAD	Inter-Governmental Authority on Development
IOC	Indian Ocean Commission
IOC	Intergovernmental Oceanographic Commission (UNESCO)
IOMOU	Indian Ocean Memorandum of Understanding on Port State Control
IONS	Indian Ocean Naval Symposium
IOR	Indian Ocean rim
IORARC	Indian Ocean Rim Association for Regional Cooperation
IORAG	IOR-ARC Academic Group
IORBF	IOR-ARC Business Forum
IOTC	Indian Ocean Tuna Commission
IOTWS	Indian Ocean Tsunami Warning System
ISF	International Stabilisation Force (Timor-Leste)
IUU	Illegal, Unreported and Unregulated Fishing
JPDA	Joint Petroleum Development Area
JWG	Joint Working Group
MAFTA	Malaysia-Australia Free Trade Agreement
MAJDP	Malaysia-Australia Joint Defence Program
MoU	Memorandum of Understanding
NAM	Non-Aligned Movement
OIC	Organisation of Islamic Cooperation
PPP	Purchasing Power Parity
ROK	Republic of Korea
RCF	Regional Cooperation Framework (Bali Process)
RCSTT	Regional Centre for Science and Transfer of Technology (IOR-ARC)
RSO	Regional Support Office (Bali Process)
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SADF	South Asian Development Fund
SAFTA	South Asian Free Trade Agreement
SAJMC	Singapore-Australia Joint Ministerial Committee
SCO	Shanghai Cooperation Organisation
SIDS	Small Island Developing States
SIOFA	Southern Indian Ocean Fisheries Agreement
SLOC	Sea Lines of Communication
TAFTA	Thailand-Australia Free Trade Agreement
TICAD	Tokyo International Conference on African Development
TPP	Trans-Pacific Partnership
TPPA	Trans-Pacific Partnership Agreement
UK	United Kingdom of Great Britain
UN	United Nations

UNESCO IOC	UN Educational, Scientific and Cultural Organisation
UNISDR	UN International Strategy for Disaster Reduction
UNMIT	UN Integrated Mission in Timor Leste
UNODC	UN Office of Drugs and Crime
UNSC	UN Security Council
US	United States of America
WEF	World Economic Forum
WGTI	Working Group on Trade and Investment (IOR-ARC)
WTO	World Trade Organisation

## EXECUTIVE SUMMARY

Australia is a three-ocean nation; its Indian Ocean coastline is longer than both its Pacific Ocean coastline and its Southern Ocean coastline.

The countries of the Indian Ocean rim are home to over 30 per cent of the world's population. They are extremely diverse in races, religions, cultures, political systems, economic conditions and interests. Within its boundaries, the Indian Ocean rim comprises various sub-regions including: East and South Africa, Gulf States, South Asia, South-East Asia, the Indian Ocean island states and territories, and Australia.

### *Importance for Australia*

The Indian Ocean rim is of strategic and economic importance to Australia. The countries of the Indian Ocean rim are Australia's neighbours, they are important trading partners, and many of them are also Australia's security partners.

The security of Indian Ocean shipping routes is vital to both Australia's economic interests and the energy security of the wider region, due to the centrality of the Indian Ocean's maritime trade routes to the energy security of many Asian states.<sup>1</sup>

Much of the world's trade in energy crosses the Indian Ocean region, which also includes a large proportion of oil, iron ore, tin, bauxite, gold, diamonds, manganese, uranium, chromium and hydrocarbons. Many countries in the region will also be increasing their consumption of these resources in the future.

Many Australian companies operate in Australian waters in the Indian Ocean and throughout the region. There are opportunities for continuing regional trade and investment in mining and resources sectors.

### *Regional Cooperation*

The Indian Ocean rim at present does not evince a developed sense of pan-regional identity, of the type evident in other regions. That lack of regional identity reflects the relative lack of binding common interests, histories, economic disparities, and social differences, the lack of a dominant regional power and limited people-to-people links.

In co-operation with India and other countries of the Indian Ocean rim, Australia wants to develop over time a common set of interests, values and norms to guide future engagement (See Appendix 6.2). Australia is committed to enhancing its relationships with Indian Ocean rim states, including through the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

Australia plans to do so incrementally, taking small, practical steps towards greater regional co-operation — co-operation in functional areas which will deliver real advantages to other rim countries.

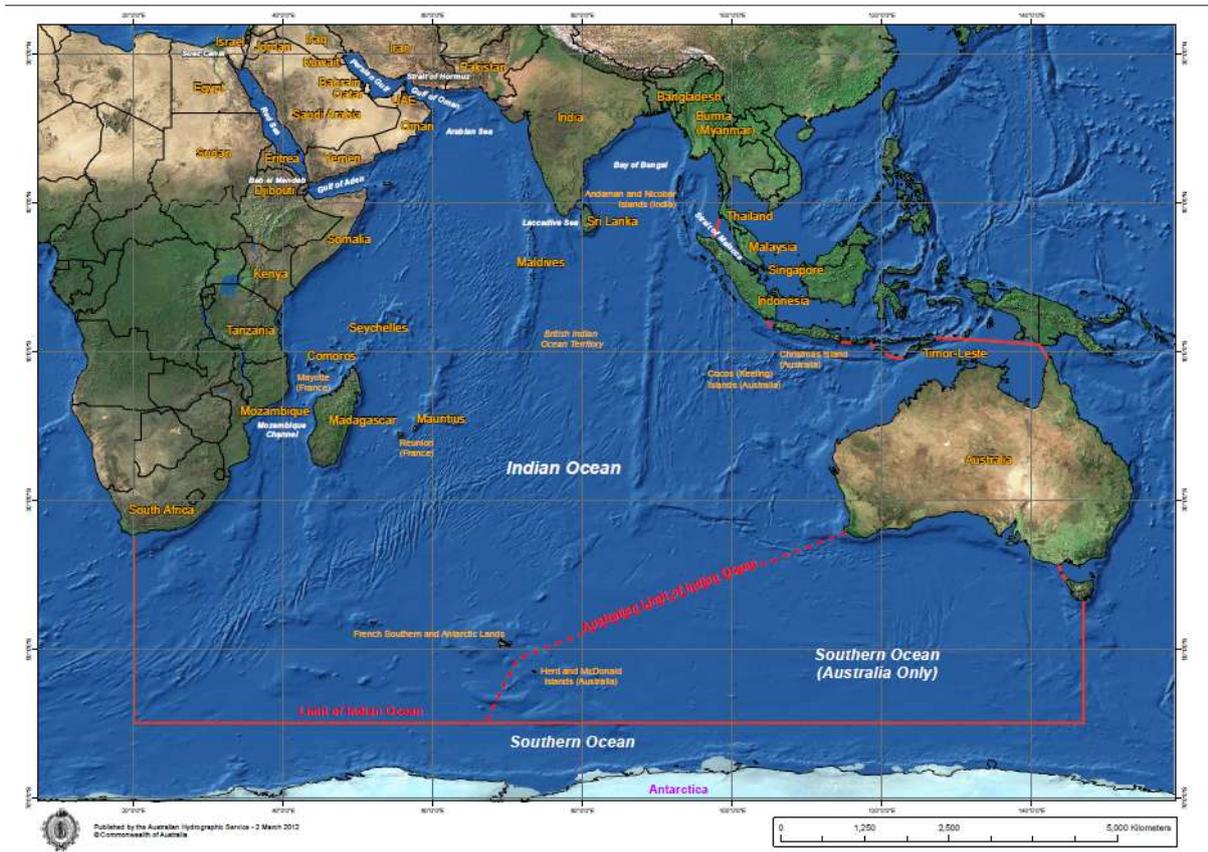
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<sup>1</sup> Defence White Paper 2009, [www.defence.gov.au/whitepaper](http://www.defence.gov.au/whitepaper), p55

## THE INDIAN OCEAN

The Indian Ocean includes those countries that touch the Andaman Sea, Arabian Sea, Bay of Bengal, Gulf of Aden, Gulf of Oman, Mozambique Channel, Persian Gulf, Red Sea and the Strait of Malacca. Australia's definition of the Indian Ocean is outlined in the map below.

Map: The Indian Ocean



### Defining the region

There are 26 countries located in the Indian Ocean rim (not including the French Indian Ocean territories and the British Indian Ocean Territory). These countries are directly located in the Indian Ocean, or facing the Ocean through a linking body of water. The Indian Ocean region includes the Indian Ocean rim and other nearby coastal countries (i.e. those also located in a connected water body to the Indian Ocean). The Broader Indian Ocean Region also includes other nearby countries and other extra-regional stakeholders who have a presence, or strong interests, in the region.

**Table: States of Indian Ocean**

Indian Ocean rim			
Indian Ocean region			
Broader Indian Ocean region			
Countries located in the Indian Ocean rim@	Nearby coastal countries #	Other nearby countries, including:	Other extra-regional stakeholders with strong interests in the region, including:
<u>Australia</u> <u>Bangladesh</u> Burma (Myanmar) Comoros Djibouti <u>India</u> <u>Indonesia</u> <u>Iran</u> <u>Kenya</u> <u>Madagascar</u> <u>Malaysia</u> Maldives <u>Mauritius</u> <u>Mozambique</u>	<u>Oman</u> Pakistan <u>Seychelles</u> <u>Singapore</u> Somalia <u>South Africa</u> <u>Sri Lanka</u> <u>Tanzania</u> <u>Thailand</u> Timor-Leste <u>UAE</u> <u>Yemen</u>  <i>French Territories in the Indian Ocean (France)*^</i>  <i>British Indian Ocean Territory (UK)^</i>	Bahrain Egypt^ Eritrea Iraq Israel Jordan Kuwait Qatar Saudi Arabia Sudan	Afghanistan Bhutan Botswana Burundi Brunei Cambodia Ethiopia Laos Lesotho Malawi Nepal Philippines Rwanda South Sudan Swaziland Uganda Vietnam Zambia Zimbabwe

**Notes:**

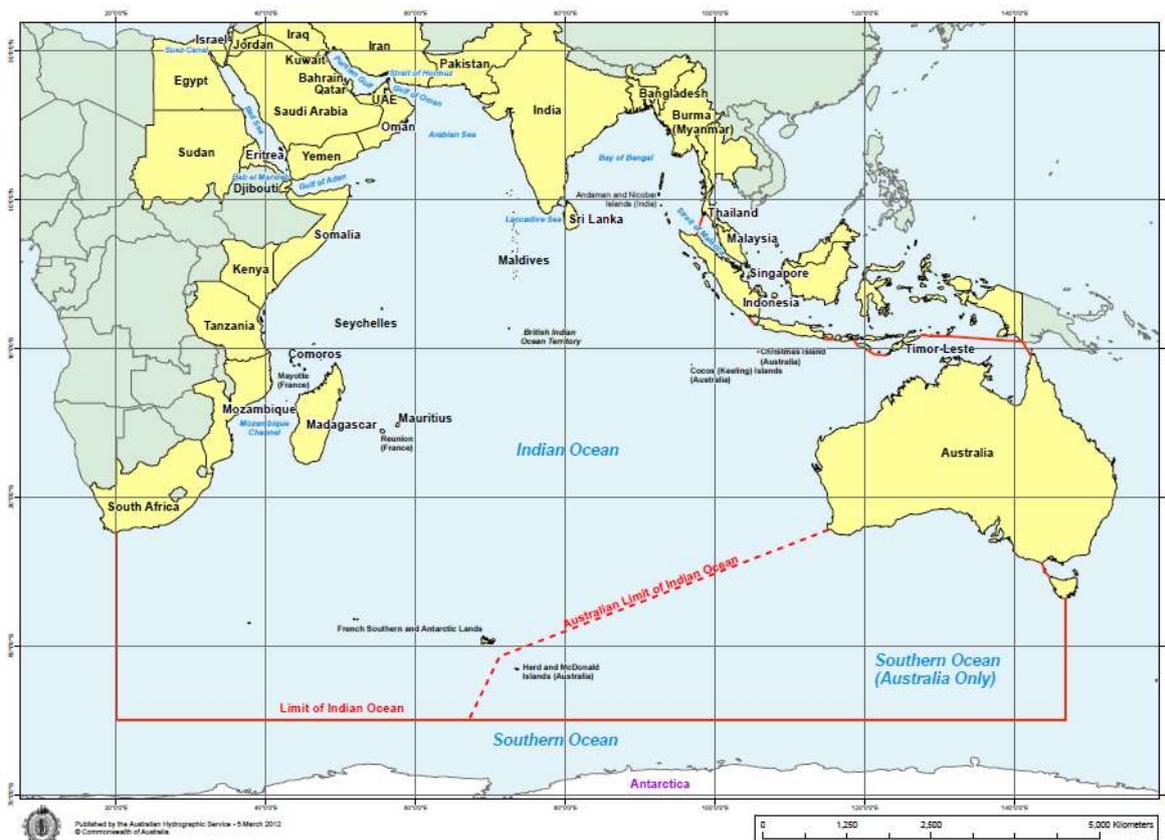
\* includes Réunion and Mayotte

Underlined: IOR-ARC members.

^ IOR-ARC Dialogue Partners (France and UK have territories in the Indian Ocean).

@ located in the Ocean or facing the Ocean through a water body of the Indian Ocean; Mozambique Channel, Gulf of Aden, Gulf of Oman, Arabian Sea, Bay of Bengal, Andaman sea, Strait of Malacca, and the Timor Sea.  
 # located in a connected water body: Red Sea and the Persian Gulf.

**Map: The Indian Ocean region**



## 1. INDIAN OCEAN RIM POLITICAL CONTEXT

### 1.1 Indian Ocean rim relations and interests

#### *African Indian Ocean rim country overview*

Continental African Indian Ocean countries include South and East African countries: South Africa, Mozambique, Tanzania, Kenya, Somalia, and Djibouti. The Indian Ocean is an important trade route for Africa, especially to China (10 per cent of African exports). African Indian Ocean states' economic interests are increasingly threatened by piracy. Nearly 20 per cent of piracy attacks in 2010 occurred off the Tanzanian and Kenyan coasts.

Mombasa (Kenya) and Dar Es Salaam (Tanzania) are two of Africa's most important ports, acting as conduits for a significant proportion of its trade with the outside world. This is particularly the case for the landlocked members of the East African Community (EAC), namely Uganda, Rwanda and Burundi, whose economic health depends largely on reliable access to the sea ports.

South Africa is an influential political player in Africa, playing key roles in international and regional forums. It is the only African country in the G20 and a major player in climate change negotiations. South Africa has significant maritime security interests in the Indian Ocean, particularly with regard to Somali piracy and its impact on trade and energy supply. It also recognises the importance of protecting its other economic interests, including the management and protection of fish stocks in the Indian Ocean. It is estimated that the Mozambique Channel carries around 98 per cent of South Africa's maritime traffic.

Mozambique's position at the head of the Mozambique Channel contributes to Mozambique's concern with issues affecting the greater region including peace and stability, trade liberalisation, climate change and combating piracy. It currently interacts with other regional states through the Commonwealth, South African Development Community (SADC), African Union (AU), Non-Aligned Movement (NAM), Organisation of Islamic Countries (OIC) and the Community of Portuguese Language Countries (CPLC).

Both Kenya and Tanzania have an interest in improving maritime security in their Exclusive Economic Zones (EEZ). Indian Ocean tourism is a key interest for Kenya and Tanzania, countries famous for their beaches, resorts and Swahili culture. Tourism represented 2.5 per cent of Kenya's GDP in 2010 and is among Tanzania's fastest growing sectors, accounting for about 5.8 per cent of GDP for 2010-11 and 25 per cent of foreign exchange earnings. However, Kenya remains seriously impacted by the famine and humanitarian crisis in the Horn of Africa with over 3.2 million locals affected. Kenya is host to a number of large refugee camps with over 550,000 refugees. Both Kenya and Tanzania are members of the EAC, IOR-ARC and SADC.

Somalia remains Africa's most pressing peace, security and humanitarian issue. The crisis in Somalia has consequences beyond its borders, including as the primary source of piracy in the Indian Ocean.

Djibouti's key geostrategic position is reflected in an important role in security (particularly counter-terrorism), trade, and development. Djibouti hosts the headquarters of the Intergovernmental Authority on Development (IGAD) and is important to the international anti-piracy efforts in the Indian Ocean.

#### *Indian Ocean island states and territories overview*

Indian Ocean islands close to continental Africa include (in descending size of population) Madagascar, Mauritius, Réunion (France), Comoros, the Maldives and Seychelles. These islands share a combined population of around 25 million people. Apart from Madagascar (the fourth largest island in the world with a population of 22 million), the Indian Ocean island states have small

populations and small land masses but their combined EEZs comprise an area twice the size of the Mediterranean Sea.

Madagascar's key concerns include sustainable development of its massive forest and mineral resources. While exploitation of its natural resources remains the basis of its economy, the protection of its environmental assets is also of high importance to sustain its eco-tourism sector. Areas of concern include its coral reefs (of which 99 per cent have been bleached), and its forests which include many rare species of flora and fauna specific only to Madagascar.

Maldives is a member of regional bodies including the Colombo Plan and the South Asian Association for Regional Cooperation (SAARC). As current Chair of SAARC, Maldives hosted the 17th SAARC Summit in November 2011 and holds the rotating Secretary-General position. It is also concerned by the future impacts of climate change, specifically sea level rises.

Mauritius has notable political influence among Indian Ocean states and as a regional player. Mauritius' central concerns are piracy, energy security, food and fuel prices and fisheries management. Of major concern for Mauritius is managing the environment, especially the impact of climate change on land (lower rainfall has affected soil fertility and insect populations) and in the water illegal fishing activity (especially in the outer islands) which has inflicted heavy financial loss in the region and declining fish stocks. Mauritius assumes the presidency of the Indian Ocean Commission (IOC) in June 2012 and hosts the IOR-ARC secretariat.

Seychelles' concerns in the Indian Ocean region include piracy, climate change and managing resource wealth. It assumed presidency of the IOC in October 2011, and re-joined IOR-ARC in November 2011. Seychelles is a strong advocate for the climate change concerns of small island states and is a leading member of Alliance of Small Island States (AOSIS).

Comoros is the only Indian Ocean island state that belongs to the Arab League, and is also concerned by climate change and sustainable environmental management. In the Indian Ocean, the French overseas department of Réunion and the French overseas territory of Mayotte are home to just over one million French citizens, ensuring a French cultural presence in the region, which is also bolstered by historical and linguistic links between France and its former colonies in India, Mauritius, Madagascar and the Seychelles. The British Indian Ocean Territory, south of the Maldives houses an American Naval facility.

#### *Middle Eastern Indian Ocean rim country overview*

Iran has an important economic interest in regional issues and interests in the Persian Gulf. In addition, as part of its regional engagement, Iran hosts the IOR-ARC Regional Centre for Science and Technology Transfer (RCSTT) which conducts research, provides training, and liaises to assist member countries in developing, disseminating, and acquiring new technologies.

The Indian Ocean is of critical importance to the UAE as a large proportion of its trade passes through Indian Ocean shipping routes. UAE has a particularly close relationship with the Seychelles, where it has provided coastguard capacity.

Oman also has interests in maritime security across Indian Ocean sea lines of communication (sea navigation routes) and is of considerable strategic importance as it is located on the western bank of the Strait of Hormuz. Oman is a strong supporter of IOR-ARC and houses the Secretariat of the IOR-ARC Fisheries Support Unit (FSU). The FSU has been established to enhance regional cooperation to manage the fisheries of the Indian Ocean rim.

Yemen is the poorest country in the Gulf region and its economic situation has deteriorated over years. Yemen hosted in June 2009 and 2010 the IOR-ARC Ministerial meetings when it was Chair of the organisation.

### *South Asian Indian Ocean rim country overview*

India is located in a central position within the Indian Ocean, with a large amount of historical links and modern diaspora located throughout the region. India's strategic interests in the Indian Ocean are widespread including maintaining the safe passage through the key Indian Ocean chokepoints for its energy security. Around 70% of India's imported oil transits through the Straits of Hormuz. At current levels of consumption, the oil import dependence of India is expected to reach over 90 per cent by 2020<sup>2</sup>. In addition India is also an active player in multilateral regional organisations, being current Chair of the IOR-ARC. India was also instrumental in the formation of the Indian Ocean Naval Symposium (IONS) in 2008, a biennial Chiefs of Navy meeting to discuss regional security measures. India also discusses issues affecting the region through the East Asian Summit (EAS), SAARC, the ASEAN Regional Forum (ARF) and the G20.

Bangladesh is consistently ranked as one of the world's most vulnerable countries due to the adverse impacts of climate change. It is also active in regional bodies such as IOR-ARC, SAARC and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

Sri Lanka has interests in managing the fisheries resources of the Indian Ocean, and uses its membership of the SAARC and IOR-ARC to maintain a regional profile. Sri Lanka is most interested in SAARC, particularly its work on regional economic integration. Sri Lanka has been active in facilitating increased co-operation between countries interested in the security of the Indian Ocean through bilateral, trilateral and multilateral fora and in seeking to share its experience in combating terrorism.

The Indian Ocean is also an important access point for Pakistan's trade more broadly and energy supplies in particular. Pakistan relies heavily on the Indian Ocean as an important access point for its trade and energy concerns. Pakistan is a founding member of SAARC and is actively involved in the anti-piracy Combined Task Force off the Gulf of Aden.

### *South-East Asian Indian Ocean rim country overview*

South-East Asian Indian Ocean rim littoral states include Timor-Leste, Indonesia, Singapore Malaysia, Thailand, and Burma (Myanmar). South-East Asian countries rely on the Indian Ocean sea lanes of communication for their trade and energy needs. It is important for Singapore, Malaysia and Indonesia is to keep the Strait of Malacca free of crime and piracy and open to trade.

As one of the poorest countries in the region, Timor-Leste has substantial oil and gas interests vested into the Joint Petroleum Development Area (JPDA) in the Timor Sea, with Australia. Hence, the continued development of these is of vital interest.

Indonesia's attention to the broader Indian Ocean region is becoming more prominent. In January 2012, Indonesia's Foreign Minister listed cooperation in the Indian Ocean region as being amongst Indonesia's foreign policy priorities, noting Indonesia's intention to accord more attention to maritime cooperation in the Indian Ocean in 2012. Indonesia also works in IOR sub-regions, notably through its engagement in ASEAN and Asia-Pacific regions.

Singapore's foreign policy settings in the Indian Ocean region are predominantly geared towards trade and investment due to its strategic position on the Strait of Malacca. It is an active player in regional fora, with a focus on ASEAN-centred bodies. Singapore's most comprehensive bilateral security arrangement in the Indian Ocean region is with India - the two countries signed a Defence

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<sup>2</sup> 'Reinvigorating IOR-ARC', Shri Manbir Singh, New Delhi, 6 May 2011, <http://www.icwa.in/pdfs/SecretaryERIorg.pdf>

Cooperation Agreement in 2003 which covers joint exercises, service-level staff talks and cross-attendance of courses.

Malaysia is one of the major littoral states in South-East Asia; sitting between the Indian Ocean and the South China Sea. Its interest in the Indian Ocean is dominated by the critical need to guarantee international shipping's freedom of passage through the approaches to the Malacca Straits. In addition, since taking office in 2008, Prime Minister Najib has increased Malaysia's defence ties with India, including ship and high-level visits and collaboration on defence equipment.

Thailand's strategic interests in the Indian Ocean region are focused on maritime security, the proposed Dawei deep-sea port in Burma (a joint venture between a Thai company and the Burmese government) and increased trade connections in the region. Maritime security in the Indian Ocean is a major issue for Thailand. Around 70 per cent of Thailand's GDP comes from exports, and as such Thailand's economy relies on safe and secure sea lines of communication.

Burma's strategic interests in the Indian Ocean are dominated by its large offshore oil and natural gas reserves. Burma has 1,930 kilometres of coastline and occupies a large expanse of open ocean and coastal waters close to some major Indian Ocean shipping lanes. Despite being a prominent Indian Ocean rim littoral state, Burma is neither a member or dialogue partner of IOR-ARC. Burma hosted the 13th BIMSTEC Ministerial meeting in January 2011.

#### *Other African and Gulf countries in the Indian Ocean region*

Other countries, such as Saudi Arabia, Egypt, Sudan, Eritrea and landlocked African countries also have an interest in Indian Ocean issues. Maritime routes to the Indian Ocean are important for Saudi Arabia. Shipping from Saudi Arabia's east coast (where most of its oil refineries are located) travels from the Arabian Gulf through the Straits of Hormuz into the Indian Ocean. Egypt is a leader in and host to the Arab League, and as a key African Union and Non Aligned Movement (NAM) member will seek to remain influential in regional and international security, political and economic affairs. However, as it deals with its democratic transition and associated economic and social challenges, Egypt's focus will increasingly be on managing its internal affairs over the next several years. When compared with its extensive relations with countries of the Nile Basin, the EU and US, and an influential and engaged role in the Middle East Peace Process, Egypt's relations with Indian Ocean rim countries are limited. Sudan, Eritrea and Djibouti also have key interests in the security of the Red Sea for their international and regional trade. Landlocked East and Central African states (Uganda, Rwanda, Burundi) also depend on the ports of Mombasa and Dar Es Salaam for much of their trade and so developments in the region are also of importance.

## **1.2 Other stakeholders in the Broader Indian Ocean region**

### *China*

Access to energy and natural resources is vital to China's continuing economic growth. China's increasing demand for energy supplies from the Middle East (more than half of China's oil comes from the Gulf and this is likely to increase in future) and natural resources from Africa is driving long-term strategic, security, and economic interests in the Indian Ocean region. China also has an ongoing interest in safeguarding access to new markets for Chinese goods, and addressing concerns about future food security. To this end China is seeking to increase cooperation with Indian Ocean states (including India). China is already expanding maritime relations with key Indian Ocean states including Burma, Bangladesh, Sri Lanka, Pakistan and Seychelles. China has developed interests in improving communications links to ports in the Indian Ocean, including through the construction of pipelines in Burma, fast rail through Laos, Thailand and Burma, and possible fast rail and pipeline to Pakistan. Furthermore, cooperation on non-traditional security threats (e.g. sea piracy, people smuggling and terrorism) in the Indian Ocean region provides further opportunities for Chinese

engagement. As an example in 2008 China for the first time sent ships to protect Chinese shipments against acts of piracy in the Gulf of Aden.

### *European Union*

The European Union (EU) is active in the Indian Ocean region through a number of multilateral institutions and its key bilateral relationship with India. Whilst the EU has no formal relationship with IOR-ARC, it has ties to a number of others, including the IOC, SAARC, ASEAN, ARF and SADC. Its engagement is primarily through support for political and economic regional integration and trade. In 2004, the EU and India announced a 'strategic partnership' to 'strengthen through more intensive dialogue' a relationship which had evolved 'to acquire higher political and strategic dimensions'.<sup>3</sup> India is one of a handful of countries with which the EU has such a partnership. India-EU cooperation is broad and multifaceted. At the thirteenth India-EU Summit in February 2012, leaders reaffirmed their commitment to cooperation on trade, security, energy, economic development, sustainable development, research and innovation. As of 2010, India was the EU's eighth largest trading partner, with two-way merchandise trade valued at €68 billion. Negotiations for a Bilateral Trade and Investment Agreement have been underway since 2007.

### *France*

France's historical and continuing influence and focus in the western Indian Ocean stems primarily from its overseas departments and territories located in the region. France is one of the few Indian Ocean rim littoral states with the capacity to protect and project its interests through its political, military and economic power. France's defence activities in the Indian Ocean include ensuring the safety and sovereignty of the French territories and maritime areas, protecting the sea lines of communication, and counter-piracy operations.

There are four key French military bases in the Indian Ocean region. Réunion serves as a permanent and substantial naval base in the Southern Indian Ocean. Forces based in Mayotte conduct maritime surveillance in the Mozambique Channel and participate in regional humanitarian assistance operations and training exercises. A joint headquarters element of the French Army in Djibouti ensures France has a strategic presence in East Africa and along the Persian Gulf and the Mediterranean sea route, which carries some of France's energy imports. French forces in Abu Dhabi (foreign legion, navy and air force) also bolster the overall French presence in the region.

### *Japan*

Japan's interests in the Indian Ocean region are largely focused on oil and it also depends on Indian Ocean sea lines of communications for its trade and energy needs. Just over 87 per cent of Japan's crude oil imports in 2011 came from the Middle East – transiting through Indian Ocean sea lanes and through the Malacca Strait. Japan has deployed defence assets to the Gulf of Aden to assist with international anti-piracy operations and, in July 2011, opened a base in Djibouti to facilitate patrols over the Indian Ocean and Gulf of Aden. Japan maintains good bilateral relations with South-East Asian IOR-ARC members Indonesia, Singapore, Thailand and Malaysia, and works closely with them in the context of the ASEAN regional architecture including the ASEAN+3 arrangement (with the Republic of Korea and China), the EAS and the ARF. Japan's relationship with India remain on a positive track with the signing of a Joint Declaration on Security Cooperation in 2008, inaugural 2+2 discussions in 2010 and agreement on a Comprehensive Economic Partnership in 2011. Japan is also a major aid donor to Sri Lanka and Bangladesh which, respectively, mark their 60th and 40th anniversaries in the establishment of diplomatic relations with Japan in 2012. Japan has few historical ties with Africa but is an active supporter of AU activities particularly those contributing to peace and stability; and expanding development assistance, trade and investment on the continent. Tokyo International Conference on African Development (TICAD) was established in 1993 to promote high-

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<sup>3</sup> Joint Press Statement, Fifth India-EU summit, The Hague, 8 November 2004.

level policy dialogue between African leaders and their partners and promote cooperation between Asia and Africa.

#### *Russia*

Russia's most important relationship in the Indian Ocean region is with India. The Russia–India relationship has long been important and has been growing closer in recent years. There is strong cooperation on defence, space and nuclear energy, though otherwise the economic relationship is relatively underdeveloped (US\$7.1 billion in 2011). Russia also interacts with South Africa through the Brazil–Russia–India–China–South Africa (BRICS) group, though ties are not extensive. Russia's interaction with Indonesia has expanded given common membership of the G20 and EAS and some arms sales and support, but there seems little short-term prospect for greatly expanded economic ties—although Indonesia would like to attract more Russian tourists. In addition, Russia's major concern in the Indian Ocean is deterring piracy. To combat piracy in the Indian Ocean, Russia maintains a naval presence off the coast of Somalia.

#### *Republic of Korea*

Although the Republic of Korea (ROK) is not a major player in the Indian Ocean, its interest in the region continues to grow. This has seen developments in its trade ties, security commitments, aid programs, and people-to-people links. Despite being geographically separated from the Indian Ocean, as an export-dependent shipping nation, nearly 30 per cent of the ROK's maritime cargo passes through the Indian Ocean, including the vast majority of its oil and gas imports. This makes keeping Indian Ocean SLOC's open of key importance to the ROK. The ROK, along with Australia, China, and Japan, is one of four 'active observers' permitted to attend the opening sessions of each SAARC Summit. The ROK welcomed signs of progress toward a South-Asian Free Trade Agreement (SAFTA) and a South Asian Development Fund (SADF) and is looking for ways to participate in the economic growth of the South Asian region through SAARC. In late 2011, it initiated the ROK-SAARC partnership, a regular forum series to enhance cooperation with the region.

#### *United Kingdom*

The United Kingdom (UK) has strong links with former colonies in the Indian Ocean region (including in South Asia, East Africa, Southeast Asia as well as Australia) and retains a significant territorial presence through the British Indian Ocean Territory (Chagos Archipelago, including Diego Garcia). Its key economic and strategic interest is ensuring unfettered passage of maritime transport through the region. The UK depends on trade by sea for 95 per cent of its imports and exports, including oil and gas shipments from the Arabian Gulf. The UK also has a strong shipping presence in the region as a result of its sizeable shipping register and globally deployed navy. The presence in London of some of the world's most important marine companies, such as Lloyds Insurance and BP, also sharpens the UK's focus on open sea lines in the Indian Ocean region.

#### *United States*

The United States (US) sees the Indian Ocean region as an increasingly important area of strategic interests. The US interests in the region remain: to help maintain international order and stability; to counter international terrorism, weapons proliferation, piracy, illegal fishing and other forms of transnational crime; and, to secure the sea lines of communications and uphold good order at sea. These interests are reflected in the United States growing relationship with India and other bilateral partners, and increased involvement in maritime security and important multilateral institutions. The US currently maintains a permanent strategic presence in the Indian Ocean from its military facility at Diego Garcia in the British Indian Ocean Territory. A US Comprehensive Defence Strategic Review is being undertaken to clarify US strategic interests and will guide defence priorities and spending over the coming decade, particularly given the US' increased focus on the Asia-Pacific. Chairman of the Joint Chiefs of Staff, General Dempsey, commented on 5 January 2012 that the Review recognises

the strategic shift in demographic, geopolitical, economic and military trends toward the Pacific region and the littorals of the Indian Ocean.

## 2. INDIAN OCEAN REGIONAL CONCERNS

### 2.1 Energy and trade security in the Indian Ocean region

#### *Indian Ocean Sea Lines of Communication and Choke Points*

The Indian Ocean is a region of growing geo-strategic significance. The importance of the sea trade routes of the Indian Ocean rim cannot be overstated. Containing a number of the world's maritime choke points (narrow areas of sea passage), the Indian Ocean facilitates the movement of a significant proportion of global energy and maritime trade.

These sea routes, or sea lines of communication (SLOCs), are vital for world trade especially the energy security of states reliant on Middle Eastern oil and raw materials – such as petroleum and petroleum products from the oilfields of the Persian Gulf.

The main east-west trade route traverses the northern rim of the Indian Ocean, which extends from the Red Sea/Suez Canal, and Persian Gulf, to the Strait of Malacca, passing to the south of India and Sri Lanka. As such, the Red Sea and Suez Canal, the Strait of Hormuz and the Strait of Malacca are the key choke points of these sea routes due to their narrow passages. Both the Strait of Hormuz and the Strait of Malacca are particularly critical potential choke points for Middle East oil to China, Japan and Republic of Korea and for much of the trade to and from North East Asia.

#### *Energy Trade in the Indian Ocean*

Furthermore, it can be estimated that the Indian Ocean, in its totality, carries around one third of the bulk cargo traffic and around two thirds of the world's maritime oil shipment<sup>4</sup>. In addition, a good portion of the world's maritime trade flows through each choke point:

- The Strait of Hormuz carried roughly 35 per cent of all seaborne traded oil, or almost 20 per cent of oil traded worldwide in 2011<sup>5</sup>
- Some estimates put the proportion of global and regional trade (by volume) shipped annually through the Strait of Malacca at around 40 per cent and 80 per cent, respectively
- By some estimates the Mozambique Channel carries an estimated 30 per cent of the world's oil supplies<sup>6</sup>
- An estimated 20 per cent of total world trade passes through Bab-el-Mandeb (Gulf of Aden).

#### *Energy resources of the Indian Ocean region*

Much of the world's trade in energy originates from the Indian Ocean region which includes a large proportion of oil, iron ore, tin, bauxite, gold, diamonds, manganese, uranium, chromium and hydrocarbons. The countries of Indian Ocean region share similar endowments of these natural resources. The tables below highlight the large amounts of the world's proven energy reserves currently available in the Indian Ocean region – which holds over half of the world's crude oil, over 40 per cent of its natural gas, and around one-fifth of its coal supplies.

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<sup>4</sup> 'IOR-ARC Background', IOR-ARC, <http://www.iorarc.org/about-us/background.aspx>

<sup>5</sup> 'World Oil Transit Chokepoints', US Energy Information Administration, <http://www.eia.gov/countries/regions-topics.cfm?fips=WOTC>, See also Defence Submission to Inquiry into the Indian Ocean region and Australia's foreign, trade and defence policy, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=fadt\\_ctte/indianocean/submissions.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=fadt_ctte/indianocean/submissions.htm)

<sup>6</sup> 'Sisulu to talk counter-piracy tonight', Maritime Security Asia, <http://maritimesecurity.asia/free-2/piracy-update/sisulu-to-talk-counter-piracy-tonight/>

**Table: Proven reserves of crude oil in the Indian Ocean region<sup>7</sup>**

<b>Country</b>	<b>Billion Barrels 2007</b>	<b>Billion Barrels 2008</b>	<b>Billion Barrels 2009</b>
Australia	1.6	1.5	1.5
Bahrain	0.1	0.1	0.1
Bangladesh	0.0	0.0	0.0
Burma (Myanmar)	0.1	0.1	0.1
Egypt	3.7	3.7	3.7
India	5.6	5.6	5.6
Indonesia	4.3	4.4	4.0
Iran	136.3	138.4	136.2
Iraq	115.0	115.0	115.0
Kuwait	101.5	104.0	104.0
Malaysia	3.0	4.0	4.0
Oman	5.5	5.5	5.5
Pakistan	0.3	0.3	0.3
Qatar	15.2	15.2	15.2
Saudi Arabia	262.3	266.8	266.7
Thailand	0.3	0.5	0.4
United Arab Emirates	97.8	97.8	97.8
Yemen	3.0	3.0	3.0
<b>Indian Ocean region total</b>	<b>755.6</b>	<b>765.8</b>	<b>763.2</b>
<b>World Total</b>	<b>1317.0</b>	<b>1329.8</b>	<b>1341.6</b>
<b>Per cent of World Total</b>	<b>57.4%</b>	<b>57.6%</b>	<b>56.9%</b>

<sup>7</sup>US Energy Information Administration, <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm>

**Table: Proven reserves of natural gas in the Indian Ocean region<sup>8</sup>**

Country	Trillion Cubic Feet 2007	Trillion Cubic Feet 2008	Trillion Cubic Feet 2009
Australia	30.37	30	30
Bahrain	3.25	3.25	3.25
Bangladesh	5	5	5
Burma (Myanmar)	10	10	10
Egypt	58.5	58.5	58.5
India	37.96	37.96	37.96
Indonesia	97.78	93.9	106
Iran	974.0	948.2	991.6
Iraq	112.0	111.9	111.9
Israel	1.3	1.1	1.1
Jordan	0.2	0.2	0.2
Malaysia	75.0	83.0	83.0
Mozambique	4.5	4.5	4.5
Oman	30.0	30.0	30.0
Pakistan	28.0	28.0	31.3
Qatar	910.5	905.3	891.9
Saudi Arabia	240.0	253.1	258.5
Somalia	0.2	0.2	0.2
Sudan and South Sudan	3.0	3.0	3.0
Tanzania	0.2	0.2	0.2
Thailand	14.8	11.7	11.2
United Arab Emirates	214.4	214.4	214.4
Yemen	16.9	16.9	16.9
<b>Indian Ocean region total</b>	<b>2,867.8</b>	<b>2,850.3</b>	<b>2,900.6</b>
<b>World Total</b>	<b>6,216.0</b>	<b>6,219.3</b>	<b>6,289.1</b>
<b>Per cent of World Total</b>	<b>46.1%</b>	<b>45.8%</b>	<b>46.1%</b>

<sup>8</sup>US Energy Information Administration, <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm>

**Table: Total recoverable coal in the Indian Ocean region<sup>9</sup>**

<b>Country</b>	<b>Million Short Tons 2008</b>
Australia	84216.6
Bangladesh	323.0
Burma (Myanmar)	2.2
Egypt	17.6
India	66800.1
Indonesia	6094.7
Iran	1326.1
Malaysia	4.4
Mozambique	233.7
Pakistan	2281.8
South Africa	33241.3
Tanzania	220.5
Thailand	1365.8
Vietnam	165.3
<b>Indian Ocean rim total</b>	<b>196,293.0</b>
<b>World Total</b>	<b>947,999.8</b>
<b>Percentage</b>	<b>20.7%</b>

<sup>9</sup>US energy Information Administration, <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm>

## 2.2 Maritime Security in the Indian Ocean rim

Key stakeholders in Indian Ocean security such as the US, India, China and many European countries are expanding their regional presence and activity, including naval operations, to better police and protect maritime commerce from threats posed by piracy, and other activities (addressed in a separate submission by Defence).

### *Piracy in the Indian Ocean*

Somali piracy in the Indian Ocean is a serious threat to international shipping, with wide ranging political and global economic consequences. There were 114 attacks with 21 successful hijackings in 2011, down from 199 attacks with 68 successful hijackings in 2010. Although the success rate is falling, pirates are travelling further into the Indian Ocean to conduct attacks, which are increasingly violent. In 2011 the estimated economic cost of piracy was between US\$6.6 and 6.9 billion<sup>10</sup>. This includes the cost of ransoms, insurance, security equipment and guards, re-routing, prosecutions and military operations. The total of ransoms paid in 2011 is estimated to be US\$159.62 million, with an average ransom payment of US\$4.97 million, up from US\$1.25 million in 2008.

As at February 2012, 246 seafarers were being held by pirates<sup>11</sup>. Pirates based in Somalia are increasingly targeting Westerners on land for kidnap-for-ransom operations. Success in extracting ransom payments encourages a growth in pirate capabilities and recruitment, due to the lack of alternate livelihoods in Somalia.

### *Impact of Piracy on nearby Indian Ocean rim countries*

Somali piracy spreading across the Indian Ocean from the Horn of Africa is a significant threat to the Gulf and Indian Ocean rim. Piracy has heavily affected nearby countries including those of East Africa, the Indian Ocean island states and territories, and now South Asia. Piracy represents a major challenge for states with a stake in the maritime routes through the Indian Ocean, and poses a threat to fishing fleets as well as tourism.

Piracy is the main regional concern for the Seychelles, specifically its impact on tourism (the waters of the Seychelles archipelago have become dangerous for luxury yachts and cruise ships), imported goods (as they have higher insurance premiums) and fishing and canning. The Seychelles contribution to the prosecution and detention of pirates is significant. It is one of a few states in the region willing to accept suspected pirates picked up by EU, UK and US forces after having concluded transfer agreements with them. Seychelles also signed an agreement with the Somali Transitional Federal Government and a memorandum of understanding with Puntland and Somaliland that has provided for the transfer of 17 convicted pirates there so far. It hosted a counter-piracy conference in 2011.

In recent years, Mauritius has engaged in the fight against piracy in the Indian Ocean. In October 2010, it hosted the second Ministerial Conference on Piracy and, with assistance from the UN Office of Drugs and Crime (UNODC) and EU funding, has commenced construction of courts and prisons to prosecute and detain pirates. In addition, Mauritius has felt the impact of piracy. The price of fuel and food has increased in Mauritius in proportion to the increase in the insurance being charged for freight into the island. Mauritius is also conscious that its tourism and agricultural processing sectors (mainly tuna) will be constrained by the threat of piracy.

There have been pirate attacks in Malagasy waters in recent years. In February 2011, 14 suspected Somali pirates were arrested after their vessel (Comoros flagged MV Al Zulfecar which was hijacked in November 2010) broke down off the coast of Madagascar.

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<sup>10</sup> 'The Economic Cost of Somali Piracy 2011', One Earth Foundation, <http://oceansbeyondpiracy.org/cost-of-piracy/economic>.

<sup>11</sup> Speech by United Nations Secretary-General at the London Conference on Somalia, Ban Ki Moon, London, 23 February, <http://www.fco.gov.uk/en/news/latest-news/?view=Speech&id=733695682>.

Comoros has been affected by piracy in the Indian Ocean. In November 2010, a Comorian ship was hijacked en route to Tanzania. In February 2011, the Malagasy navy arrested 14 suspected Somali pirates after a hijacked Comorian vessel broke down off the coast of Madagascar. In response to the growing threat of further attacks, Comoros is setting up a coast guard to monitor piracy in its waters and has sought anti-piracy assistance from Kenya. Comoros is also a member of the Indian Ocean Commission (IOC), which is active on anti-piracy initiatives.

Piracy has also impacted the small island state of Maldives. Maldivian authorities are currently detaining a number of individuals suspected of conducting pirate attacks. A recent incident involved an attack on an Iranian owned cargo ship on 26 March 2012 within Maldivian EEZ, however it was subsequently released.

India recognises the threat piracy poses to its maritime trading interests and is concerned about the likelihood that piracy is moving eastward. It was instrumental in the formation of the Indian Ocean Naval Symposium (IONS) in 2008, a Chiefs of Navy level meeting designed to discuss maritime security threats in the Indian Ocean. A maritime dialogue with China to conduct joint anti-piracy naval and coastguard exercises was also initiated in March 2012. India has a number of important trading partners in the region and is concerned by the potential impact of piracy on these operations.

Attacks on shipping to Mombasa and Dar Es Salaam, on the east African coast, increase import and export costs and insurance premiums for regional trade, including inland countries. Local authorities claim piracy raised Kenya's import costs by over US\$23 million and exports by US\$9.8 million per month in 2010, and the capture of LPG tankers in late 2010 reportedly exacerbated fuel shortages in Kenya and Uganda. The re-routing of ships around Cape Point (to avoid the Gulf of Aden) added an estimated US\$2.4-US\$3 billion for shipping companies in 2010.

The expanding threat of piracy in the region has caused considerable harm to the Kenyan and Tanzanian tourism sectors – the cruise ship market has been damaged and most tourists now largely arrive by aircraft. Between January and April 2010 (usually a busy tourist season) only 500 tourists visited Mombasa by cruise ship, down from a figure of 11,000 over the equivalent period the year before. Furthermore, no cruises were registered in November and December, the traditional high season for tourism in Kenya. Pirates off the Tanzanian coast have also harried cruise ships with substantial Australian passenger lists.

The Mozambican Government has recognised that piracy in the Indian Ocean has become a direct challenge to the country's maritime security, commercial interests and its exclusive economic zone. Piracy attacks have occurred in the heart of the international shipping channel and well within Mozambique's 200 mile exclusive economic zone. A number of pirate attacks off the coast of northern Mozambique (including the December 2010 high-jacking of the Mozambican-flagged and Spanish-Mozambican company-operated fishing vessel, VEGA 5) have prompted the Government to work more closely with partners in Africa, and beyond, to fight against transnational threats.

South Africa also recognises the threat piracy poses to its maritime trading interests and is concerned about the likelihood that piracy is moving south. Special concern exists in the Mozambique Channel, where substantial South African trade transits and pirates have attacked shipping before. In November 2011 a MoU between South Africa and Mozambique was signed to enhance ongoing joint anti-piracy operations off the Mozambique coast.

South Africa has encouraged SADC to adopt an anti-piracy policy to deepen cooperation in maritime security. In August 2011, SADC leaders endorsed a regional anti-piracy strategy to address the threat from Somali piracy. Defence Ministers from South Africa, Tanzania and Mozambique formed a joint taskforce to coordinate joint patrols, drills and other operations in the Indian Ocean. The Defence Ministers' efforts were formalised in February 2012 when they signed a tripartite Memorandum of Understanding to coordinate their efforts to fight piracy and other illegal maritime activities.

Iran is also concerned with piracy as a number of its seafarers have also been victims to it. It undertakes independent naval activities to counter piracy in the Indian Ocean.

The UAE is also keen to assist in international efforts to address piracy in the Indian Ocean. It organised a conference on piracy in 2010, and will host another one in 2012.

Oman is an active contributor, within its limited capacity, to maritime security in the Gulf region. Oman provides crucial logistical support to international naval assets deployed in the Gulf and the Indian Ocean.

Yemen has been active diplomatically in raising concerns about the impact of piracy on Yemen and the region more broadly. Yemen has called for increased international efforts to boost assistance to Somalia to reduce piracy and terrorism. Piracy in the Gulf of Aden has significant economic implications for Yemen's fisheries resources. Yemen also sought international assistance to develop its anti-piracy capabilities. Yemen has convicted and imprisoned pirates attacking ships only in its territorial waters.

#### *Australian interests in piracy*

The threat from Somali piracy to particular Australian interests ranges from the risk to Australian seafarers crewing foreign-owned ships (few Australian ships transit the high risk areas) to Australian tourists on pleasure craft or cruise ships to cargo carried to or from Australia. Our more general interests include the security of maritime trade to our region; reducing the pressure on the general costs of trade stemming from piracy; and the impact of piracy on security in East Africa.

Australia contributes to international counter-piracy efforts aimed at reducing the threat of Somalia piracy. The Australian Defence Force contributes a naval frigate to a US-led multinational maritime force which supports counter-piracy efforts and conducts airborne and maritime surveillance patrols throughout the Indian Ocean. Since 2009 AusAID has provided \$2.3 million to assist counter-piracy efforts in Somalia and the region, including through support for the UN Office on Drugs and Crime (UNODC) Counter-Piracy Programme (CPP) which provides rule of law assistance for the criminal justice sector in Somalia and other Indian Ocean rim countries. The Australian Federal Police has deployed three officers to support the CPP.

Australia will host an international counter-piracy conference for government officials in 2012. The conference will consider lessons learned from South-East Asia, their application for Indian Ocean piracy, and the future piracy challenges in West Africa. Australia also supports efforts by international organisations to strengthen and coordinate counter-piracy activities. This includes the UN's Contact Group on Piracy off the Coast of Somalia, the Financial Action Task Force, the International Maritime Organization, the Indian Ocean Rim Association for Regional Cooperation and the Indian Ocean Naval Symposium.

### **2.3 Other Key concerns**

Other key regional interests include fisheries management, food security, sustainable development, and climate change.

#### *Sustainable development, food security and fisheries*

Sustainable development and food security, in particular of fish and marine resources is a core priority specifically for Indian Ocean African and Island states. This includes the management of fish stocks, addressing illegal, undeclared and unregulated (IUU) fishing, and looking at ways of getting more value-added from seafood exports. It is estimated that IUU fishing in Sub-Saharan Africa is worth \$1 billion annually, and accounts for 15-20 per cent of all catches on Africa's Indian Ocean coast.

The fisheries of the Indian Ocean produce around a third of the world's tuna which is estimated to be worth three billion dollars annually<sup>12</sup>, and include the valuable Southern blue fin tuna fishery. Of the 35 coastal states in the Indian Ocean, 25 are developing countries. Tuna is of particular importance for livelihoods and food security in these countries, with half the tuna caught in the Indian Ocean by small vessels in the waters of coastal states. If managed well, fisheries resources hold significant economic development potential, but many developing states lack the resources to patrol their waters effectively to guard against IUU fishing.

Fishing in the Indian Ocean is increasing. In addition to traditional fishing vessels from Japan, Taiwan and South Korea, domestic fleets in Indian Ocean coastal states, particularly Indonesia, are expanding and European vessels are entering the Indian Ocean following the depletion of Atlantic Ocean fish stocks. The Food and Agriculture Organisation (FAO) estimates 200 million Africans rely on fish for nutrition, 10 million for income, and some coastal nations could increase their Gross National Product (GNP) up to 5 per cent with more effective fisheries regulation.

With little land for crops, food security is also a central concern for island states. The Indian Ocean region is mindful of the need to ensure sufficient fish for domestic consumption (fish continues to provide a significant source of protein to many people). This is more acute given the pressures of environmental degradation and climate change on crop production.

The world's ongoing food crisis has pushed tens of millions into poverty and hunger. Food price increases continue to threaten the world's poorest people, and severe climate events (such as the drought in the Horn of Africa and floods in South Asia) worsen this issue in the region.

#### *Climate Change*

Climate change and environmental degradation is also a threat to the future of the cities of the Indian Ocean rim more broadly. Sea level rises and climatic variations may also lead to coastal submersion as well as degradation of coral and patch reefs on the continental shelf. Coastal population pressures and increasing exploitation of coastal resources have led to coastal degradation. Large parts of African (and Indian Ocean rim) coastlines are already slowly being impacted. For some Indian Ocean states, such as the Maldives, this represents a major concern.

#### *Other*

Other regional areas of concern include terrorism in the region, and other forms of transnational crime including people smuggling, drug trade and human trafficking. Other regional concerns include disaster and / or pandemic preparedness such as a tsunami, tropical storm or virus (the chikungunya virus devastated Réunion and its tourism industry in 2005-06). Most notably, on 26 December 2004, a tsunami devastated the region, killing over 220,000 people.

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<sup>12</sup> Anon, (2009) *Tuna fisheries in the Indian Ocean*. IOTC Secretariat [www.iotc.org](http://www.iotc.org)

### 3. TRADE AND PEOPLE-TO-PEOPLE LINKS IN THE INDIAN OCEAN RIM

#### 3.1 Overview of trade and economic developments in the Indian Ocean rim

##### *African Indian Ocean rim trade interests*

The continental African Indian Ocean states are resources rich, and their commodities boom is just beginning. The recent discoveries in recent years of significant oil and gas finds in the coastal region are likely to increase its strategic importance and fuel economic growth in years to come.

With a combined population of around 150 million, African Indian Ocean countries have enjoyed rapid economic growth in recent years. For instance, some commentators predict that Mozambique (with estimated 7.7 per cent growth per annum) and Tanzania (with estimated 7.2 per cent growth per annum) will be among the top ten fastest growing economies in the world over the next five years.

Merchandise trade accounts for half of South Africa's Gross Domestic Product (GDP) and 98 per cent of this trade is transported by sea (South African Maritime Safety Authority). South Africa's major sea ports of Durban and Richards Bay, on its east coast, are both close to the Mozambique Channel.

Kenya's internal political problems and the ongoing famine in the Horn of Africa have made trade difficult. The country's output remains dominated by agriculture; however the government's 'Vision 2030' plan is aimed at diversifying the economy to facilitate greater trade opportunities. It is encouraging tourism, manufacturing, information technology and the creation of a sub-regional financial services hub to meet this vision.

The Tanzanian economy depends heavily on agriculture, which accounts for about a third of exports, 25 per cent of GDP and employs approximately 75 per cent of the labour force. Main crops are coffee, cashews, tobacco and cotton. Tanzania has significant reserves of gold (its largest single export), tin, phosphate, iron, coal, diamonds, gemstones, natural gas and nickel. Tourism is also a significant source of income for Tanzania.

Due to a recent minerals boom Mozambique is one of the fastest growing African Indian Ocean states on the back of strong trade interests. It has consistently seen growth in GDP over six per cent for the past five years. Mozambique relies on two key trading partners the Netherlands (52.7 per cent of exports, 18.0 per cent of imports) and its neighbour South Africa (20.8 per cent of exports, 34.4 per cent of imports) as part of this growth.

Djibouti is a minor trading partner on its own behalf, due to few natural resources and a small labour force. Its main interests in trade are through its role as a transport hub due to its strategic location by the Strait of Bab el Mandeb, where the Red Sea meets the Gulf of Aden. Imports and exports from its landlocked neighbour Ethiopia account for 70 per cent of trade flowing through Djibouti's ports.

Due to the ongoing political instability and UN sanctions in Somalia its trade interests are minimal.

##### *Indian Ocean island states and territories trade interests*

Traditionally the Mauritian economy was built on the production and export of sugar, but it has been diversified through government programs to increase the production of value-added goods (mainly textiles) and expand the tourism and financial services sectors. Currently, 40 per cent of total foreign direct investment into India flows through Mauritius. Mauritius was ranked second in Sub-Saharan Africa in the World Economic Forum's (WEF) Global Competitiveness Report 2011-12.

Seychelles' economy is almost entirely dependent on tourism and fishing. Current efforts have focused on expansion into the financial services sector.

For Comoros, agriculture including fishing, hunting and forestry contribute 40 per cent of GDP and employ 80 per cent of the workforce. Comoros has no large tourism industry yet.

Tourism is the Maldives largest economic activity, averaging about 50 per cent of GDP from 2008-2010. The small island nation is also reliant on fishing as a lack of arable land and domestic labour hamper its agricultural and manufacturing sectors.

The economy of Madagascar is quite similar in nature to Australia's. Its own mineral boom in the past few years has made it a focus point for trade in oil, coal, copper, nickel and gold. This has helped maintain Malagasy economic growth with only recent slowing the effect of global financial and domestic political troubles. Madagascar remains dependant on trade with its former colonial power France, responsible for 33.1 per cent of its exports and 14.4 per cent of its imports in 2010. Madagascar is developing its role as a tourist services hub owing to its unique flora and fauna, attracting new tourists every year.

#### *Middle Eastern Indian Ocean rim trade interests*

Oman is a middle-income economy heavily dependent on revenue from declining oil resources estimated at 5 billion barrels in 2010. Oman is actively pursuing a development plan that focuses on diversification, industrialisation, and privatisation, with the objective of reducing the oil sector's contribution to GDP to 9 per cent by 2020. Tourism and gas-based industries are key components of the government's diversification strategy, with planning to also increase agriculture and fishery production using modern technology. Port expansion on the coast is underway in Salalah, Soha, and Port Sultan Qaboos with a focus on attracting tourist cruise ships. A large industrial and container port and free trade zone is already in operation in Sohar.

The UAE has an open economy with a high per capita income and a sizable annual trade surplus. It has been reasonably successful in diversifying its economy, reducing the proportion of GDP based on oil and gas output to 25 per cent. Real GDP growth is forecast at 4.9 per cent in 2011 and 2.3 per cent in 2012, with Abu Dhabi expected to outpace Dubai.

For Yemen, diminishing production and export of oil, which provides 90 per cent of export earnings and 75 per cent of total revenue, are likely to be exhausted by 2016. Natural gas is also a mainstay of the economy but exports have been affected by infrastructure problems. Water supplies are under intense pressure and the bulk of the country's food requirements are imported.

Iran's major trading partner in the region is the UAE. In 2010 4.2 per cent of Iran's exports went to the UAE and the UAE was Iran's major import source (28.6 per cent of Iranian imports that year came from the UAE).

#### *South Asian Indian Ocean rim trade interests*

India has a number of important trade partners in the region. Notable amongst these is the UAE, which accounted for 13.2% of India's exports and 7.9 per cent of its imports in 2010. India has completed CECA or Free Trade Agreements with a number of countries in the region including Sri Lanka, Singapore and ASEAN. India is currently negotiating CECA's with Malaysia, Indonesia and Thailand. India's economic growth and exports are primarily services based though it continues to invest in manufacturing. Agriculture remains important employing 52 per cent of the population. India is Egypt's largest IOR trading partner, with trade heavily focussed on resources. India is a major importer of Egyptian raw oil, and in 2004 the Gas Authority of India Limited, bought 15 per cent of Egypt Nat Gas distribution and marketing company. As with most countries in the Indian Ocean rim, India's trade is heavily reliant upon the free passage of the Indian Ocean.

Bangladesh continues to rely heavily on the garment sector for its major source of trade receipts, 69 per cent of exports. The country is still heavily involved in agriculture, worth 15 per cent of GDP and employing over half of the work force. Its major product in this sector is rice.

Sri Lanka has successfully implemented export orientated policies since the late 1970's. The services sector now dominates exports, worth almost 60 per cent of GDP. Manufacturing, the garment sector in particular, is the fastest growing sector for export and agriculture while declining in value is still worth 12 per cent of national output and employs a third of the workforce.

The World Bank estimates that Port Karachi and Port Qasim handle 95 per cent of Pakistan's international trade. Pakistan's oil imports constitute perhaps 85 per cent of its oil supplies, come entirely via the Indian Ocean. Much of Pakistan's export revenues are also dependent on Indian Ocean trade routes.

#### *South-East Asian Indian Ocean rim trade interests*

Indonesia's trade relationship within the region is relatively undeveloped, with most of its major partners outside the Indian Ocean. However, 12 per cent of its two way merchandise trade is with Singapore and five per cent is with India. Indonesia's major exports are coal, natural gas, palm oil and petroleum. Its major imports are petroleum, telephone equipment, aircraft and motor vehicle parts.

Maritime traffic represents a significant part of Malaysia's trade, given the growing economic importance of South Asia and the Middle East. Malaysia's major exports are focused on the electronic goods manufacturing sector, comprising 28 per cent of Malaysian exports in 2010. It is also one of the major oil and gas producers in the South East Asia sub-region.

Singapore's trade interests are reliant on maritime security. As a global hub hosting the world's busiest port in terms of shipping tonnage, Singapore's national economic interests are predicated on open sea lines of communication, particularly in the Indian Ocean. With a vital economic interest in the free flow of goods via the Indian Ocean and the Malacca Straits, Singapore has an interest in promoting maritime cooperation and other forms of security cooperation in the Indian Ocean region, though it is not as active on this front as it is on trade and economic diplomacy. Singapore is a hub for trade and investment into India and Australian companies based in Singapore have significant interests in India as an emerging economic giant in the Indian Ocean rim region. Singapore is India's largest trading partner among ASEAN countries and also the largest ASEAN investor in India. Singapore is the second largest source of foreign direct investment into India, behind Mauritius in first spot. Singapore negotiated a Comprehensive Economic Partnership Agreement with India (signed in 2005) and in 2009 completed the ASEAN-India FTA.

Thailand is also looking to expand its trade connections in the Indian Ocean rim. Notably, Thai Prime Minister Yingluck Shinawatra has committed to finalising a Free Trade Agreement (FTA) with India, the region's largest economy, by mid-2012. Thailand has a major fishing industry and it has an interest in the long-term sustainability of marine resources. Thailand's Indian Ocean coast is also a major tourism asset and so it has an interest in coastal environmental management. Thailand's export sector accounts for around 70 per cent of its GDP, and will continue to grow in the post-flood recovery.

Thailand's flagship infrastructure development in the Indian Ocean is the proposed Dawei deep-sea port, a joint venture between Thai construction firm Italian-Thai Development and the Burmese government. If completed, the project would have important consequences for the region. The long-term plan for the project includes the implementation of Burma's first Special Economic Zone, with an industrial estate connected to Thailand (as well as Vietnam and Cambodia) by infrastructure links including road, rail and oil and gas pipeline. Completion of the Dawei port would also obviate the need for ships to detour into the crowded Malacca Strait.

Burma's offshore oil and natural gas reserves provide the revenue that sustains its budget, accounting for over half of Burma's export receipts and foreign direct investment. Greater oil and gas receipts are driving Burma's export growth which is tipped to expand by 30 per cent in 2011-12 to US\$16 billion.

### **3.2 Indian Ocean rim socio-economic disparity**

The nations of the Indian Ocean rim, home to 2.3 billion people, are a very diverse group of countries. This is made even more important given the vast array of cultural, political religious and economic diversity of these people. These can be found in countries as populous as India, as large as Australia and also as small and sparsely populated as the Indian Ocean island states. Some nations are modern, developed states while many are still in the process of development. For instance, three countries have a UN Human Development Index (HDI) score over 0.8 (Australia, Singapore and Oman), with the majority of countries in the low and medium development category. That said, India, Timor-Leste, Mozambique, and Sri Lanka reported the highest levels of economic growth (at over 7 per cent annual real GDP growth in 2011), whereas one country, Yemen, reported a contraction of 2.5 per cent. The following table illustrates this socio-economic diversity.

**Table: Population, economic and development comparison of the Indian Ocean rim<sup>13</sup>**

Country	Population (millions, 2010)	GDP Nominal (US\$bn 2011 est)	GDP PPP <sup>14</sup> per capita (US\$ 2011 est)	Real GDP growth (% annual change, 2011)	Human Development Index <sup>15</sup>
Australia	22.5	1,507.4	40,836	1.8	0.929
Bangladesh	164.4	115.0	1,697	6.3	0.500
Burma (Myanmar)	50.5	50.2	1,327	5.5	0.483
Comoros	0.7	0.6	853	2.2	0.433
Djibouti	0.8	1.267	2,650	4.8	0.430
India	1,190.5	1,843.4	3,703	7.4	0.547
Indonesia	237.6	834.3	4,668	6.4	0.617
Iran	74.8	475.1	12,258	2.5	0.707
Kenya	39.7	36.1	1,751	5.3	0.509
Madagascar	21.3	9.4	943	1.0	0.480
Malaysia	28.3	247.6	15,579	5.2	0.761
Maldives	0.3	2.115	8,403	6.5	0.661
Mauritius	1.3	11.0	15,016	4.2	0.728
Mozambique	21.6	12.1	1,086	7.2	0.322
Oman	3.0	66.8	26,272	4.4	0.705
Pakistan	171.7	204.1	1,164	2.6	0.504
Seychelles	0.09	0.993	24,724	5.0	0.773
Singapore	5.2	266.5	59,937	5.3	0.866
South Africa	50.0	422.0	10,977	3.1	0.619
Somalia	9.1	NA	NA	NA	-
Sri Lanka	20.4	58.8	5,609	7.0	0.691
Tanzania	41.3	23.2	1,506	6.1	0.466
Thailand	63.9	339.4	9,693	3.5	0.486
Timor-Leste	1.1	0.709	3,072	7.3	0.495
UAE	5.2	358.1	48,598	3.3	0.846
Yemen	24.4	36.7	2,521	-2.5	0.462
<b>IOR total</b>	<b>2,249.7</b>	<b>6,922.9</b>			

<sup>13</sup> Sourced from the DFAT Country Fact Sheets using ABS and IMF WEO data, [www.dfat.gov.au/geo/fs/](http://www.dfat.gov.au/geo/fs/).

<sup>14</sup> Purchasing Power Parity

<sup>15</sup> UN Development Program, 'Statistical Annex', [http://hdr.undp.org/en/media/HDR\\_2011\\_EN\\_Tables.pdf](http://hdr.undp.org/en/media/HDR_2011_EN_Tables.pdf)

### 3.3 Indian Ocean rim intra-rim trade overview

The countries of the Indian Ocean rim most reliant on IOR intra-exports are Somalia (87 per cent of total exports), Djibouti (86 per cent), and Burma (64 per cent). The countries of the Indian Ocean rim least reliant on IOR intra-exports are Bangladesh (6 per cent of total exports), Iran (9 per cent), and Oman (11 per cent).

**Table: Indian Ocean rim intra-exports (goods)<sup>16</sup>**

Country	Total exports to IOR CY2010 (US\$m)	Total exports to World CY2010 (US\$m)	IOR Intra-exports (% of total)
Australia	34,374	206,705	17%
Bangladesh	918	14,666	6%
Burma (Myanmar)	4,132	6,465	64%
Comoros	13	30	43%
Djibouti	399	463	86%
India	70,170	220,408	32%
Indonesia	47,917	157,779	30%
Iran	7,175	83,785	9%
Kenya	1,391	5,169	27%
Madagascar	220	1,082	20%
Malaysia	67,778	198,791	34%
Maldives	42	74	57%
Mauritius	322	1,850	17%
Mozambique	563	2,243	25%
Oman	4,164	36,600	11%
Pakistan	4,726	21,413	22%
Seychelles	72	357	20%
Singapore	125,777	351,867	36%
Somalia	449	515	87%
South Africa	11,275	71,484	16%
Sri Lanka	1,588	8,304	19%
Tanzania	1,217	4,051	30%
Thailand	51,413	195,312	26%
Timor-Leste	na	na	na
United Arab Emirates	37,320	175,440	21%
Yemen	3,536	8,064	44%
<b>Total IOR</b>	<b>476,950</b>	<b>1,772,917</b>	<b>27%</b>

<sup>16</sup> UN data on the DFAT STARS Database; IMF Direction of Trade Statistics CD ROM, March 2012; GTIS Global Trade Atlas database.

The countries of the Indian Ocean rim most reliant on intra-imports are Maldives (73 per cent of total imports) and Somalia (69 per cent). The countries of the Indian Ocean rim least reliant on intra-imports are South Africa (17 per cent of total imports), Australia (20 per cent), and Thailand (25 per cent).

**Table: Indian Ocean rim intra-imports (goods)<sup>17</sup>**

Country	Total imports from IOR CY2010 (US\$m)	Total imports from World CY2010 (US\$m)	IOR Intra-imports (% of total)
Australia	37,848	188,741	20%
Bangladesh	10,135	27,771	36%
Burma (Myanmar)	4,674	9,948	47%
Comoros	111	209	53%
Djibouti	916	2,639	35%
India	96,599	350,783	28%
Indonesia	45,893	135,663	34%
Iran	20,010	54,697	37%
Kenya	4,867	12,093	40%
Madagascar	782	2,546	31%
Malaysia	48,081	164,586	29%
Maldives	799	1,095	73%
Mauritius	2,022	4,402	46%
Mozambique	1,735	3,564	49%
Oman	6,807	19,973	34%
Pakistan	13,647	37,537	36%
Seychelles	277	994	28%
Singapore	86,498	310,791	28%
Somalia	869	1,263	69%
South Africa	13,806	80,139	17%
Sri Lanka	6,696	12,354	54%
Tanzania	3,638	8,013	45%
Thailand	46,335	182,393	25%
Timor-Leste	na	na	na
United Arab Emirates	38,942	132,175	29%
Yemen	3,405	10,491	32%
<b>Total IOR</b>	<b>495,392</b>	<b>1,754,860</b>	<b>28%</b>

<sup>17</sup> UN data on the DFAT STARS Database; IMF Direction of Trade Statistics CD ROM, March 2012; GTIS Global Trade Atlas database.

### **3.4 Australian trade and business interests in the Indian Ocean rim**

Many of the Indian Ocean rim economies continue to enjoy significant levels of growth. Rapid industrial development and increasingly affluent domestic markets are helping to fuel growing demand for Australia's resources and food exports. Australia's comparative and geographic advantages ensure it is well placed to continue to capitalise on these trends.

In addition, across the Indian Ocean rim Australian companies have oil and/or gas production and exploration interests. Australian companies have oil and/or gas production interests in India, Indonesia, Pakistan, and Thailand, and have oil and/or gas exploration interests in India, Indonesia, Kenya, Malaysia, Seychelles, South Africa, Tanzania, and Thailand. Australian companies have mining interests in India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mozambique, Oman, Pakistan, South Africa, Tanzania, and Thailand. In the Indian Ocean rim, South Africa, Indonesia and Tanzania are the largest destinations for Australian companies in terms of the size of investments and number of companies involved in the resource and energy sector.

#### *Australian trade interests in the African Indian Ocean rim*

Australian economic and trade interests in Africa are growing rapidly. With average annual growth of 6.0 per cent since 2006, Australia's merchandise trade with Africa reached A\$8.9 billion in 2011. African Indian Ocean states form an important part of that growth. Mauritius and Kenya are the leading sources of Australia's education-related travel services exports to Africa, totalling A\$132 million and A\$66 million respectively in 2010-11. In line with the broader trend of a strong and growing Australian presence in the African mineral resources industry, African Indian Ocean states figure prominently for inwards Australian investment. In Tanzania for example, there are at least 21 Australian companies involved in exploration and production.

South Africa is Australia's largest export and investment destination in Africa, representing 28 per cent of total merchandise trade with Africa. South Africa was Australia's 28<sup>th</sup> largest two-way merchandise trade partner in 2011 with total trade of A\$2.5 billion.

Australia has a growing investment in Mozambique's mining and energy sectors. Bilateral merchandise trade was \$420 million in 2011, consisting of exports of wheat, machinery and parts from Australia and imports of primarily metal ores and concentrates in return.

Australia has a growing commercial relationship with Tanzania, notably in mining. At least 21 companies have 45 projects, largely in exploration, and Resolute operates a major gold mine. Total merchandise trade in 2011 was A\$104 million, largely in Australia's favour. Wheat dominated Australia's exports (A\$26 million), with coffee and fish the main imports (A\$2 million each).

Two-way merchandise trade with Kenya was A\$69 million in 2011. Base Resources announced in May 2010 that it was acquiring the Kwale Mineral Sands project, in what will be Kenya's largest mining operation, worth approximately two to three per cent of GDP once production commences (expected to be late 2012). There is considerable potential for increased Australian investment and trade, particularly in the financial services sector. Kenya is positioning itself as a financial and services hub for the East African region. Australian companies have also invested in Kenya's oil and gas exploration industry including Gulf Resources, Gippsland Offshore Petroleum and Pancontinental Oil and Gas.

Australia's bilateral trade with Djibouti is minimal (A\$7 million in 2011), with one company, Earth Heat, developing Djibouti's geothermal resources. Australia exports a small amount of civil engineering equipment and parts and wheat in return for imports of coffee.

Due to the situation in Somalia, Australian trade and investment there is minimal. The small two way trade consists mainly of exports of electrical machinery and parts. Most of this is paid for in gold coin, with the only true import from Somalia being a small amount of wood (\$19,000 in 2011).

#### *Australian trade interests in Indian Ocean island states and territories*

There are substantial Australian mining interests in Madagascar. SIAM operates a sapphire mine with several other companies involved in a broad range of exploration projects including oil, coal, copper, nickel and gold. Rio Tinto's large Taolagnaro mineral sands mine (80 per cent Rio Tinto, 20 per cent Madagascar ownership) has kept the economy afloat along with tourism. Australian exports to Madagascar consist of primarily nickel, animal oils and fats, and inorganic chemical elements. Imports are generally small, consisting of clothing, pearls and gems.

Two-way merchandise trade between Australia and Seychelles was worth approximately A\$15.2 million in 2011. In 2010, Australian company WHL Energy acquired 100 per cent interest in Seyco Energy's oil exploration projects. If WHL strikes oil in the exploration acreage it has acquired a new oil and possibly gas industry will emerge in the Seychelles.

Mauritius is Australia's eleventh largest merchandise trading partner in the African region. Two-way merchandise trade between Australia and Mauritius was A\$113 million in 2011, primarily in agricultural products.

Bilateral merchandise trade with Maldives was worth A\$30.6 million in 2011, with Australia exporting aircraft, meat and non-electric engines and motors to the island nation. Australia's main import from Maldives was fish.

Comoros is also a small trading partner, with Australia importing only a minimal amount of essential oils and perfumes.

#### *Australian trade interests in the Middle Eastern Indian Ocean rim*

Australia's two-way merchandise trade with Oman was valued at A\$480 million in 2011, and included exports of passenger motor vehicles, dairy products and wheat. Imports were A\$62 million in 2011 and consisted mostly of fertilisers. Australia can assist Oman extracting its coal and in renewable energy. Infrastructure is another area offering opportunities for companies.

The UAE is Australia's largest merchandise trading partner in the Middle East, with two-way merchandise trade valued at A\$6.4 billion in 2011. Exports, worth A\$2.2 billion, were mostly passenger motor vehicles, meat and uncoated flat rolled iron and steel. Imports, at A\$4.1 billion, were dominated by crude petroleum. Services trade has grown rapidly in recent years, with the UAE emerging as an important market in the Middle East for Australian exports of education, financial, health and construction-related services.

Australian merchandise exports to Yemen were valued at A\$241 million in 2011, including A\$210 million of wheat.

Australia's two-way merchandise trade with Iran has decreased from around A\$1 billion at its peak in the late 1990s to A\$214 million in 2011. UN Security Council mandated and Australian autonomous sanctions have and will continue to impact this trade. Historically, Iran was one of Australia's leading wheat export destinations and has also attracted interest from a range of Australian exporters and investors. Other Australian agricultural exports to Iran include barley, meat (excluding beef) and medicaments (including veterinary). Coking coal is Australia's major non-agricultural export to Iran.

As Australia's main supplier of crude petroleum, the Gulf Cooperation Council (GCC), comprising Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the UAE, is an important economic partner. In 2011

Australia's merchandise trade with the GCC was valued at \$A11 billion, with exports of A\$5.4 billion and imports at A\$5.6 billion. Passenger motor vehicles, meat (excluding beef), barley and live animals were Australia's main exports to the GCC. The region has also emerged as an important market for Australia's services exports, particularly in education, infrastructure and construction, and professional services.

#### *Australian trade interests in the South Asian Indian Ocean rim*

On the trade side India is Australia's sixth largest goods trading partner with two way trade valued at A\$17.5 billion in 2010-11. Merchandise trade is narrowly based in energy and resources with coal, gold and copper comprising over 80 per cent of Australian exports to India. Indian investment in these sectors in Australia is growing strongly. The first meeting of the Australia- India Chief Executive Officers Forum took place in March 2012 and will provide advice to government on how to facilitate trade and investment.

Two-way merchandise trade between Australia and Sri Lanka grew 12.4 per cent in 2011 and was valued at A\$362 million (exports totalled A\$244 million). Vegetables, dairy products and wheat were Australia's main merchandise exports, while tea and mate, clothing and rubber tyres were Australia's main imports. The Sri Lankan government's focus on rural development and infrastructure may create opportunities for Australian businesses in the infrastructure sector as well as in Sri Lanka's dairy-production industry, solar energy and water-supply projects.

Two-way merchandise trade with Bangladesh was A\$823 million in 2011, up from A\$310 million in 2008. Wheat, cotton, fertilisers and vegetables lead Australian exports, and there is an interest in Australian processed foods and perishable food products.

Australia's two-way merchandise trade with Pakistan was worth A\$586 million in 2011. Major Australian exports to Pakistan include vegetables, cotton, coal and fertilisers. An Australia-Pakistan bilateral trade agreement has been in force since 12 July 1990. Australia and Pakistan are actively exploring avenues to expand trade and investment, particularly through agribusiness and agricultural science linkages.

#### *Australian trade interests in the South-East Asian Indian Ocean rim*

In 2011, total merchandise trade with Indonesia reached A\$11.3 billion, a 15 per cent increase from 2010. Australia's exports were valued at A\$5.4 billion and included wheat, crude petroleum and aluminium, while imports from Indonesia totalled A\$5.9 billion and were dominated by crude petroleum. Australia recorded a A\$1.8 billion trade deficit in 2010-11, reflecting increases in Australian imports of oil and tourism

Thailand is now Australia's eighth-largest merchandise trading partner, and the second-largest in ASEAN. Australia is Thailand's sixth-largest trading partner. The trade relationship is underpinned by the Thailand-Australia Free Trade Agreement, which entered into force in 2005. Australia's merchandise exports to Thailand include gold, crude petroleum, aluminium and cotton, while imports were mainly goods and passenger motor vehicles and gold. Total two-way trade in goods and services reached nearly A\$20 billion in 2010-11; up from A\$9.6 billion in 2004-05. The growth in trade has largely been driven by imports of goods and services from Thailand, which totalled over A\$11 billion in 2010-11.

Singapore is Australia's largest trade and investment partner in ASEAN and our fifth largest merchandise trading partner overall (two-way goods and services trade of A\$23.4 billion in 2010-11). Exports from Australia included (A\$6.4 billion), mainly crude & refined petroleum, gold and dairy products, whilst imports (A\$14.2 billion) from Singapore included mainly refined petroleum, ships and boats. Australia's investment in Singapore was A\$25.1 billion in 2010. Singapore is Australia's sixth largest foreign investor, with A\$43.8 billion in 2010. These investments include SingTel's 2001

acquisition of Optus (Australia's second largest telecommunications company) and Singapore Power's investment in various electricity and natural gas businesses.

Australian trade and investment with Malaysia has also been growing steadily over recent years. Total merchandise trade totalled A\$13.1 billion in 2011, including exports of A\$4.5 billion (mainly crude petroleum, copper and coal) and imports of A\$8.6 billion (including crude petroleum, televisions and computers) Total two-way trade in goods and services was valued at A\$15.8 billion in 2010-11, having grown at an annual average of 8 per cent over the past decade. Investment links are also significant, with Malaysian direct investment in Australia standing at A\$8.2 billion, and Australian direct investment in Malaysia at A\$4.4 billion in 2010. Australia is the third-most popular investment destination for Malaysians after Singapore and Indonesia.

Australia's merchandise trade with Burma is very modest, at around A\$83 million in 2011. In recognition of Burma's reforms, the Australian Government announced on 16 April 2012 that it would discontinue its longstanding position of 'neither encouraging nor discouraging trade' and begin actively facilitating Australian companies wishing to do business in Burma.

Australia and Timor-Leste have three treaties between them that govern the exploitation of petroleum resources in the Timor Sea. These treaties provide the framework for the Joint Petroleum Development Area (JPDA) and the development of the Greater Sunrise natural gas field, which are key to the future economic prosperity and well-being of Timor-Leste. Oil and gas revenue generated through cooperation with Australia in the JPDA in the Timor Sea goes into a Petroleum Fund worth US\$9.3 billion at 31 December 2011. The Timor-Leste government derives 95 per cent of its income from oil and gas.

#### *Overall merchandise trade with the Indian Ocean rim in 2011*

Australia trades with all IOR countries and territories. Australia's total merchandise trade with IOR countries was around A\$90 billion in 2011. This was up from around A\$84.4 billion in 2010 and A\$78.7 billion in 2009, representing growth of around 15 per cent over this two year period.

Australia had a small trade surplus of A\$85 million with the IOR in 2011, exports of over A\$45.1 billion and imports of A\$45.0 billion. Major Australian exports to the region included resources such as coal and gold and agricultural products, such as wheat. Major imports from IOR partners included petroleum, clothing and motor vehicles.

In 2011 Singapore was the largest market for Australia of the IOR countries, with total merchandise trade of A\$20.6 billion, followed by India (A\$17.5 billion), Thailand (A\$15.2 billion), Malaysia (A\$13.1 billion) and Indonesia (A\$11.3 billion).

In 2011, India was our largest export market, with Australia exporting over A\$15.2 billion worth of goods. Thailand was our second largest export market, with Australia exporting over A\$6.8 billion worth of goods. Singapore was our third largest export market, with Australia exporting just under A\$6.4 billion worth of goods.

In 2011, the largest markets from which Australia imported goods were Thailand, Singapore and Malaysia. Singapore was our largest market for imports, from which we imported over A\$14.2 billion worth of goods. Malaysia was our second largest market for imports, with Australia importing A\$8.6 billion worth of goods. Australian imports from Thailand were worth A\$8.4 billion.

**Table: Australia's Merchandise Exports to Indian Ocean rim countries<sup>18</sup>**

Country	CY2009 A\$000	CY2010 A\$000	CY2011 A\$000	Major exports
Bangladesh	409,232	582,102	578,934	Wheat, Cotton
British Indian Ocean Territory	0	137	0	Aluminium
Burma (Myanmar)	59,204	80,991	70,077	Wheat
Comoros	373	171	0	Beef
Djibouti	2,718	6,722	4,339	Metal Containers, Wheat
India	14,472,829	16,424,865	15,264,974	Coal, Gold, Copper
Indonesia	4,139,364	4,491,439	5,398,180	Wheat, Crude Petroleum
Iran	594,830	168,366	150,449	Meat, Medicaments
Kenya	31,737	38,043	56,352	Fertiliser, Wheat
Madagascar	23,693	26,181	15,155	Nickel, Machinery and Parts
Malaysia	3,129,503	3,638,633	4,491,205	Copper, Crude Petroleum
Maldives	24,350	25,590	30,200	Aircraft, Meat , Vegetables
Mauritius	97,466	97,237	99,999	Meat, Milk Products
Mozambique	319,261	377,746	405,721	Wheat, Machinery and Parts
Oman	374,803	477,387	417,804	Motor Vehicles, Wheat, Milk
Pakistan	527,717	540,141	413,798	Vegetables, Cotton, Coal
Réunion (French Territory)	12,437	25,689	11,633	LPG, Toys and Sports Goods
Seychelles	5,291	3,690	11,694	Meat, Cheese, Vegetables
Singapore	5,360,208	4,853,132	6,399,208	Crude Petroleum, Gold
Somalia	241	323	715	Electrical Machinery, Medicaments
South Africa	1,496,366	1,803,219	1,644,409	Coal, Medicaments
Sri Lanka	180,929	204,192	244,004	Vegetables, Milk Products, Wheat
Tanzania	101,534	102,451	98,139	Wheat, Machinery and Parts
Thailand	4,235,545	5,854,660	6,758,680	Gold, Crude Petroleum
Timor-Leste	43,204	62,484	29,611	Motor Vehicles, Petroleum
United Arab Emirates	2,107,569	2,146,929	2,247,297	Motor Vehicles, Meat
Yemen	263,822	264,598	241,454	Wheat, Milk Products
<b>IOR Total</b>	<b>38,014,226</b>	<b>42,297,118</b>	<b>45,084,031</b>	
<b>Total</b>	<b>196,560,596</b>	<b>231,160,964</b>	<b>262,448,427</b>	
<b>per cent of Total</b>	<b>19%</b>	<b>18%</b>	<b>17%</b>	

<sup>18</sup> Based on ABS data on the DFAT STARS database, consistent with catalogue number 5368.0

**Table: Australia's Merchandise Imports from Indian Ocean rim countries<sup>19</sup>**

Country	CY2009 A\$000	CY2010 A\$000	CY2011 A\$000	Major Imports
Bangladesh	147,961	143,191	244,366	Clothing, Linen
British Indian Ocean Territory	244	0	7	Medical instruments
Burma (Myanmar)	25,628	15,701	12,894	Fish, Clothing
Comoros	4	22	8	Spices, Perfumes
Djibouti	171	114	345	Coffee, Wheat Flour
India	2,031,097	1,973,533	2,234,681	Pearls, Gems, Jewellery
Indonesia	4,558,750	5,320,572	5,906,363	Petroleum, Gold
Iran	50,133	184,982	63,240	Propane , Butane
Kenya	11,525	18,190	13,072	Vegetables, Coffee
Madagascar	1,626	415	1,150	Clothing, Pearls, Gems
Malaysia	7,553,074	9,099,318	8,546,121	Petroleum, Electronics
Maldives	379	920	385	Engines, Seafood
Mauritius	6,710	11,197	12,925	Clothing, Animal Feed
Mozambique	2,802	4,006	14,680	Ores, Concrete
Oman	97,230	35,045	61,887	Fertilisers, Plastics
Pakistan	162,939	162,526	172,625	Linen, Clothing, Rice
Réunion (French Territory)	9	57	60	Spices
Seychelles	2,159	4,834	3,537	Animal Feed, Monitors
Singapore	11,173,403	10,619,608	14,166,035	Petroleum
Somalia	108	249	57	Coin, Electrical Machinery
South Africa	912,652	1,102,767	841,349	Motor Vehicles, Iron
Sri Lanka	106,234	118,249	118,398	Tea, Rubber
Tanzania	3,084	6,255	5,800	Coffee, Fish
Thailand	11,627,179	11,004,716	8,444,105	Motor Vehicles, Gold
Timor-Leste	5,235	860	1,148	Coffee
United Arab Emirates	2,146,767	2,229,536	4,133,040	Petroleum, Propane
Yemen	56	223	35	No Significant Imports
<b>IOR Total</b>	<b>40,627,159</b>	<b>42,057,086</b>	<b>44,998,313</b>	
<b>Total</b>	<b>200,604,101</b>	<b>210,065,035</b>	<b>227,106,890</b>	
<b>per cent of Total</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	

<sup>19</sup> Based on ABS data on the DFAT STARS database, consistent with catalogue number 5368.0

### *Services trade to the Indian Ocean rim*

There are limited statistics available on services trade for IOR members (only being available for India, Indonesia, Malaysia, Singapore, South Africa and Thailand). In the latest available service statistics for financial year 2010-11, Singapore was our largest market for services exports, worth over A\$2.8 billion, of which the majority was with the largest categories in personal and business services and transport. India was our second largest services export market, worth A\$2.5 billion, with the largest categories in education-related travel. Malaysia was our third largest market with nearly A\$1.7 billion of services exports, with the largest categories being education-related travel and personal travel.

For Indonesia two-way services trade was A\$3.3 billion in 2010-11 and was dominated by recreational travel to Indonesia (A\$1.7 billion) and education (A\$559 million). For 2010-11, total services trade with South Africa was A\$798 million

For Australia's service imports, Singapore was our largest import source, worth over A\$3.7 billion in 2010-11, with the majority being transport services. Indonesia was our second largest market for services imports worth just under A\$2.1 billion, with the largest categories being personal travel and transport. Thailand was our third largest market for services imports, worth A\$2.0 billion, with the largest categories being personal travel and transport.

#### **Australia's services exports to selected Indian Ocean rim countries**

<b>Country</b>	<b>2008-09 A\$million</b>	<b>2009-10 A\$million</b>	<b>2010-11 A\$million</b>
India	3,406	3,556	2,501
Indonesia	1,269	1,616	1,227
Malaysia	1,626	1,576	1,665
Singapore	3,184	2,698	2,823
South Africa	448	448	397
Thailand	1,013	1,038	978
<b>Total</b>	<b>52,948</b>	<b>52,011</b>	<b>50,570</b>

#### **Australia's services imports from selected Indian Ocean rim countries**

<b>Country</b>	<b>2008-09 A\$million</b>	<b>2009-10 A\$million</b>	<b>2010-11 A\$million</b>
India	746	615	691
Indonesia	1,269	1,616	2,065
Malaysia	1,011	1,043	1,242
Singapore	4,277	3,289	3,724
South Africa	409	406	401
Thailand	2,007	2,152	2,036
<b>Imports</b>	<b>56,328</b>	<b>53,388</b>	<b>57,360</b>

*Source: ABS catalogue 5368.0.55.003 International Trade in Goods and Services, Australia.*

### **3.5 Australia's Free Trade Agreements in the Indian Ocean rim**

Australia supports complementary approaches to regional and bilateral Free Trade Agreements (FTAs) to expand liberalisation to as many parties as possible on a non-discriminatory basis that supports the multilateral system.

Consistent with the Government's April 2011 trade policy statement, in negotiations with trading partners Australia advocates comprehensive, high quality, truly liberalising bilateral and regional FTAs that do not detract from, but support, the multilateral trading system. Australia's FTAs promote stronger trade and commercial ties between participating countries, and create opportunities for Australian exporters and investors to expand their business into key markets.

#### *South-East Asia*

Australia's existing FTAs with States within the Indian Ocean rim include all members of ASEAN (through the ASEAN-Australia-New Zealand FTA) as well as bilateral FTAs with Singapore and Thailand. Australia is currently negotiating bilateral FTAs with three States within the Indian Ocean rim - Malaysia, India and Indonesia.

Australia's newest regional agreement – the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) - came into force on 1 January 2010 for Australia, New Zealand, Burma, Brunei Darussalam, Malaysia, the Philippines, Singapore and Vietnam and on 12 March 2010 for Thailand. It came into force for Laos on 1 January 2011, for Cambodia on 4 January 2011 and for Indonesia on 10 January 2012. AANZFTA contains substantial tariff reduction and elimination commitments, as well as World Trade Organization (WTO)-plus commitments in a range of services sectors. It provides significant benefits to Australian business and further strengthens Australia's commercial ties with ASEAN. Other provisions cover intellectual property and economic cooperation. AANZFTA provides for an inbuilt agenda to oversee implementation of the Agreement and explore the scope for further trade facilitating action.

Indonesia's ratification in late 2011 of the ASEAN-Australia New Zealand Free Trade Agreement (AANZFTA) gave 99 per cent of Indonesia's current exports to Australia (by value) eligible for tariff-free entry, and gave 80 per cent of Australia's exports to Indonesia tariff-free treatment (up from 56 per cent). AANZFTA also allows Australian companies increased ownership interests in Indonesian companies in banking, construction and education.

The Singapore-Australia Free Trade Agreement (SAFTA), which entered into force on 28 July 2003, has eliminated and bound all tariffs at zero. As Singapore is effectively a tariff-free state, Australia's principal market access gains from SAFTA were through liberalisation of the services sector. Australia and Singapore have completed the second review of SAFTA and the amendments, which strengthen provisions for investment, entered into force on 2 September 2011.

The Thailand-Australia Free Trade Agreement (TAFTA), which entered into force on 1 January 2005, improves the environment for bilateral trade and investment. The reduction and eventual elimination of Thailand's high tariff barriers (of up to 200 per cent on some goods) means that some Australian exporters may find their products are more competitive in the Thai market. TAFTA also provides some market access improvement in Thailand for Australian service providers, investors, and manufacturers and processors. Australia and Thailand are currently undertaking a review of TAFTA.

Australia has been negotiating a bilateral FTA with Malaysia since 2005, with a pause between 2007 and 2009 to allow both countries to focus on the AANZFTA negotiations. In March 2011, Prime Ministers Gillard and Najib stated their intention to conclude negotiations in March 2012. Both countries are confident of finalising a comprehensive and liberalising agreement that builds on their AANZFTA commitments. Australia and Malaysia are close to concluding Malaysia-Australia Free Trade Agreement (MAFTA) negotiations. Minister for Trade, Dr Emerson, and his Malaysian

counterpart, Mr Mustapa Mohamed, met on 30 March 2012 in Kuala Lumpur and agreed to work towards signing MAFTA in May 2012.

On 20 November 2011, Indonesian President Yudhoyono and Prime Minister Gillard agreed to commence negotiation of an Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) at the earliest opportunity. Formal IA-CEPA negotiations can now commence following the AANZFTA's entry into force for Indonesia on 10 January 2012. The IA-CEPA will cover trade, investment and economic cooperation.

#### *South Asia*

On 12 May 2011 Trade Minister Dr Craig Emerson and Dr Anand Sharma, India's Minister for Commerce and Industry, announced the commencement of negotiations on a bilateral free trade agreement, called the Comprehensive Economic Cooperation Agreement (CECA), between Australia and India. The decision to commence negotiations follows the release in May 2010 of a joint Australia-India Free Trade Agreement feasibility study. The coverage of the CECA would include trade in goods, trade in services, as well as investment. Good progress has been made to date with the third round of negotiations scheduled for the first half of 2012.

#### *Gulf States*

Australia is also negotiating a number of regional FTAs. Negotiations for an FTA with the GCC are currently suspended pending review by the GCC of all its FTAs. Australia is hopeful that negotiations will recommence this year.

#### *Trans-Pacific Partnership Agreement (TPP)*

Australia is also currently negotiating the Trans-Pacific Partnership Agreement (TPP). Present TPP negotiating partners are Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam. Those countries have agreed to pursue an agreement that is comprehensive and ambitious, and which eliminates tariffs and other barriers to trade and investment. TPP parties support expansion of the agreement over time to other countries that can demonstrate commitment to the high level of ambition of the TPP.

### 3.6 Australian resource trade in the Indian Ocean rim

Much of Australia's resources trade takes place through the Indian Ocean rim. Since a large amount of Australia's resource exports originate from the North-Western Australia, these will transit through the Indian Ocean regardless of whether the final export destination is in the Indian Ocean rim or not. Likewise much of Australia's resource imports, such as oil, may often arrive via one of the Indian Ocean trade routes.

#### *Australian resource exports to the Indian Ocean rim*

In 2011, Australia exported A\$14.1 billion worth of fuels to the Indian Ocean rim (19.2 per cent of total Australian fuel exports), and A\$2.3 billion worth of minerals (2.7 per cent of total Australian mineral exports). The single largest Indian Ocean rim export destination for both Australian fuels and minerals was India, at A\$9.5 billion (6.0 per cent of Australian's total mineral and fuel exports for 2011). The second largest export destination for fuels and minerals was Singapore at A\$2.6 billion (1.6 per cent of the total). The three largest specific resource exports to the Indian Ocean rim countries were bituminous coal (A\$8.1 billion), crude petroleum oils (A\$5.0 billion), and copper ores and concentrates (A\$1.45 billion). Bituminous coal exports to India were the single largest resource export (and fuel export), at A\$7.2 billion. Copper ores and concentrates exports to India were the single largest mineral export, valued at A\$1.4 billion in 2011.

**Table: Australia's exports of fuels to the Indian Ocean rim**

Country	CY2009 A\$000	CY2010 A\$000	CY2011 A\$000
Bangladesh	35		277
Djibouti		404	202
India	5,169,374	7,786,185	7,835,324
Indonesia	107,341	102,476	751,303
Iran	31,689		
Kenya	548	8	
Madagascar			29
Malaysia	406,411	758,672	1,222,053
Maldives	4	5	6
Mauritius	4	11	7,576
Oman	376	136	778
Pakistan	92,283	52,146	54,680
Singapore	1,926,804	1,830,779	2,570,171
South Africa	133,761	379,386	254,932
Sri Lanka	921	155	148
Tanzania	1,740	102	57
Thailand	957,551	1,926,688	1,392,313
Timor-Leste	1,996	3,523	2,805
United Arab Emirates	2,250	447	399
<b>Total fuel exports to IOR</b>	<b>8,833,088</b>	<b>12,841,123</b>	<b>14,093,053</b>
<b>Total Australian fuel exports</b>	<b>57,873,871</b>	<b>66,622,521</b>	<b>73,501,519</b>
<b>IOR per cent of total</b>	<b>15.3%</b>	<b>19.3%</b>	<b>19.2%</b>

Based on ABS data on the DFAT STARS database, consistent with catalogue number 5368.0

Note: excludes confidential fuels (mainly natural gas).

**Table: Australia's exports of minerals to the Indian Ocean rim**

<b>Country</b>	<b>CY2009 A\$000</b>	<b>CY2010 A\$000</b>	<b>CY2011 A\$000</b>
Bangladesh	8,914	3,164	4,753
Burma (Myanmar)	619	903	
Djibouti		1	
India	948,446	1,673,403	1,686,758
Indonesia	93,828	91,219	102,589
Iran	13,398	838	316
Kenya	16	4	31
Madagascar		5	36
Malaysia	145,748	256,937	230,771
Maldives		21	3
Mauritius			9
Oman	34	4	53
Pakistan	3,391	4,354	5,158
Singapore	10,652	30,624	48,956
South Africa	47,709	38,395	60,918
Sri Lanka	200	107	38
Tanzania	27	295	575
Thailand	88,795	119,223	153,154
Timor-Leste	27	250	149
United Arab Emirates	6,716	3,622	10,967
<b>Total mineral exports to IOR</b>	<b>1,368,520</b>	<b>2,223,369</b>	<b>2,305,234</b>
<b>Total Australian mineral exports</b>	<b>46,083,349</b>	<b>69,570,773</b>	<b>86,832,625</b>
<b>IOR per cent of total</b>	<b>3.0%</b>	<b>3.2%</b>	<b>2.7%</b>

Based on ABS data on the DFAT STARS database, consistent with catalogue number 5368.0

Note: excludes confidential minerals (mainly alumina, salt, confidential ores and concentrates).

**Table: Australia's top ten Minerals and Fuels Exports to the Indian Ocean rim<sup>20</sup>**

Country	CY2009 A\$000	CY2010 A\$000	CY2011 A\$000
Fuel: Bituminous coal, whether or not pulverised, but not agglomerated	5,536,201	7,586,859	8,054,636
Fuel: Petroleum oils and oils obtained from bituminous minerals, crude	2,602,747	4,616,117	5,052,361
Mineral: Copper ores and concentrates	825,640	1,372,185	1,450,485
Fuel: Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals	473,295	446,993	787,356
Mineral: Ferrous waste and scrap, remelting scrap ingots of iron or steel	202,770	357,728	360,823
Mineral: Manganese ores and concentrates, including manganiferous iron ores and concentrates with a manganese content of 20% or more, calculated on the dry weight	55,040	160,746	141,081
Mineral: Tin ores and concentrates	96,021	82,082	104,837
Fuel: Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	103,661	40,309	81,507
Fuel: Liquefied butanes	10,265	84,440	80,870
Mineral: Aluminium waste and scrap	57,700	74,126	79,495

**Table: Australia's top ten Minerals and Fuels Exports to the Indian Ocean rim  
(selected top countries)**

Country	CY2009 A\$000	CY2010 A\$000	CY2011 A\$000
<b>Fuel: Bituminous coal, whether or not pulverised, but not agglomerated</b>			
India	5,006,510	6,807,064	7,261,873
Malaysia	141,001	259,870	343,678
South Africa	132,997	378,292	253,723
Thailand	255,408	141,555	195,268
Pakistan	91,927	52,146	54,662
<b>Fuel: Petroleum oils and oils obtained from bituminous minerals, crude</b>			
Singapore	1,507,827	1,311,637	1,787,666
Thailand	699,465	1,784,137	1,196,464
Malaysia	214,931	494,728	770,441
Indonesia	90,715	87,915	752,597
India	89,809	937,646	545,159
<b>Mineral: Copper ores and concentrates</b>			
India	813,535	1,369,507	1,437,586
Indonesia			12,894

<sup>20</sup> Source: DFAT, STARS database based on ABS Cat. 5368.0, December 2011

Fuel: Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals			
Singapore	416,203	427,099	672,698
Malaysia	36,291	2,756	108,676
Timor-Leste	1,744	2,913	2,421
Thailand	845	592	1,149
Indonesia	14,301	12,020	805
India	703	762	799
Mineral: Ferrous waste and scrap, remelting scrap ingots of iron or steel			
Thailand	1,820	57,590	102,797
Malaysia	58,349	141,991	91,538
Indonesia	84,271	77,608	75,103
Singapore	5,633	27,088	45,774
India	42,042	49,274	40,821
Bangladesh	8,227	2,293	2,671
Mineral: Manganese ores and concentrates, including manganiferous iron ores and concentrates with a manganese content of 20% or more, calculated on the dry weight			
India	42,542	160,746	118,555
South Africa			22,526
Iran	12,498		
Mineral: Tin ores and concentrates			
Malaysia	59,346	79,549	103,872
Thailand	36,675	2,533	965
Fuel: Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon			
India	71,453	40,022	67,887
Malaysia	14		12,951
Oman	344	133	288
Indonesia	45	10	225
Sri Lanka	107	144	143
Mineral: Aluminium waste and scrap			
India	28,937	43,615	49,410
Malaysia	13,861	18,900	13,876
Thailand	8,682	7,853	13,547
Indonesia	2,327	595	1,494
Pakistan	1,621	2,180	700
Singapore	682	347	424
Fuel: Liquefied butanes			
Singapore	499	65,537	66,667
Mauritius			7,576
Malaysia	6,397		4

Source: DFAT, STARS database based on ABS Cat. 5368.0, December 2011

Note: The top two table excludes confidential minerals and fuels exports - mainly salt, mineral sands, natural gas, alumina, nickel, and uranium. Alumina would have likely ranked in the top 10 exports for CY2011.

### **3.7 Australian People-to-People linkages with the Indian Ocean rim**

People-to-people links are an important aspect of Australia's relationships with the Indian Ocean rim, built from Australians working, living and travelling abroad, or the people of the IOR doing the same in Australia.

For instance, people-to-people links with some countries have benefited from the strong growth of direct air links (such as the UAE), a large number of expatriate in Australia or expatriate Australians living and working in the country (such as India), or when Australians work and volunteer in areas such as education, mining, business, missionary work and tourism (such as Tanzania).

#### *Immigration from the Indian Ocean rim*

Around 615,000 Australian residents were born in Indian Ocean rim countries in 2006, up from around 480,000 in 2001. This represents a growth of over 28 per cent. As at 30 June 2010, over 1 million of the Australian Estimated Resident Population (ERP<sup>21</sup>) was born from the top 12 Indian Ocean rim countries, making it a sizable portion of the Australian population.

Based on the number of the population born overseas, Australia has the strongest people-to-people links with India, primarily established through the education services sector, and migration over recent years. As at 30 June 2010, there were over 340,000 residents who were born in India. This had risen by more than half since the 2006 Census. The South African-born Australian population was the second largest at over 155,000, and the Malaysian-born Australian population was the third largest (however the largest Indian Ocean rim Southeast Asian born group with over 135,000). In addition, links with the South-East Asian sub-region of the Indian Ocean rim is particularly strong, with over 435,000 overseas born in Australia (as at 30 June 2010).

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<sup>21</sup> Estimated Resident Population (ERP) is the official measure of the population of Australia.

Table: Australian population originating from Indian Ocean rim countries<sup>22</sup>

Country	2001 Census	2006 Census	% change 2001-2006	ERP at 30 June 2010 <sup>23</sup>	% change 2006-June 2010
India	95,452	147,105	54.1%	340,604	131.5%
South Africa	79,425	104,127	31.1%	155,692	49.5%
Malaysia	78,858	92,333	17.1%	135,607	46.9%
Sri Lanka	53,461	62,256	16.5%	92,243	48.2%
Indonesia	47,158	50,974	8.1%	73,527	44.2%
Singapore	33,485	39,974	19.4%	58,903	47.4%
Thailand	23,600	30,555	29.5%	53,393	74.7%
Iran	18,789	22,546	20.0%	33,696	49.5%
Pakistan	11,917	16,991	42.6%	31,277	84.1%
Bangladesh	9,078	16,095	77.3%	28,179	75.1%
Mauritius	16,962	18,175	7.2%	27,026	48.7%
Burma (Myanmar)	10,973	12,378	12.8%	22,173	79.1%
<b>Total (top 12 IOR countries)</b>	<b>479,158</b>	<b>613,509</b>	<b>28.04%</b>	<b>1,052,320</b>	<b>71.5%</b>
<b>Australian population</b>	<b>18,769,271</b>	<b>19,855,287</b>		<b>22,328,847</b>	
<b>Per cent of Australian population</b>	<b>2.6 %</b>	<b>3.1 %</b>		<b>4.7%</b>	
Kenya	6,870	9,934	44.6%	n.a.	
Timor-Leste	9,391	9,316	-0.8%	n.a.	
Somalia	3,713	4,314	16.2%	n.a.	
UAE	1,459	2,978	104.1%	n.a.	
Seychelles	2,448	2,511	2.6%	n.a.	
Tanzania	1,714	2,303	34.4%	n.a.	
Oman	364	829	127.7%	n.a.	
Mozambique	551	636	15.4%	n.a.	
Yemen	376	450	19.7%	n.a.	
Maldives	177	271	53.1%	n.a.	
Madagascar	162	189	16.7%	n.a.	
Réunion (French Territory)	71	130	83.1%	n.a.	
Djibouti	71	94	32.4%	n.a.	
Comoros	21	12	-42.9%	n.a.	
<b>Total IOR</b>	<b>506,546</b>	<b>647,476</b>	<b>27.8%</b>		
<b>Australian population</b>	<b>18,769,271</b>	<b>19,855,287</b>			
<b>Per cent of Australian population</b>	<b>2.7 %</b>	<b>3.3 %</b>			

<sup>22</sup> 'The Peoples of Australia', Department of Immigration and Citizenship, [www.immi.gov.au/media/publications/research/\\_pdf/poa-2008.pdf](http://www.immi.gov.au/media/publications/research/_pdf/poa-2008.pdf)

<sup>23</sup> 'Australian Born and Overseas Born' Australian Bureau of Statistics, <http://abs.gov.au/ausstats/abs@.nsf/Products/52F24D6A97BC0A67CA2578B0001197B8?opendocument>

### *International students from the Indian Ocean rim*

As at 30 June 2011, students from the Indian Ocean rim constituted around 36 per cent of the total international student body in Australia. India remains the second-largest source of students arriving in Australia, but the largest of all Indian Ocean rim countries. Malaysia is the second largest Indian Ocean rim source country, with over 15,000 students. Thailand ranked third with just fewer than 12,000 students, and Indonesia close behind. Mauritian students constitute the largest Indian Ocean African student body in Australia. Iranian students constituted the largest Indian Ocean rim Middle Eastern student body.

**Table: Student Visa holders from Indian Ocean rim countries<sup>24</sup>**

<b>Country</b>	<b>As at 30 June 2009</b>	<b>As at 30 June 2010</b>	<b>As at 30 June 2011</b>
Bangladesh	5460	5001	4636
Burma (Myanmar)	630	808	738
India	92490	79699	50103
Indonesia	11570	12080	11402
Iran	1670	2175	2447
Kenya	1580	1618	1430
Madagascar	10	10	10
Malaysia	15920	16130	15203
Maldives	220	208	199
Mauritius	4870	4046	2641
Mozambique	70	57	59
Oman	460	484	430
Pakistan	4770	5436	6276
Seychelles	130	80	59
Singapore	5050	5184	4911
South Africa	770	898	856
Sri Lanka	7580	6864	5496
Tanzania	160	160	163
Thailand	13460	13147	11805
Timor-Leste	140	202	197
United Arab Emirates	610	998	829
Yemen	20	30	30
<b>Total IOR</b>	<b>167620</b>	<b>155315</b>	<b>119920</b>
<b>Total</b>	<b>386266</b>	<b>382716</b>	<b>332709</b>
<b>Per cent of total</b>	<b>43%</b>	<b>41%</b>	<b>36%</b>

<sup>24</sup> 'Student Visa Holders Present in Australia', Department of Immigration and Citizenship, <http://www.immi.gov.au/media/statistics/statistical-info/temp-entrants/students.htm>

*Australian education cooperation in the Indian Ocean rim*

Australia is an active participant in education in the Indian Ocean rim. A large number of international students in Australia receive some kind of support from the Australian Government, whether in the form of stipends or scholarships, such as the Australia Awards. Additionally, Australian institutions provide thousands of scholarships each year to international students.

Australia maintains significant Government to Government ties with all IOR countries, and has Education Counsellors in overseas Australian missions, which service ten Indian Ocean rim countries.

Australia also supports transnational education in the form of Australian Institutions providing Australian recognised courses overseas and in partnership with universities overseas.

Australia also has significant international development cooperation investments in IOR countries. Australia's education assistance is focussed on promoting equity (providing education for all), improving quality and strengthening education systems in our bilateral partner countries.

## 4. INDIAN OCEAN REGIONAL FORUMS

### 4.1 Indian Ocean rim Association for Regional Cooperation (IOR-ARC)

Australia was a founding member of IOR-ARC, which was established in 1997 to promote cooperation in the Indian Ocean rim. It is the only regional forum linking most countries on the Indian Ocean rim and seeks to expand mutually beneficial cooperation through a consensus-based, evolutionary and non-intrusive approach.

IOR-ARC includes the following 19 member states:

- Australia
- Bangladesh
- India
- Indonesia
- Iran
- Kenya
- Madagascar
- Malaysia
- Mauritius
- Mozambique
- Oman
- Seychelles
- Singapore
- South Africa
- Sri Lanka
- Tanzania
- Thailand
- United Arab Emirates
- Yemen

IOR-ARC also has five dialogue partners:

- China
- Egypt
- France
- Japan
- United Kingdom

The Indian Ocean Tourism Organisation and the Indian Ocean Research Group are observers of IOR-ARC. The IOR-ARC Secretariat is located in Ebene City, in Mauritius.

#### *IOR-ARC mandate*

IOR-ARC is characterised by consensus decision making. At the IOR-ARC ministerial meeting in August 2010, a new Charter was endorsed which states that the organisation's primary objective is to promote the sustained growth and balanced development of the region and of member states, and to create common ground for regional economic cooperation.

The IOR-ARC Charter lists a broad range of areas for cooperation including; “trade facilitation and liberalisation, promotion of foreign investment, scientific and technological exchanges, tourism, movement of natural persons and service providers on a non-discriminatory basis; and the development of infrastructure and human resources inter-alia poverty alleviation, promotion of maritime transport and related matters, cooperation in the fields of fisheries trade, research and management, aquaculture, education and training, energy, IT, health, protection of the environment, agriculture, and disaster management”<sup>25</sup>.

#### *Meetings and Chair*

The Council of Ministers (COM) is IOR-ARC's peak decision-making body and is usually attended by Foreign Ministers. The Indian Ocean rim Academic Group (IORAG), Indian Ocean rim Business Forum (IORBF), Working Group on Trade and Investment (WGTI) are the three working-level bodies. The Committee of Senior Officials (CSO) considers proposals from these bodies and makes recommendations to the COM for final approval.

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<sup>25</sup> 'Charter', IOR-ARC, <http://iorarc.org/charter.aspx>

The annual COM elects a Chair and Vice Chair for a period of two years. In practice, members have served consecutive terms as Vice Chair followed by consecutive terms as Chair (except Iran and Sri Lanka, which each served for three years). Past Chairs are Mauritius (1997-1998); Mozambique (1999-2000); Oman (2001-2002); Sri Lanka (2003-2005); Iran (2006-2008); and Yemen (2009-2011).

At the 2011 Council of Ministers' meeting in Bengaluru, India, Australia was appointed as Vice Chair of IOR-ARC for the first time, for a two year period. At this time India assumed the role of Chair of IOR-ARC. Australia will assume the Chair after India for a two-year period from late 2013 to late 2015.

All the IOR-ARC bodies meet together once a year, just before the annual COM. In 2010, it was decided that the CSO would meet twice yearly and the first inter-sessional senior officials meeting was held in Canberra in March 2011.

### *Activities*

Over the past 14 years, the organisation has pursued a modest number of activities – mostly in trade, fisheries and technology. However few initiatives have gained traction; and most have been ad-hoc stand-alone activities – with little progress.

Oman recently initiated the widely-supported IOR-ARC Fisheries Support Unit (FSU) to assist with fisheries management and has also proposed a Maritime Transport Council. Many reports and exhibitions have also been produced for IOR-ARC members over the years and Iran hosts the IOR-ARC Regional Centre for Science and Technology Transfer.

(See Section 5 for further IOR-ARC developments)

## **4.2 Other key Indian Ocean regional forums**

There are a number of specialist Indian Ocean forums and international organisations engaged in Indian Ocean activities.

### *Indian Ocean Tuna Commission*

The Indian Ocean Tuna Commission (IOTC) is an intergovernmental organisation mandated to manage tuna and tuna-like species in the Indian Ocean and adjacent seas. Its objective is to promote cooperation among its members with a view to ensuring, through appropriate management, the conservation and optimum utilisation of stocks and encouraging sustainable development of fisheries based on such stocks.

Annual Sessions of the Commission are normally held in March. Australia hosted the 2012 annual meeting in Perth. The IOTC Scientific Committee meets annually several months prior to the Commission meeting in order for Commission members to act on the most recent scientific advice. Several working party meetings are held throughout the year as required.

Membership of IOTC is open to Indian Ocean coastal countries and to countries or regional economic integration organisations which are members of the United Nations or one of its specialised agencies and are fishing for tuna in the Indian Ocean. Current members are Australia, Belize, China, Comoros, Eritrea, European Community, France, Guinea, India, Indonesia, Iran, Japan, Kenya, Korea, Madagascar, Malaysia, Mauritius, Oman, Pakistan, Philippines, Seychelles, Sri Lanka, Sudan, Tanzania, Thailand, United Kingdom and Vanuatu.

In the IOTC, a coalition of coastal states, most of who are IOR-ARC members, have shared interests in implementing effective fisheries conservation and management arrangements to ensure the long term sustainability of regional fisheries resources.

### *Indian Ocean Naval Symposium*

The Indian Ocean Naval Symposium (IONS) was established in 2008. IONS is a voluntary initiative that seeks to increase maritime co-operation among navies of littoral states of the Indian Ocean region by providing an open and inclusive forum for discussion of regionally relevant maritime issues. IONS endeavours to generate a flow of information between naval professionals resulting in common understanding and agreements. The inaugural meeting was held in New Delhi, India, on 14 February 2008. Meetings are held every two years and various naval seminars and workshops are held every year. It has since been agreed that both the Chair and Secretariat will rotate every two years, with South Africa currently holding the responsibility until 2014 when it is transferred to Australia at the Conclave of Chiefs.

### *Other Indian Ocean intergovernmental organisations*

Indian Ocean MOU (IOMOU) on Port State Control promotes compliance with maritime conventions on safety, environmental and other issues. It aims to verify whether foreign vessels, comply with applicable international maritime conventions on safety, environmental and other issues. With its Secretariat in India and which Australia is a member, the IOMOU promotes compliance with maritime conventions on safety, environmental and other issues.

There is substantial cooperation in the Indian Ocean on Tsunami warning systems led by the UNESCO Intergovernmental Oceanographic Commission (IOC) Intergovernmental Coordination Group for the Indian Ocean Tsunami Warning and Mitigation System (ICG/IOTWS), currently chaired by Australia, India and Indonesia ([www.ioc-tsunami.org](http://www.ioc-tsunami.org)). The Secretariat is located in UNESCO's IOC Perth Office. ICG/IOTWS coordinates and facilitates development and operational implementation of tsunami warnings and associated disaster mitigation.

The UNESCO Intergovernmental Oceanographic Commission (IOC) has regional programs covering the Indian Ocean with offices in Perth and Nairobi, Kenya. The Perth Regional Program Office coordinates and facilitates the development and implementation of oceanographic science programs and initiatives.

Indian Ocean Tourism Organization, established in 1995, seeks to enhance regional cooperation on sustainable tourism, and is an observer in IOR-ARC.

## **4.3 Sub-regional organisations in the Indian Ocean region**

### *Indian Ocean Commission (IOC)*

Established in 1984, the Indian Ocean Commission (IOC) comprises five member states - Comoros, Réunion (France), Madagascar, Mauritius and the Seychelles. Maldives is an observer. The IOC focuses on four pillars of activity: diplomatic cooperation; economic and commercial cooperation; cooperation in agriculture, maritime fishing, and the conservation of resources and ecosystems; and cultural, scientific, technical, educational and judicial cooperation. The IOC is the primary regional grouping for the island states and all attach considerable importance to their membership. There is potential for further collaboration between the IOC and IOR-ARC.

### *Association of Southeast Asian Nations (ASEAN)*

Established in 1967, the Association of Southeast Asian Nations (ASEAN) – Burma, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam – aims to accelerate regional economic growth, social progress and cultural development and to promote regional peace and stability. The ASEAN Secretariat, based in Jakarta, coordinates ASEAN activities.

ASEAN's key external relationships are with its Dialogue Partners - Australia, Canada, China, EU, India, Japan, New Zealand, ROK, Russia and the United States. At the core of the region's architecture, ASEAN directs its relationships with these countries through regular bilateral and multilateral meetings and forums. ASEAN's regional integration focuses on the development of three 'communities': political-security, economic and socio-cultural. ASEAN decision-making is based on consensus and its cooperation is guided by a set of principles including mutual respect for sovereignty, independence, and territorial integrity, and non-interference in another's domestic affairs.

ASEAN's most important relationship in the Indian Ocean rim is with India, which celebrates its 20th anniversary this year. India is an ASEAN Dialogue Partner, a member of the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS). India and ASEAN have met regularly at summit level since 2002. Indian Prime Minister Dr Manmohan Singh has described India's partnership with ASEAN as "one of the cornerstones of our foreign policy, and the foundation of our 'Look East' Policy". ASEAN-India cooperation covers political, security, and development sectors, but is primarily focussed on trade.

#### *ASEAN Regional Forum (ARF)*

The ASEAN Regional Forum (ARF) was established in 1994 as a key forum for security dialogue and includes Australia, Bangladesh, Brunei Burma, Cambodia, Canada, China, DPRK, Timor-Leste, European Union, India, Indonesia, Japan, Laos, Malaysia, Mongolia, New Zealand, Pakistan, Papua New Guinea, Philippines, Russia, Singapore, Sri Lanka, South Korea, Thailand, United States and Vietnam.

ASEAN is central to the ARF, with an ASEAN member co-chair required for all ARF activities. The ARF complements bilateral alliances and dialogues and provides a setting in which members can discuss current regional security issues and develop cooperative measures to enhance peace and security in the region. The ARF is characterised by consensus decision making and minimal institutionalisation. Its development is governed by a three-stage evolutionary approach, moving from confidence building to preventive diplomacy and, in the long term, towards a conflict resolution capability.

The four key focus topics of the ARF are Counter-Terrorism and Transnational Crime, Disaster Relief, Maritime Security, and Non-Proliferation and Disarmament. ARF inter-sessional meetings are held on these each year. Disaster management and response has been a focus of ARF activity in recent years, with practical activities to enhance regional capacities to respond to disasters taking place. Australia co-hosted a disaster relief desktop exercise in Indonesia in 2008 and two live field exercises have subsequently occurred, with a third being planned.

#### *East Asia Summit (EAS)*

The East Asia Summit (EAS) was established by ASEAN in 2005 as a leaders-led forum for strategic dialogue and action on key challenges facing the region. Membership comprises the 10 ASEAN countries, Australia, China, India, Japan, New Zealand, the Republic of Korea, Russia and the United States. With the United States and Russia joining in 2011, the EAS now has the membership and mandate to address the full range of political, economic and security challenges confronting the region. The region's influence is expected to grow.

At the 6<sup>th</sup> EAS, in November 2011, leaders discussed a range of issues, including economic and financial integration, disaster management, energy, environment and education cooperation. They also discussed security challenges in the region, including maritime security, the South China Sea, and the peaceful denuclearisation of the Korean Peninsula. Further, leaders expressed support for efforts to strengthen the foundations for regional and global economic growth.

### *Asia Pacific Economic Cooperation (APEC)*

APEC was established in 1989 and has become the region's pre-eminent economic forum. APEC's key objectives are to promote trade and investment liberalisation, business facilitation and economic and technical cooperation. It has been a key vehicle for strengthening member economies, bolstering trade and investment openness and deepening Australia's economic integration with the region. This has been achieved through step-by-step, voluntary cooperation on practical issues, such as making business travel easier (e.g. through an APEC business travel card), simplifying customs procedures, improving logistics and infrastructure (e.g. analysis done for APEC's Policy Support Unit indicates that reductions in business transaction costs in the APEC region between 2007 and 2010 yielded savings of US\$58.7 billion), and encouraging unilateral trade and investment liberalisation (average applied tariffs in APEC economies have fallen from 16 per cent in 1988 to around six per cent in 2010). APEC has a well-established network of officials-level committees and strong links with business.

The substantial work program arising from the meetings of APEC Leaders and Ministers in Honolulu last November reflect many Australian priorities. These include promoting liberalisation of tariffs on environmental goods; good regulatory practices; structural reform; and faster, less costly and more reliable movement of goods, services and business persons in the region. Russia is the APEC host economy in 2012 and Indonesia will host APEC in 2013.

### *South Asian Association for Regional Cooperation (SAARC)*

Established in 1985, the South Asian Association for Regional Cooperation (SAARC) has eight member states: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka and Afghanistan (which joined in 2007). SAARC aims to encourage regional cooperation through economic and social development. The 17th SAARC Summit was held in the Maldives in November 2011.

Australia, along with the European Union, United States, South Korea, Burma, China, Iran, Japan, and Mauritius are observers. Australia gained observer status in 2008. Leaders' summits are held annually and Parliamentary Secretary Marles attended the most recent summit in November 2011.

The SAARC Secretariat is in Kathmandu. The Secretary-General is appointed from member states (in alphabetical order) for a three-year term. SAARC holds regular ministerial and senior officials meetings with decisions taken unanimously. The Council of Ministers, comprising Foreign Ministers, meets at least twice a year. The Standing Committee of Foreign Secretaries monitors and coordinates SAARC-approved cooperation programs.

South Asia remains amongst one of the world's least economically integrated regions. Cross-border trade is costly; infrastructure connectivity (roads, bridges, ports) is poor; customs and clearance procedures are onerous; and corruption is endemic.

At the 17th Summit, leaders declared the need to move from words to action, recognising the need to further implement South Asia Free Trade Area (SAFTA) by lowering the number of sensitive trade items, reducing non-tariff barriers and harmonising standards and customs procedures.

### *Southern African Development Community (SADC)*

The Southern African Development Community (SADC) was formed in 1992 from the Southern African Development Coordination Conference, originally formed to oppose apartheid in South Africa. SADC has 15 members (Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Seychelles, Tanzania, Zambia, and Zimbabwe) and is Southern Africa's principal regional organisation. Its headquarters are in Gaborone, Botswana.

Leadership of SADC takes place by rotation and uses a troika system whereby members comprise the present Chair in addition to the incoming and outgoing Chairs. SADC comprises eight bodies, including the Organ on Politics, Defence and Security that takes responsibility for regional security issues. The Organ on Politics, Defence and Security also operates as a troika with South Africa's President Zuma as current Chair along with Zambia and Tanzania. SADC plays a leading role in resolving conflicts in Madagascar and Zimbabwe and is currently developing roadmaps for elections in both countries.

SADC's engagement with the countries of the Indian Ocean rim is conducted primarily through those SADC members that border the Indian Ocean and are members of the IOC and/or IOR-ARC (South Africa, Seychelles, Mauritius, Mozambique and Tanzania).

#### *Gulf Cooperation Council (GCC)*

Established in 1981, the Cooperation Council for the Arab States of the Gulf (CCASG), commonly known as the Gulf Cooperation Council (GCC), is a political and economic union of six Arab states – Saudi Arabia, Kuwait, the United Arab Emirates (UAE), Qatar, Bahrain and Oman. The purpose of the GCC is to achieve unity among its members based on their common objectives and their similar political and cultural identities. Jordan and Morocco have been invited to join but are still to be accepted as members. With a large percentage of the world's crude oil reserves and natural gas reserves, the GCC has emerged as an important economic and strategic player in the Middle East region and globally especially as its members have taken an increasingly active role in regional and international affairs.

#### *Other regional organisations*

Other organisations that cross over the Indian Ocean region include, but are not limited to Shanghai Cooperation Organisation (SCO), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), East African Community (EAC), and the Intergovernmental Authority on Development (IGAD).

## **5. AUSTRALIA'S MULTILATERAL RELATIONS WITH THE INDIAN OCEAN RIM**

### **5.1 Priorities in the Indian Ocean rim**

Australia strongly supports the enhancement of economic security and prosperity in the Indian Ocean rim. There is a common interest in enhancing the common prosperity of the Indian Ocean rim through trade, through investment, but also through development cooperation. Australia pursues and promotes this goal through regional forums such as IOR-ARC, as well as through our bilateral relations with the region.

As a country with significant territorial interests in the Indian Ocean (Western Australian mainland, Christmas and Cocos Islands), Australia strongly supports the enhancement of Indian Ocean rim regional peace and security. The countries of the Indian Ocean rim have a common interest in preserving the peace in the region and maintaining freedom of navigation across in the Indian Ocean into the future. The Indian Ocean represents the arteries of global commerce and affects countries located well beyond the Indian Ocean as well. Countries of the region share an interest to agree on common measures to deal with any threats to the freedom of navigation, such as addressing piracy. Australia's medium term goal is to build new cooperative institutions to support the peace and stability of the Indian Ocean rim.

The countries of the Indian Ocean rim also share a truly great resource: the Indian Ocean itself. There is a common responsibility to care and manage this resource to ensure that countries develop the resources of the Indian Ocean in a manner compatible with the principles of sustainable development. There is also a need to harness the resources of the ocean in a way that does not inflict irresponsible damage on the marine environment. Australia pursues and promotes this goal through regional forums such as IOR-ARC, as well as through other regional and bilateral relations and efforts in the region.

### **5.2 Multilateral engagement with the Indian Ocean rim**

Australia is committed to playing an active and constructive role in the Indian Ocean rim to address the priorities of the region. In cooperation with other countries we want to develop over time a common set of interests and norms to guide cooperation across this diverse region. Divergences of interests and disparities in economic development have so far constrained the development of a regional sense of community through IOR-ARC. Such a sense of community might be built up through practical co-operation in specific areas of benefit to members. We want to do so incrementally, taking small, practical steps towards greater regional co-operation – in functional areas that will deliver real advantages to regional countries.

Australia wants IOR-ARC to focus on outcomes. Australia's areas of current and potential collaboration within IOR-ARC include oceans (and fisheries) management; science cooperation (including on ocean science, food security and climate change adaptation); maritime safety and security; trade and customs facilitation; and disaster risk management. IOR-ARC member countries also recently referred to these priorities through a joint communiqué released at the 2011 Council of Ministers' meeting in Bengaluru, India (please see the Appendix 6.6). Australia and India also released a joint paper outlining six sectors for future IOR-ARC cooperation.

During our four years as Vice Chair, and eventually as Chair, Australia wants to rejuvenate IOR-ARC and rejuvenate cooperation among IOR-ARC members. That objective is shared by the incoming chair, India, and Australia will continue to work closely on Indian Ocean issues with India over the next four years. Former Foreign Minister Rudd was the first Australian Foreign Ministerial to attend the IOR-ARC Council of Ministers' meeting in 2011, and demonstrated Australia's enhanced focus in making the organisation work for the region.

### **5.3 Multilateral trade cooperation in the Indian Ocean rim**

Australia knows that trade is crucial to economic prosperity, employment growth and rising living standards. Australia actively pursues trade liberalisation through regional and bilateral agreements, as well as through negotiations under the World Trade Organization (WTO) - including efforts to successfully conclude the Doha Round of WTO negotiations.

However, the heterogeneity of the membership of the Indian Ocean rim is a serious challenge for trade liberalisation. That said through IOR-ARC cooperation, Australia values the importance of trade (including customs) facilitation among IOR-ARC members to see where members can collaborate on trade facilitation methodologies and customs procedures, and will look at furthering trade cooperation wherever possible.

### **5.4 Australian multilateral development cooperation in the Indian Ocean rim**

#### *Indian Ocean rim*

The Government's response to the 2011 Independent Review of Aid Effectiveness noted that "Australia has a clear and vital interest in the prosperity and stability" of the Indian Ocean. It also noted that AusAID should be working more closely with emerging donors, such as India, and to assist in strengthening regional bodies to preserve the global order.

Most of the Australian Government's assistance to Indian Ocean rim countries is through bilateral aid programs (see appendix 6.4). A number of regional development programs, which include Indian Ocean states as beneficiaries, also provide multilateral assistance. In South Asia, for example, Australia works with regional countries on trans-boundary water resource management and economic integration. Furthermore, Australia provides core funding to multilateral organisations, such as the World Bank and UN agencies. A significant portion of this funding is spent in the Indian Ocean rim, such as in East Africa and South Asia.

IOR-ARC remains the primary regional organisation in the Indian Ocean rim. Australia is currently delivering a A\$2 million CSIRO-managed 'seasonal climate forecasting food security project' project. As part of IOR-ARC, Australia may have further opportunities to work with member states to pursue targeted development outcomes, including in areas such as sustainable fisheries and climate change adaptation.

Australia also plays an active role on development issues in numerous sub-regional fora that include Indian Ocean countries such as the EAS, ASEAN, ARF, SAARC, and SADC. Building on work at the bilateral level, Australia provides support and technical assistance to help strengthen these institutions and to foster regional cooperation. This is particularly important in addressing some of the more challenging trans-boundary development issues such as climate change and trade.

#### *Development Cooperation through other regional bodies*

**South Asia:** Australia has a strong interest in the stability and prosperity of South Asia. A stronger SAARC would help accelerate the region's economic and social integration, enhance regional dialogue and reduce potential security threats. As a SAARC observer, Australia's assistance is provided carefully, targeted to support SAARC objectives. In 2010, Australia provided A\$1 million for a joint SAARC-CSIRO Food Security and Agriculture Project. Future work with SAARC is currently being explored.

**Southern Africa:** Australia is cooperating with SADC on trans-boundary water management, capacity building, food security and climate change. In December 2010, Australia provided A\$2.5 million to support the German-led Trans-boundary Water Management in SADC Program (2005-15). The

program is contributing to regional water resources development planning and management, infrastructure development support, water governance, capacity building and building resilience to climate change. The program includes assistance to the SADC Water Division. The UK Department for International Development (DFID) is also supporting the program. In addition, Australia provided around A\$1.8 million to the SADC Regional Hunger and Vulnerability Programme in December 2011 to focus on food security and social protection. Australia also provided A\$500,000 in 2009-10 to support South Africa develop a SADC climate change plan of action. Australia's assistance paved the way for a series of workshops attended by 13 officials from SADC countries to develop a common 'Science, Technology and Innovation Framework' in relation to climate change. This framework is intended to shape and support a regional climate change response for southern Africa as a whole.

Asia: Australia has been at the forefront to ensure the ASEAN Regional Forum (ARF) makes a practical contribution to regional anti-terrorism efforts. Australia also co-chaired a bio-terrorism workshop on disease detection and surveillance in September 2011 with the Philippines and United States. Australia also has co-lead responsibility for cyber-security (with Malaysia and Russia), and will work with Singapore on a workshop to enhance responses to cyber security incidents.

Australia has also been a long-time supporter of ASEAN's efforts to achieve regional economic integration, especially through its Economic Community Blueprint. This is a major focus of regional programs implemented with the ASEAN Secretariat, including: phase II of the ASEAN Australia Development Cooperation Program (AADCP II, A\$67m 2008-15); and the Economic Cooperation Support Program for the ASEAN Australia New Zealand Free Trade Agreement (A\$20m 2010-14). Within the EAS, Australia is working with other members in the five priority areas of disaster management, education, energy and the environment, pandemics and economic integration.

Australia also contributed A\$1.5 million to the World Bank South Asia Water Initiative to tackle water management and development issues along the three major regional rivers, the Ganges, the Indus and the Brahmaputra. Over 600 million people depend on these rivers and their tributaries for irrigation, transport, fishing and drinking water.

## **5.5 Further Australian Cooperation on issues relevant to the Indian Ocean rim**

### *People smuggling*

Australia cooperates closely with Indian Ocean rim countries on addressing people smuggling issues bilaterally and through the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime (Bali Process).

In 2010, Australia and Indonesia adopted a framework for cooperation to address people smuggling. The framework provides additional mechanisms to aid operational-level coordination and joint strategic oversight of bilateral cooperation in this area. Liaison between Australian Federal Police and the Indonesian National Police (INP) has contributed to a number of alleged high-level Indonesian-based people smugglers being investigated and arrested by the INP.

Australia works closely with Sri Lankan authorities to prevent people smuggling and deter people from undertaking dangerous maritime journeys. Australia's 2009 Memorandums of Understanding (MoUs) on Legal Cooperation and Police Cooperation with Sri Lanka provide a strong basis for bilateral cooperation to combat people smuggling. Efforts under the MoU have played a significant part in building the capacity of Sri Lankan authorities to counter people smuggling and in reducing Sri Lankan maritime arrivals over the past 2 years.

Australia has developed an excellent relationship with Malaysia on addressing people smuggling. This has been advanced by the high level Malaysia-Australia Working Group on People Smuggling and Trafficking in Persons. This Working Group is materially enhancing our countries' cooperation to counter maritime people smuggling, including through closer intelligence sharing arrangements, legal

cooperation and harmonisation, and capacity building activities. In July 2011, Australia and Malaysia signed a MoU relating to civil maritime law enforcement operations which provides a framework for continued collaboration on cooperative measures in areas such as information exchange; human resource development; research and development; and other areas of cooperation.

Ministers at the Fourth Ministerial Conference of the Bali Process in March 2011 agreed to establish a Regional Cooperation Framework (RCF) for a cooperative response to irregular migration in the region. The framework is based on the concept of burden-sharing and cooperation between source, transit and destination countries. The Bali Process has agreed to establish a Regional Support Office (RSO) as a means to implement the RCF. The RSO will provide a mechanism for delivering initiatives and activities that address core issues underpinning irregular migration in the region. Other Indian Ocean region countries in the Bali Process are Thailand and India. Thailand in particular is an active member, including of the Bali Process Steering Group.

#### *Small island development state issues*

Australia works with Indian Ocean Small Island Developing States (SIDS) on climate change and related issues in a range of international forums. We consult closely with Indian Ocean members of the Alliance of Small Island States grouping in negotiations under the UN Framework Convention on Climate Change. The Government provides support to assist developing countries through the International Climate Change Adaptation Initiative, which assists vulnerable countries, particularly SIDS and Least Developed Countries, adapt to the unavoidable impacts of climate change. Australia's assistance is focused on timely, practical initiatives that are integrated with wider development programs.

Australia initiated the Commonwealth and Developing Small States meeting, held during the Commonwealth Heads of Government Meeting in Perth in October 2011. The meeting was attended by some foreign ministers from the Indian Ocean rim and provided an opportunity to highlight the concerns of small developing states on climate change and other sustainable development challenges. The meeting stressed the need for a future legally binding climate regime capable of avoiding dangerous climate change, the importance of climate finance, including giving priority for adaptation funding for poorest and most vulnerable countries.

The Australian Government places priority on the sustainable management of oceans, reflecting their vital significance to the livelihood, food security, development and culture of SIDS – including those in the Indian Ocean. A key priority of the Australian Government is to promote more sustainable management of marine and coastal ecosystems at local, national, regional and global levels. The United Nations Conference on Sustainable Development (Rio+20) in June this year is an important opportunity to advance these objectives, and pursue the sustainable development of marine and coastal resources - what the Pacific Island Countries have termed the 'blue economy'.

The Australian Government recognises that SIDS in the Indian Ocean are particularly vulnerable to threats such as overfishing, climate change, marine pollution and the loss of species due to destructive fishing practices. The Government is therefore committed to working with them, including through forums such as Rio+20, to promote practical approaches to the sustainable management of marine and coastal ecosystems, including:

- Strengthening regional oceans management arrangements, based on effective stakeholder engagement and capacity building for managers, policy-makers and scientists ;
- Combating illegal, unregulated, and unreported fishing;
- Eliminating marine capture fisheries subsidies that contribute to over-fishing and over-capacity; and
- Ensuring that disaster risk reduction is addressed as a sustainable development concern as part of the post-2015 development agenda.

In addition, Australia has approved funding of \$1.5 million for AOSIS institutional capacity until 2012-13. Alliance of Small Island States (AOSIS) is a group of 43 islands and low-lying coastal states from the Pacific, Caribbean, Indian and Atlantic Ocean regions, formed in 1990 to address climate change.

### *Fisheries management*

Australia works through regional fisheries management organisations to ensure the sustainable management of shared fisheries resources through the adoption and implementation of appropriate fisheries management measures; to secure access to migratory, high seas, straddling and shared fish stocks for Australia; and to enhance regional and food security through fisheries-based economic growth. In the Indian Ocean region, Australia is a member of the IOTC and signatory to the Southern Indian Ocean Fisheries Agreement (SIOFA).

Australia promotes the development and management of sustainable fisheries to help ensure food security and environmental sustainability in the Indian Ocean. The Indian Ocean includes major spawning grounds for tropical tuna species which are under the mandate of the Indian Ocean Tuna Commission. Fishing is an important source of economic development and a critical source of animal protein in the Indian Ocean. Approximately 50 per cent of the tuna caught in the Indian Ocean is caught by artisanal fleets, that is small scale commercial and subsistence fishers. Other environmental issues affecting the sustainability of the Indian Ocean region include overfishing in coastal and pelagic waters, insufficient data collection from developing coastal States; and depletion of species such as seabirds and sharks.

### *Disaster Risk Reduction*

Major disasters such as the Indian Ocean tsunami and the Great East Japan earthquake and tsunami have underscored for the international community the importance of disaster risk reduction, as well as strengthening preparedness for effective response and recovery. Australia is a strong supporter of international efforts to mitigate the damage that natural disasters pose to developing countries, including the countries of the Indian Ocean rim.

In 2009, Australia released a disaster risk reduction policy for its international aid program, *Investing in a Safer Future*. The policy recognises the increasing threat natural disasters pose to achieving development goals and the cost effectiveness of acting to prevent disasters before they happen. The policy commits the Australian aid program to the integration of DRR principles into its development and humanitarian activities with the overarching goal of reduced vulnerability and enhanced resilience of countries and communities to disasters. The four outcomes of the policy are:

1. Disaster risk reduction is integrated into the Australian aid program
2. The capacity of partner countries to reduce disaster risks is strengthened in line with the Hyogo Framework for Action
3. Leadership and advocacy on disaster risk reduction are supported and enhanced
4. Policies and programming for disaster risk reduction and climate change adaptation are coherent and coordinated

AusAID has strengthened its partnerships with multilateral organisations that support regional and national efforts to reduce disaster risk in Indian Ocean rim countries; including through funding to the UN International Strategy for Disaster Reduction (UNISDR) and World Bank-managed Global Facility for Disaster Reduction and Recovery (GFDRR). A key priority for the Australian Government which will be advanced through Rio+20 is to promote sustainable development at local, national, regional and global levels. Australia is joint co-chair of the Friends of Disaster Risk Reduction group in New York which is advocating to ensure that disaster risk reduction is adequately addressed at the UN Conference on Sustainable Development (Rio+20).

AusAID funding to disaster risk reduction is increasing. In 2009-10, some A\$59 million was allocated to disaster risk reduction activities at global, regional and national levels. In the financial year 2010-11, AusAID expended more than A \$100 million on disaster risk reduction activities in 64 countries across areas such as early warning science, climate change adaptation, environment, community development and education. Indian Ocean rim countries which benefited from AusAID disaster risk reduction support in 2010-11 included Bangladesh, Burma, Indonesia, India, Kenya, Pakistan, Somalia and Timor-Leste.

In Indonesia, AusAID is supporting a School Reconstruction Program in West Java and West Sumatra in response to the two major earthquakes that struck Indonesia in September 2009. In Timor-Leste, AusAID is providing support to improve the capacity of the Government at the national level to coordinate and manage the preparedness, mitigation, response and recovery aspects of disaster risk reduction; and to increase the ability of sub-national governments and communities to prepare for, respond to and recover from disasters in their own areas. In Burma, AusAID support has assisted in reconstruction and risk reduction efforts following cyclone Giri. In Pakistan, Kenya and Somalia, AusAID support is assisting school children to learn about disaster risk reduction, reduce their community's risk level and better prepare for natural hazards.

### *Food security*

Between 2009/10 and 2011/12 Australia will have provided over A\$839 million for bilateral and global food security efforts. This includes the A\$464 million Food Security through Rural Development budget measure (2009-13) which supports IOR-ARC countries through investing in agricultural productivity growth, improving rural livelihoods by strengthening markets and market access, and building community resilience through establishment and improvement of social protection programs.

Part of this global funding (est. A\$113 million for 2009-2013) is directed through the Australian Centre for International Agricultural Research (ACIAR) and the Consultative Group for International Agriculture Research (CGIAR). For 2011-12, Australia will provide around A\$29 million to CGIAR as part of a broader effort to encourage a global approach to agriculture productivity issues. In addition to improved poverty-reduction outcomes, it is intended to minimise transaction costs for Australia and implementation partners. CGIAR seeks to support programs aimed at harnessing the development potential of aquatic agricultural systems for the poor.

Australia also signed a four-year A\$180 million partnership with the World Food Program in 2009 to provide food aid globally, and we continue to advocate for open, transparent markets to reduce price volatility. Australia has also committed A\$100 million to the World Bank's Global Agriculture and Food Security Program (GAFSP), with A\$65 million already disbursed. Established in September 2009, the GAFSP provides grants to low-income countries for implementation of national strategies to raise agricultural productivity, link farmers to markets, improve non-farm rural livelihoods, and reduce risk and vulnerability.

## **6. APPENDICES**

### **6.1 Overview and Australia's bilateral relations with Indian Ocean regional states**

#### *African Indian Ocean rim bilateral overview*

South Africa signed a bilateral Memorandum of Cooperation (MOC) with Australia in September 2010 that outlines a commitment to hold Foreign Ministers' meetings annually, senior officials' talks every two years (Pretoria, October 2011), and expanded cooperation across climate change, UN reform, African peace and security, the G20 and Commonwealth.

Bilateral relations between Mozambique and Australia were boosted further by the signing of a Memorandum of Understanding (MoU) on bilateral cooperation by former Foreign Minister Rudd and Foreign Minister Baloi at the AU Summit in January 2012. The MoU sets out priority areas for cooperation, including high-level visits, regular Foreign Ministers' dialogue, economic linkages, development cooperation, and shared interests in international peace and security, climate change, trade liberalisation, the Commonwealth and the United Nations.

Australia has a positive and wide-ranging relationship with Tanzania, based on growing commercial ties. These relations are reinforced by shared values and cooperation in the Commonwealth and United Nations. The Governor-General made a State visit to Tanzania in March 2009. Australia also has a largely positive relationship with Kenya and the Governor-General made an official visit in March 2009.

Australia established diplomatic relations with Somalia in March 2010 and diplomatic relations are managed from Australia's High Commission in Nairobi. There are some Australian links with Somali Government members. The most prominent of these is the President of Puntland, Abdirahman Mohamoud Farole, who is an Australian citizen.

#### *Indian Ocean islands bilateral overview*

Madagascar has been in a political crisis since a March 2009 coup which installed Andry Rajoelina (then-mayor of the Malagasy capital, Antananarivo), who dissolved Madagascar's Parliament, changed the High Court Judges and swore himself in as President of the High Transitional Authority (HAT) on 21 March 2009. The international community did not recognise the HAT and Madagascar was suspended from the AU and SADC. In September 2011, a SADC Troika (South Africa, Tanzania and Zambia) accompanied by Mauritian Foreign Minister Arvin Boolell (then President of the Indian Ocean Commission), succeeded in negotiating a Roadmap to end the crisis. A Transitional Government of National Unity (GNU) was appointed on 21 November 2011. In response to the recent positive political developments in Madagascar, the Australian Government decided to reopen official contact with the Transitional Government.

Australia has long-standing friendly relations with Mauritius underpinned by strong people-to-people links.

Australia and Seychelles signed a memorandum of understanding in September 2009 for Australian technical assistance for IMF supported economic reform.

Australia co-operates closely with the Maldives to address climate change. Both are members of the Cartagena Dialogue of 30 developed and developing countries which work together to bridge the traditional north-south divide in UN negotiations. Australia also provides A\$500,000 for climate change adaptation through a partnership with the World Bank.

The bilateral relationship with Comoros is friendly but limited although there has been increased engagement in recent months. Foreign Minister Bakri attended the Commonwealth and Developing Small States Ministers' Meeting in Perth (Oct 2011). The Prime Minister's Special Envoy Bill Fisher visited Comoros in March 2012.

#### *Middle Eastern Indian Ocean rim bilateral overview*

Australia and Saudi Arabia enjoy a solid and constructive relationship based on trade, and a shared interest in promoting international peace and stability.

Australia has growing bilateral relations with Oman as reflected in increased bilateral exchanges and the recent appointment of an Australian Honorary Consul to Oman.

Australia has a warm and constructive relationship with the UAE. It has been a strong supporter of Australia's regional objectives, and hosts the Australian Defence Force's headquarters in the Middle East. Both countries have in place bilateral agreements on mutual legal assistance and extradition, and a MOU on counter-terrorism cooperation. Australia and the UAE recently concluded negotiation of a bilateral nuclear cooperation and safeguards agreement. A number of high-level visits in both directions have bolstered relations further.

Australia cooperates with Yemen within IOR-ARC. Yemen supported Australia's candidature as Vice-Chair of IOR-ARC from 2011. Australia has provided a stream of humanitarian assistance to Yemen's impoverished population through multilateral agencies.

Australia's bilateral relationship with Iran is long-standing. Both countries continue to engage in dialogue on a range of important issues, including Iran's nuclear program, terrorism, people smuggling, regional issues and human rights. The Australian Government has consistently reinforced with Iran Australia's long-standing opposition to the proliferation of nuclear weapons and the need to comply with United Nations Security Council Resolutions on its nuclear program, and to fully cooperate with the International Atomic Energy Agency.

#### *South Asian Indian Ocean rim bilateral overview*

India is the world's fourth largest economy, expected to maintain growth at around 7-8 per cent per annum over coming years, and is a significant rising regional power. Australia and India continue to add depth to the Strategic Partnership agreed in 2009 by then Prime Minister Rudd and Indian Prime Minister Singh. Trade is the backbone of the relationship but political, defence and strategic exchanges are gaining depth. Australia's diplomatic presence in India has increased 50 per cent since 2010, including full staffing of Consulates-General in Mumbai and Chennai to supplement the High Commission in New Delhi. The Australia-India Strategic Research Fund and the Australian Centre for International Agricultural Research have facilitated joint research in areas of mutual concern.

In 2009, Australia signed a Memorandum of Understanding on Legal Cooperation with the Sri Lankan Government to combat people smuggling. Subsequently the number of asylum seekers arriving by boat from Sri Lanka fell from 243 in 2010 to 211 in 2011.

Australia has a long-standing and warm relationship with Pakistan and the two countries share a parliamentary democratic heritage. Australia's ties with Pakistan continue to deepen; Australia has increased its engagement with Pakistan since 2008 across security, people-smuggling, development [including scholarships], humanitarian and economic fronts. Australia has Senior Officials talks with Pakistan, a Joint Trade Committee and a Joint Working Group (JWG) on Border Management and Transnational Crime. Australia is also a founding member of the Friends of Democratic Pakistan, and attended the Pakistan Development Forum in November 2010.

Australia's relationship with Bangladesh is strongly rooted in development assistance, with Australia providing \$92 million in 2011-12. As part of this aid program Australia is working closely with Bangladesh through the Cartagena Dialogue in addressing climate change, an issue of strong importance to Bangladeshi interests.

#### *South-East Asian Indian Ocean rim bilateral overview*

Australia and Indonesia's relationship is strong and multifaceted, and the relationship was elevated to a comprehensive strategic partnership in March 2010. An inaugural Australia-Indonesia Leaders' Meeting was held in Bali in November 2011. Indonesia and Australia work closely to address global challenges. Security cooperation is enhanced by the Lombok Treaty, which provides a unique treaty-level framework for addressing traditional and non-traditional security challenges. Both countries also cooperate in practical ways on a wide range of international issues, including counter-terrorism, illegal fishing, people smuggling and avian influenza. In the G20, both countries coordinated responses to the global financial crisis and worked to entrench the G20 as the premier forum for international economic cooperation. Australia and Indonesia also work together on climate change, both in international negotiations and through bilateral initiatives to reduce emissions from deforestation and degradation (REDD+).

Australia and Thailand have an enduring friendship, with 2012 marking the 60th anniversary of diplomatic relations. The King of Thailand, His Majesty King Bhumibol Adulyadej, visited Australia in 1962 and the Thai Crown Prince, His Royal Highness Maha Vajiralongkorn, studied at secondary school and military college in Australia, subsequently completing training with the Australian Army's Special Air Service Regiment in Perth. Australia and Thailand share extensive people-to-people links, with 21,500 Thais studying in Australia and over 856,000 Australians visiting Thailand in 2011. Australia and Thailand work closely together on issues ranging from trade and investment, to defence and law enforcement, to tourism, the arts and culture. Our law enforcement agencies have developed enduring links that have led to successes against transnational crime, including combating the trade in illicit substances and human trafficking.

Malaysia is one of Australia's most significant partners in South-East Asia. We share substantive and long-held ties in defence, education and trade. Warmer relations at the political level have resulted in broader cooperation in recent years including in law enforcement, counter-terrorism, immigration, trade and investment. The Australia-Malaysia defence relationship is based on a shared history of operational deployment, access to Royal Malaysian Air Force (RMAF) Base Butterworth and participation in the Five Power Defence Arrangements (FPDA). Defence Cooperation with Malaysia is conducted under the Malaysia-Australia Joint Defence Program (MAJDP) encompassing a wide range of engagement activities including training, attachments, visits, strategic dialogues and exercises. Combined exercises with Malaysia are conducted both bilaterally and under the FPDA. Malaysia has been accommodating of Australian priorities, notably through the Transfer and Resettlement Arrangement but also on counter-terrorism. Customs and Border Security agencies signed a maritime security MOU in July 2011 and are negotiating a broad customs cooperation MOU.

Timor-Leste is one of the poorest countries in Asia with an economy dominated by the oil and gas sector. In July 2011 the Government of Timor Leste released a Strategic Development Plan providing a framework for development for 2011-2030 focused on improving infrastructure and agricultural productivity and delivering high-quality education. In response a Strategic Planning Agreement for Development between Timor-Leste and Australia was signed in Busan on 30 November 2011. This agreement sets out specifically how Australia will support the priorities in Timor-Leste's Strategic Development Plan.

The bilateral relationship with Singapore, one of Australia's closest and most comprehensive in South-East Asia, is based on long-standing Commonwealth, defence, education, political, trade and tourism links, as well as on a similar strategic outlook. These bilateral links have been augmented by the Singapore-Australia Joint Ministerial Committee (SAJMC) which commenced in 1996 following the

establishment of the New Partnership between both countries, encompassing cooperation in cultural, economic, political and security matters.

Australia has been at the forefront of international efforts to re-engage Burma and support its nascent reform process. In July 2011, then Foreign Minister Rudd was the first Western Foreign Minister to visit Burma after the new civilian Government's establishment.

## 6.2 Australia's diplomatic representation throughout the Indian Ocean rim

Mission	Country Responsibility Resident and <i>non-Resident</i>		Mission	Responsibility Resident and <i>non-Resident</i>
Dhaka	Bangladesh		Riyadh	(Saudi Arabia) <i>Oman</i> <i>Yemen</i>  (Bahrain)
Rangoon	Burma (Myanmar)			
Addis Ababa	(Ethiopia) Djibouti		Port Louis	Mauritius <i>Madagascar</i> <i>Seychelles</i> <i>Comoros</i> <i>British Indian Ocean Territory (UK)</i> <i>Réunion (France)</i>
Nairobi	Kenya <i>Tanzania</i> <i>Somalia</i>  ( <i>Burundi</i> ) ( <i>Rwanda</i> ) ( <i>Uganda</i> ) ( <i>South Sudan</i> )		Pretoria	South Africa <i>Mozambique</i>  ( <i>Angola</i> ) ( <i>Botswana</i> ) ( <i>Lesotho</i> ) ( <i>Namibia</i> ) ( <i>Swaziland</i> )
New Delhi	India  ( <i>Bhutan</i> )		Islamabad	Pakistan
Jakarta	Indonesia		Dili	Timor-Leste
Tehran	Iran		Singapore	Singapore
Bangkok	Thailand		Colombo	Sri Lanka <i>Maldives</i>
Kuala Lumpur	Malaysia		Abu Dhabi	UAE  ( <i>Qatar</i> )
Paris	France*		London	United Kingdom*

Note: \*The United Kingdom and France have territories in the Indian Ocean which are covered by the Australian High Commission in Port Louis.

### 6.3 Indian Ocean rim diplomatic and consular representation to Australia

Country	Representation Location
Bangladesh	High Commission in Canberra Consulate-Generals in Sydney and Perth
Burma (Myanmar)	Embassy in Canberra
Comoros	No Diplomatic representation
Djibouti	Embassy for Australia accredited to embassy in Tokyo
India	High Commission in Canberra Consulate-Generals in Sydney, Melbourne and Perth Consulate in Brisbane
Indonesia	Embassy in Canberra Consulate-Generals in Sydney, Melbourne and Perth Consulates in Darwin and Adelaide
Iran	Embassy in Canberra
Kenya	High Commission in Canberra
Madagascar	Consulate-General in Sydney
Malaysia	High Commission in Canberra Consulate-Generals in Melbourne and Perth Consulates in Adelaide, Brisbane and Sydney
Maldives	Consulate-General in Melbourne
Mauritius	High Commission in Canberra Consulates in Perth, Adelaide, Melbourne and Brisbane
Mozambique	Consulate-General in Sydney
Oman	Consulate-General in Melbourne
Pakistan	High Commission in Canberra Consulate-General in Sydney Consulate in Perth
Seychelles	Consulate-General in Sydney
Singapore	High Commission in Canberra
South Africa	High Commission in Canberra Consulates in Adelaide, Melbourne and Perth
Somalia	No diplomatic representation
Sri Lanka	High Commission in Canberra Consulate-General in Sydney Consulates in Brisbane, Melbourne, Perth and Adelaide
Tanzania	High Commission for Australia accredited to Embassy in Tokyo Consulates in Perth, Melbourne and Adelaide
Thailand	Embassy in Canberra Consulate-Generals in Melbourne, Hobart, Adelaide, Sydney and Brisbane
Timor-Leste	Embassy in Canberra Consulate-General in Sydney Consulates in Hobart and Melbourne
UAE	Embassy in Canberra
Yemen	Embassy for Australia accredited to Embassy in Jakarta Consulate-General in Sydney

## 6.4 Bilateral development cooperation with Indian Ocean rim countries

Australia has an expanding aid program in the Indian Ocean rim. In 2011-12, the Australian Government will provide just over A\$1.1 billion across 14 countries on the Indian Ocean rim as part of our bilateral and regional development programs.

Bilateral aid was largely focused on Indonesia, Timor-Leste, Pakistan and Bangladesh. This figure is set to rise as the Australian development program grows over the next four years.

### Australian Bilateral Overseas Development Assistance to the Indian Ocean rim

Region	Country	2011-12 \$A million
<b>South-East Asia</b>	Burma	47.6
	Indonesia	558.1
	Timor-Leste	123.7
	<i>East Asia Regional Program</i>	108
<b>South Asia</b>	Bangladesh	92
	India	25
	Maldives	5
	Pakistan	92.8
	Sri Lanka	43.5
	<i>South Asia Regional Program</i>	25
<b>Middle East</b>	n/a	
<b>Africa</b>	Kenya	30.9
	Madagascar	0.05
	Mauritius	1.4
	Mozambique	15.2
	South Africa	5.5
	Tanzania	7.8
<b>Total</b>		<b>1,185.55</b>

Note: These figures are approximates, based on allocations for 2011-12 Figures in millions. AusAID's development assistance to Africa is framed by key sectors and regions of focus, with some bilateral support to select countries. (75 per cent of the Africa program is delivered through partners.)

#### *African Indian Ocean rim bilateral development cooperation*

Australia will provide an estimated A\$5.5 million in development assistance to South Africa in 2011-12. Our engagement with South Africa is shifting from donor-recipient to a development partnership, including through trilateral arrangements.

Australia also has a strong development assistance program in Mozambique focussed on water and sanitation, Australia Awards, mining governance and agriculture.

The most significant areas of Australia's development assistance to Kenya are in humanitarian support, food security, Australia Awards and fiscal decentralisation and public policy.

Tanzania will receive an estimated A\$7.8 million in 2011-12, with a focus on Maternal and Child Health and Australia Awards.

#### *Indian Ocean island bilateral development cooperation*

Australia provided A\$5 million to Maldives in 2011-12. This focuses on human resource development and climate change. Australia's Parliamentary Secretary for the Pacific, Richard Marles, visited the Maldives in November 2011 to lead Australia's representation at the SAARC Summit.

### *Middle Eastern Indian Ocean rim bilateral development cooperation*

Australia does not currently provide any bilateral aid to Middle Eastern states located on the Indian Ocean rim. Some of AusAID's core funding of multilateral organisations, such as to the World Bank and UN agencies, is spent in these countries.

### *South Asian Indian Ocean rim bilateral development cooperation*

While the Australia Government is taking steps to phase out bilateral aid to India, we will continue to work with India on regional development issues and broader donor issues. Australia cooperates with India in key regional fora such as SAARC and IOR-ARC.

Australian aid to Bangladesh has doubled from A\$46 million in 2007-08 to an estimated A\$92.0 million for 2011-12. Further growth is expected over the next four years. Australia's assistance is focused on maternal and child health, primary education, assistance for the extremely poor, water supply and sanitation, climate change adaptation, and scholarships.

The estimate for aid to Pakistan in 2011-12 is A\$92.8 million. The Australian Government has agreed in principle to increase aid to Pakistan over the next four years, subject to budget appropriations. Australia provides support in accordance with priorities agreed with Pakistan's government under the Australia Pakistan Development Partnership (signed in October 2011). The program focuses on improving health, education, agriculture and rural livelihoods, democratic governance and humanitarian support following conflict and natural disasters.

Australian aid to Sri Lanka is estimated at A\$43.5 million for 2011-12. This focuses on upgrading the quality of the national education system, water supply and sanitation, demining, reconstruction of damaged housing, schools and economic infrastructure, and assistance to help disadvantaged people find work or restart farming or fishing.

### *South-East Asian Indian Ocean rim bilateral development cooperation*

Australia is committed to a long-term development partnership with Indonesia, the largest recipient of Australian aid. In 2008, the Government announced it would provide up to A\$2.5 billion in development assistance to Indonesia over the five years to 2013. Highlights of the development partnership include the creation of around 330,000 school places and improvements in the health of up to 4.6 million people in rural communities.

Australia is at the forefront of international efforts to support Timor-Leste's development and ongoing stability. Australia is the largest bilateral donor to Timor-Leste having given over A\$1 billion in emergency and development aid since 1999. Official Development Assistance in 2011-12 is estimated at A\$123.7 million. Australia leads the International Stabilisation Force (ISF), which remains in Timor-Leste at the invitation of the Government of Timor-Leste and in support of the UN Integrated Mission in Timor-Leste (UNMIT). Timor-Leste has recently started participating in a Seasonal Worker Program in the hospitality industry in Broome.

As the second largest western bilateral aid donor to Burma (after the UK), Australia is well positioned to support Burma's reform process through our growing aid program. Australian aid to Burma has increased by 65 per cent since 2009-10, jumping from A\$29.1 million in 2009-10 to A\$47.6 million in 2011-12. Recent political reforms in Burma have improved the operating environment for donors, and many, including Australia, intend to increase contributions. However, the Government of Burma's capacity to implement reform is weak. Australia's aid program will focus on supporting reform by building government capacity to deliver basic services, in particular in education (where we will be the lead donor), health and rural livelihoods. Australia has a strong commitment to supporting Burmese refugees living in camps in Thailand in 2011-12 Australia provided over A\$3.5 million to

organisations working on the Thailand side of the Thai-Burma border. This followed a tripling of our support to organisations working on the border to around A\$3 million in 2010-11.

## 6.5 Speeches by former Ministers for Foreign Affairs

*Statements by former Foreign Minister Kevin Rudd*

### **The Commonwealth of Nations, Australia and the 21st century<sup>26</sup> Annual Commonwealth Lecture, Burswood Entertainment Complex, Perth, Speech. Check against delivery, EandOE, 31 March 2011**

It is good to be back in Perth. It is good to be back in WA. The economic powerhouse of Australia.

In just under seven months, over 50 heads of Government and 4 000 members of international delegations, international business and the media will descend on Perth for the Commonwealth Heads of Government Meeting.

It will be one of the biggest international political events in Australia ever. CHOGM will be a great opportunity to showcase Perth — Australia's western capital — to the world. CHOGM's Business Conference has already been fully subscribed with 1200 delegates attending. There will be an eight-day arts and culture festival — including a major street theatre event, a film festival as well as a major Indigenous program. The Australian and Western Australian Governments have also just announced netball and hockey tournaments as part of the Commonwealth program.

There will be benefits to the local economy. There will be opportunities to supply goods and services to CHOGM 2011, working of course within procurement guidelines. Consistent with this approach, whenever goods and services can be delivered by WA companies, they will be. There will of course be some disruptions for the people of Perth during the event. The Australian and Western Australian Governments will work hard to minimize any disruptions for the people of Perth. But I do not intend to mislead people, there will be disruptions. Residents of Perth are invited to hear more at two public information briefings on 4 April where representatives of both governments will be in attendance.

Both my Department, the WA Premier's Department and the Department of Prime Minister and Cabinet are working closely on the preparations for CHOGM. CHOGM is a national initiative which remains above partisan politics.

The Australian Government's choice of Perth as host of the 2011 Summit was deliberate. As our western capital, Perth is our gateway to the Indian Ocean. Holding CHOGM in Perth demonstrates to the world that Australia is both a country of the Indian Ocean and a country of the Pacific. We are a two ocean nation — not one.

You here in the West understand this instinctively. People over in the East do not. In the West, you understand the growing importance of the Indian Ocean region, the great opportunities provided by the rise of India, significant markets Gulf States and the emergence of Africa.

Our interests are to maintain national security. To enhance our national economic growth. To maintain and strengthen the global and regional order (political, strategic, economic,

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<sup>26</sup> [http://www.foreignminister.gov.au/speeches/2011/kr\\_sp\\_110331.html](http://www.foreignminister.gov.au/speeches/2011/kr_sp_110331.html)

environmental and humanitarian) through what we describe as good international citizenship. And finally, to support the interests of the more than one million Australians who are abroad at any one time.

Our global interests mean Australia needs to be active in all regions in the world through what I call creative, middle power diplomacy.

But we are also a middle power with deep regional interests as well.

We look across the Pacific, to our enduring ally, the United States and the rising economies of Latin America, led by Brazil, Mexico, Argentina and Chile.

We look north to the new locus of global economic and strategic power in North East Asia and Southeast Asia.

Australia also looks west to the Indian Ocean, which presents us with a vast array of challenges and opportunities for the future.

This is a big Australia, confident of its future, confident of its role in the world, more than capable of engaging across these three vast regions as we work to secure our long term national future.

Four months ago at UWA, I gave a speech on Australia Looking West — outlining our long term interests in this vast region.

The Indian Ocean region is home to almost 40 per cent of the world's population. Within its boundaries, the Indian Ocean region comprises South Asia, the Gulf States and Africa. South Asia is undergoing an extraordinary economic growth, led by the rising power of India. India is tipped at some point within the next 15 years to overtake China as the world's most populous nation.

There are those that predict that its economic growth will outpace China's within the next five years.

As the Indian economy continues to grow, India's regional and global role will grow. The Indian Ocean also of course laps the shores of the great continent of Africa. The twenty-first century looms as a significant century, not just for Asia, but also for Africa. Africa has nearly a billion people — 500 million of these are working age. Over the past decade sub-Saharan Africa's real GDP growth rate jumped to an annual average of 5.7 per cent, up from 2.4 per cent over the previous two decades.

The continent's economic impressive growth is testament to the determination by Africans to turn their continent around. More open political systems, more peaceful conclusions to longstanding conflicts and a greater openness to foreign investment have made for an impressive economic turnaround. Although Cote d'Ivoire is a recent sad reminder that the potential for relapse to earlier forms of destructive political behaviour.

Africa contains 30 per cent of the world's mineral reserves but only five per cent of the global mineral extraction budget is allocated to African projects.

Africa is a big story and it spells opportunity for Australia.

Australia has ramped up its engagement with Africa. More than 220 Australian resource companies have assets in Africa — 200 of these are involved in mining. Perth is home to the vast majority of the Australian listed resource companies working in Africa. They account for 600 individual projects, spread over 42 countries. They account for \$20 billion worth of actual and perspective investment.

Supporting this investment is core to Australia's national economic interests. Australia now has diplomatic relations with all of the 53 African countries, compared with only 41 back in 2007. We have strengthened our presence on the ground, opening a new mission in Addis Ababa — the home of the African Union — and boosting the number of Australian staff at our posts in Nigeria, Ghana, Zimbabwe, Kenya and Egypt. Austrade has also opened offices in Accra and Nairobi, staffed by local business development managers whose primary focus is on mining.

For all the opportunities in Africa, we cannot ignore the pressing human development needs of the continent. It remains the poorest continent in the world. Approximately half a billion Africans live in absolute poverty.

This is why Australia is also expanding its aid program in Africa. In 2010-11, the Government will provide approximately \$200 million in aid to Africa — double that in 2007-08 but still only 5 per cent of our total aid program.

For the next five years, our aid strategy for Africa will focus on maternal and child health, water and sanitation, building human resource capacity, and dry-land agriculture and food security.

On my visit to Ethiopia In January, I visited one of the hospitals receiving our assistance — run by an octogenarian Australian saint named Dr Catherine Hamlin.

The Addis Ababa Fistula hospital is one example of how we can make a difference in that country.

In 2009, the hospital treated 2,278 fistula patients, distributed 15,622 birthing kits and provided training on the prevention and treatment of obstetric fistula to over 5,600 community members.

And now there are many such stories across Africa where we are making a practical difference — of which all Australians should be proud.

In future addresses in the lead up to CHOGM I will also speak about our growing engagement with South Asia.

And of course the Gulf and the wider Middle East where the challenges and the opportunities remain great notwithstanding recent political turbulence.

The countries of the Indian Ocean region are our neighbours, they are our markets, and many of them are also our security partners.

Earlier this week I convened a policy round-table in Canberra to discuss our approaches to the Indian Ocean region.

This week DFAT officials are chairing a Senior Officials' Meeting of the Indian Ocean rim Association for Regional Co-operation.

Not only is Australia chairing this week's meeting in Canberra.

We will take over the Vice Chair of the Indian Ocean rim Association for Regional Cooperation soon, and, in two years' time, the Chair.

During that period, we will be working closely with India, which, in September, will begin its term as Chair.

At this week's meetings in Canberra, we welcomed the participation of senior officials from the WA Government, as well as from the Perth-based research centre, Australia's Futures, underlining the close engagement with WA in our deepening national engagement with the vast regions to our west.

The truth is the Indian Ocean region at present exists with little concrete sense of pan-regional identity, of the type we find in the Asia Pacific.

But this was also the reality in the Asia Pacific a generation or so ago.

I see the current lack of established regional machinery as a challenge for the future rather than a cause for resignation.

In co-operation with India and other members, we want to try to develop over time a common set of interests, values and norms that might guide our future engagement across this region. We plan to do so incrementally, taking small, practical steps towards greater regional co-operation — co-operation in functional areas which will deliver real advantages to regional countries.

The alternative is to allow the Indian Ocean region simply to drift, with competing interests in the region over time potentially spawning instability and even conflict.

As Australia looks west to Africa, South Asia and beyond, the Commonwealth as an institution enhances our interests in the wider region.

Half of the 54 Commonwealth countries lie to Australia's west.

18 of Africa's 54 countries are Commonwealth members, including South Africa, Kenya and Tanzania.

So too are other countries of the Indian Ocean: India, Sri Lanka, Bangladesh, and Pakistan. So too are Malaysia and Singapore which, like Australia, face both the Indian and Pacific oceans and play a critical role in the security of the sea lines of communication between both oceans.

So too are many of the small island states of the Indian Ocean.

So this Commonwealth Heads of Government Meeting has particular relevance to our broader national policy of looking west.

It is not just rare, it is in fact unique to have this gathering of heads of government from across the entire Indian Ocean region in Perth, our western capital.

The Commonwealth of course has a wider relevance to Australian national interests as well. The paradox of the 21st Century is that global power is more diffuse than before. But the challenges we confront are more global than ever before.

Australia will therefore need stronger cooperation among state actors from across the world when tackling some of the great global challenges we face.

Some criticise the Commonwealth as being an outdated remnant of a distant colonial past. My response is that this view is itself now outdated. Let us reflect for a moment on some basic statistical realities.

The Commonwealth represents one third of the world's population. More than one quarter of the total membership of the United Nations.

The Commonwealth spans all six continents — our membership encompasses Asia-Pacific, South Asia and Africa — regions to which global economic and strategic influence is shifting.

The Commonwealth's membership contains five members of the G20, one third of the membership of the East Asia Summit, one quarter of the membership of APEC, more than one third of the membership of the African Union, three members of the European Union, the majority membership of the Pacific Islands Forum and the Caribbean Community, as well as members of the Organisation of American States, the Organisation of the Islamic Conference and the Organisation internationale de la francophonie (International Organisation of the Francophone).

Over 40 of the G77 countries are members of the Commonwealth. More than half are members of the Non Aligned Movement.

The Commonwealth encompasses the major faiths in the world — Christian, Muslim, Hindu and Buddhist.

The Commonwealth's 54 members comprise some of the world's least and most populous countries: From Tuvalu with only 11 000 people to India with its 1.2 billion people.

The Commonwealth covers over 20 per cent of the world's total land area, again including some of the smallest and largest countries by size: from the tiny nation state of Nauru at just 22 square kilometres to Canada which is almost 10 million square kilometres.

One third of the Commonwealth's 2 billion people live on one dollar a day.

Over half of the Commonwealth's population is under 25.

It is of significant benefit for Australia to be a member of such a broad organisation with such extensive representation in the principal regional organisations of the world.

This provides us with constructive points of contact across the world.

As well as providing us access to an institution that reflects the full gamut of developed and developing country perspectives, on the great global challenges we face today.

With such a broad membership, the Commonwealth can from time to time be deployed to broker policy consensus on critical issues on the global agenda.

An example of this was the action we took on climate change finance at CHOGM in Trinidad and Tobago in 2009 in the lead-up to Copenhagen.

The Port of Spain Climate Change Consensus fed directly into the discussions at Copenhagen just two weeks later which produced the Copenhagen Accord.

Many have criticised Copenhagen because of the television pictures of chaos on the conference floor.

Behind the colour and movement, however, what was achieved was as follows:

- for the first time, the international community agreed that global temperature increases must be kept to 2 degree Celsius;
- for the first time, developed and developing countries agreed they had a joint responsibility to act; and
- for the first time, a global system of measurement, certification and reporting was agreed to monitor global climate change action.

Critically, the Commonwealth also called for public and private financial resources for developing countries to be scaled up urgently and substantially by 2020, recognising the need for substantial support for adaptation, forest management, and clean technologies in the world's poorest countries.

This was critical to securing the Copenhagen Accord.

Of course, we did not get everything we wanted at Copenhagen.

But the groundwork was laid and then incorporated the following year in Cancun, where the commitments made in the Copenhagen Accord were formally anchored in the UN Climate Change Convention for the future.

The Port of Spain Climate Change Consensus demonstrated to the world that the Commonwealth could provide effective leadership on great global challenges — bringing together a powerful yet diverse group of countries from both the developed and developing world.

The Commonwealth also provides a unique platform for small and vulnerable states.

Around half the members of the Commonwealth are considered small states.

Australia recognises the strong and important voice that Commonwealth membership gives to small and vulnerable states.

In the lead up to CHOGM, Australia is considering hosting a Foreign Ministers meeting of small and vulnerable economies.

We have also committed funding to the Commonwealth Small States Offices in Geneva and in New York.

We co-sponsored the first Commonwealth Secretariat Conference on Small States in July 2010.

We have also provided over \$7 million to the WTO's Doha Development Agenda Global Trust Fund to, in part, help strengthen the voice of the Commonwealth in the Doha Round of multilateral trade negotiations.

Australian support for Commonwealth member countries through our overseas development assistance budget has increased from \$856 million in 2005-06 to \$1.3 billion in 2009-10. Australia will also ensure that at least 25 per cent of our \$599 million fast-start climate change package will benefit small island developing states.

We have committed \$60 million to a four-year program in the Caribbean with a focus on climate change adaption and disaster preparedness.

Just as our work prior to CHOGM 2009 saw real action on climate change emerge from Trinidad and Tobago, we also intend for CHOGM 2011 to drive real commitments to improve the food security of the most vulnerable countries in the world.

I have today spoken of the Commonwealth's role in enhancing our engagement with the vast Indian Ocean region to our west.

I have also spoken about the global "weight" of the Commonwealth's 54 strong membership — and the significant roles that the member countries play across a vast range of global and regional institutions.

I have also spoken about the capacity of the Commonwealth given its vast and diverse membership to harness political momentum behind the great global policy issues of the day, including climate change.

And I have spoken too about the Commonwealth as relevant to giving expression to the interests of the smallest and most vulnerable states in the world.

Finally, I intend to speak of the capacity of the Commonwealth to foster both global business and Australian business — given the commonality of language, the commonality of common law traditions, and the commonality of democratic values for forging business contacts in some of the biggest economies in the world — both developed economies and the biggest emerging economies as well.

The Commonwealth's total value of imports in 2009 was estimated at almost US\$2 trillion dollars — 15 per cent of world imports.

Our total value of exports was around US\$1.7 trillion.

The Commonwealth's combined GDP accounts for US\$7.2 trillion or about 12.6 per cent of world GDP.

GDP growth over the last ten years for Commonwealth countries grew by an average of 9.5 per cent per year.

This was faster than the 7.6 per cent growth per year recorded by non-Commonwealth countries.

It was faster than world GDP growth, which increased by 7.8% per year over the last 10 years.

As the World Bank stated last year, developing countries will account for 50 per cent of global growth and surpass the economic dominance of developed nations by 2015. The Commonwealth Business Council continues to promote trade and investment and to increase the role of the private sector.

Our 2011 Commonwealth Business Forum will bring together 1,200 business and government leaders from across the world. It will be a chance to look for new business and investment opportunities. The 2011 Commonwealth Business Forum will be an important step in achieving this. Here in Perth, you know how to do business with the rest of the world and you do it well.

To conclude, I'd like to touch briefly on the Commonwealth as an important custodian of the global values of democracy, good governance and the rule of law.

These values, and the institutions which uphold them, are deeply grounded in our countries. History links us to the Magna Carta. History links us to the world's first parliamentary democracy. History also links us to the great heroes of the democracy of the 20th century as well — we think of Mahatma Gandhi and Nelson Mandela.

Today we must build on these foundations afresh. Democracy and political freedom are universal rights not bound to specific cultures or specific times. The Commonwealth's core values of democracy, human rights, good governance and the rule of law are universal. The recent wave of change that has swept over the Middle East and North Africa has once again reminded us of this.

We have watched in awe the unfolding democratic movements as populations in the region, one by one, found their democratic voice.

Some of those brave cries have been answered. Tunisia and Egypt are on the path to fulfilling their aspirations for democratic change.

Why does this matter to the Commonwealth?

It is crucial that the Commonwealth continues to speak with a confident, universal voice when democracy is under threat around the world.

The Commonwealth has in the past acted to uphold these values. It has brokered peace agreements among African countries. The Commonwealth worked to end Apartheid. It has sent around 80 electoral observation teams to Commonwealth countries since 1990. The Commonwealth took the decision in 2009 to suspend Fiji's membership following the Fiji coup and after its interim government failed to commit to holding elections.

We look forward to welcoming Fiji back in to the Commonwealth fold when the interim government takes the necessary steps to restore democracy.

CHOGM 2011 needs to build on this proud democratic tradition and to strengthen it. We will be asked to review the current the Commonwealth institutions tasked with overseeing this work on these principles and consider how they can be strengthened. One of those institutions is the Commonwealth Ministerial Action Group, on which I currently serve.

In 2009, Commonwealth leaders recognised that the Commonwealth Ministerial Action Group needed reform.

At CHOGM 2011 we will also be hearing from the Commonwealth's Eminent Person Group — the group established by Commonwealth leaders in 2009 to look into ways that the Commonwealth can be more effective.

In an interim statement the group's urged the Commonwealth to speak out publicly on democracy and broader human rights as required.

The Eminent Persons Group said simply "silence is not an option".

I began by outlining Australia's global and regional interests.

I described Australia as a middle power.

I argued the importance of creative middle power diplomacy in advancing our national interests and our national values.

The Commonwealth as an institution assists in the realisation of our interests, our security interests, our economic interests, and our commitment to good international citizenship in the building of a sustainable global and regional rules-based order.

Of course, we also need to be realistic in our approach to the Commonwealth.

We are not an alliance. We are not a trade bloc. We are not a negotiating bloc.

Rather, what we are is a broad network of nations whose membership reflects the different realities of the modern world, nonetheless united by common democratic values.

In the increasingly fractured global order of the 21st century, this is no small thing.

Such a network matters. If we started from scratch, such a network could simply not be replicated.

As such, the Commonwealth is overwhelmingly a force for the global good.

And this force for good should be harnessed for the future — constructively applied to the many challenges before us

And this is what we intend to do in Perth as we approach the practical agenda of work before us:

- reinforcing our values;
- enhancing our political machinery;
- as well as dealing with the challenges of our time including food security, resources and energy and the rights of small states.

We in the Commonwealth share a similar history. But we also reflect the modern world. We speak a common language. We have familiar institutions. We share deep, common bonds, including that great contemplative game called cricket.

Our continuing challenge and opportunity is to deploy these formidable strengths, not easily replicated elsewhere across the world, to meet the great challenges of our time.

**Australia driving cooperation between Indian Ocean countries<sup>27</sup>**  
**Media release, Sydney, 13 November 2011**

Foreign Minister Kevin Rudd leaves today to attend the Indian Ocean rim Association for Regional Cooperation (IOR-ARC) Council of Ministers' meeting in Bengaluru, India.

“The Indian Ocean region is of vital strategic importance to Australia. The 18 member countries of the IOR-ARC are home to more than one third of the world's population, representing 10 per cent of global GDP and rising rapidly,” Foreign Minister Kevin Rudd said.

“Australia is as much an Indian Ocean nation as we are a Pacific Ocean nation. Australia's trade in goods to IOR-ARC countries in 2010-2011 was over \$80 billion, more than 17 per cent of our total exports.

“IOR-ARC, as the region's most representative group, has the potential to play an important role in addressing the increasing challenges facing the region. It is already active or expanding cooperation in areas such trade facilitation, disaster management, cooperation on climate change, sustainable fisheries management and maritime safety and security.”

At the Bengaluru meeting, Australia will assume the role of Vice Chair of IOC-ARC, working closely with India, as it assumes the role of Chair, for the next two years. Australia will then take over as Chair from 2013 to 2015.

IOR-ARC was founded in 1997 to promote cooperation in the region. It comprises 18 countries – Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen.

**Intervention at the IOR-ARC Council of Ministers<sup>28</sup>**  
**India, Speech, EandOE, check against delivery, 15 November 2011**

If I could extend to the Government of India and through my good friend and colleague the Foreign Minister of India our thanks for hosting this conference, but also for the excellent administrative arrangements and for the hospitality received last night. If I could also I pass my thanks to the outgoing Chair the distinguished Foreign Minister of Yemen for his excellent work in the custodianship of this institution in recent times.

Firstly I would like to thank all of our colleagues around the table for extending their confidence in the Government of Australia to become the Vice Chair of this institution for the next two years.

The first responsibility of a Vice Chair is to support the Chairman. So I say to my good friend and colleague Minister Krishna, you will have Australia's full support in your custodianship and Chairmanship of this institution in the period ahead during India's position in the Chair.

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<sup>27</sup> [http://www.foreignminister.gov.au/releases/2011/kr\\_mr\\_111113.html](http://www.foreignminister.gov.au/releases/2011/kr_mr_111113.html)

<sup>28</sup> [http://www.foreignminister.gov.au/speeches/2011/kr\\_sp\\_111115.html](http://www.foreignminister.gov.au/speeches/2011/kr_sp_111115.html)

I think it is important to ask ourselves some basic questions about why we are here and the purposes of this institution. Perhaps the best way of answering that question is to put it in these terms: why is Australia here? Let me put it down to three core reasons.

The first is, we together with the other countries represented around this table, share this mighty ocean, the Indian Ocean. It laps all of our shores and therefore, naturally, we share a common responsibility to care for it. That's the first responsibility.

The second is this. We also share common interests in the future of the Indian Ocean region. If we think about what that means in practice, it's worth reflecting on the core elements. First we have a common interest in preserving the peace of our Indian Ocean region. We have, secondly, a common interest in preserving the common prosperity of our Indian Ocean region through trade, through investment, but also through development cooperation.

Third we have a common interest in maintaining freedom of navigation in the Indian Ocean into the future, because this ocean represents the arteries of global commerce and affecting countries located well beyond the Indian Ocean as well. And therefore we share a common interest to agree on common measures to deal with any threats to the freedom of navigation. My distinguished friend and colleague from India has just referred to the threat of piracy.

Of course we also have a common interest in managing this great blue economy called the 'Indian Ocean' to make sure that we develop the resources of the Indian Ocean in a manner compatible with the principles of sustainable development. We wish to harness the resources of this ocean and its region, but we also want to do so in a way that does not inflict irresponsible damage on the marine environment.

Finally, we share a common interest in acting on the great global challenge of climate change. It affects all of us. It affects many of us in particular, including, most particularly, the small island states of the Indian Ocean, but a number of the other littoral states as well. And I am very conscious, for example, of my discussions over the years with the Prime Minister and the Foreign Minister of Bangladesh about the impact of the low-lying coastal areas of that most populous of countries to the impact of sea inundation.

So friends and colleagues, I think it's worth reflecting in very clear and precise terms what the common interests are which bring us together around this table.

And our final reason for being here as Australia, is not just that we share this mighty ocean, which laps our shores, not just that we share common interests, which we wish to prosecute together, but on top of that if we were to think for a moment about what it would be like right now if over the last 15 or 16 years we did not have a regional institution of this type, I would begin to be fearful of the consequences for the future if our region and the ocean within it began to drift in the wrong way, in a way which undermined the interests of the member states and undermined the interests of the region. And if we did not have this institution, which those who have come before us have built up from meagre foundations 15 years ago to where we stand today, we would be having a discussion about the need for such an institution.

So in summary, friends and colleagues, they are the reasons why we as Australia are members of this institution and have been so since the beginning.

Which of course brings us to Australia's particular characteristics and a perspective we particularly bring to bear. We in Australia are the 12th largest economy in the world, we're the 4th largest economy in Asia after China, Japan and India. We are a 'three-oceans' country: We face the Pacific; we face the Southern Ocean and the world's last remaining wilderness, the Antarctic, which has particular relevance to the future of our planet and also we face the Indian Ocean and the countries represented around this table.

Therefore, we bring an oceanic perspective to bear on all of these matters and we have been from the beginning, by necessity, a maritime power.

As we reflect upon the national circumstances of each country around this table, as you all face the Indian Ocean as well, it's important to reflect on the depth of the economic engagement we all have. If we were simply to imagine a map of the region, and go from east to west and back again, we look at our friends in Indonesia, a major emerging economy of 250 million people, which by the time we reach half century will be a country of some 350 to even 400 million people, and a very large economy and elsewhere in Southeast Asia the dynamos of Singapore, Malaysia and Thailand. Also we move to South Asia, our friend from Bangladesh, Dipu has just joined us, together with our friends in Sri Lanka, and of course the great new rising economic power that is India.

Go to the Gulf and our friends have already spoken to us from Yemen. But I see the Emirates and others here as well as Oman. The centrality of the Gulf to both the travel links, the air links, but also the energy resources of the wider region and the world, bind us together in ways which are often invisible to us because we take them for granted. But if ever there was a threat to the sea lines of communication affecting the delivery of globally energy supplies from the Gulf, or for that matter, from our country Australia, which is one of the largest LNG countries in the world, the largest supplier of many base metals in the world.

And then we go of course to the emerging great economies of Southern and Eastern Africa who are represented here as well. And the population growth of the African continent by the middle of the century. And then of course Australia itself, as well as the island countries of the Indian Ocean, which have particular economic challenges driven by isolation, but also by the particular challenges of climate change. But my point is the economic contribution to this region by the member states is huge. And our challenge I think is to make the economic engagement between us deeper and broader, because there is much potential still to realise.

We've touched also, and my distinguished Indian colleague did the same, on some of the security threats we have in common. I believe it's very simple. Unless we as an Indian Ocean institution do not deal collectively in partnership with other global institutions with the challenge of piracy, our various member constituencies, our business communities and our civilian populations, as well as our respective governments, will think that we're not doing our jobs.

This problem is real. In 2011, in nine months, 185 attacks against ships off Somalia, hijacking of 28 vessels, 15 vessels are still being held hostage, together with three or four hundred people, we have had piracy operations in the Indian Ocean out to 1750 nautical miles of the East African coast, we have had the spread of piracy down the East African coast, ransoms now being charged are now going to extraordinary heights, and the average now being more than US\$5 million, and these are ransoms for persons.

As well as the impact which it has on global maritime insurance, as well as the impact on, for example, the Government of Egypt and Suez Canal revenues.

All these things are happening. It's not small - it's big. Therefore, in our concrete deliberations today, I would strongly recommend that we put our minds together as to how we work concretely and practically to deal with what is a land-based problem in Somalia, a maritime policing problem, which so many governments around this table are participating, but also a basic problem of common legal jurisdictions as well. So that those that are held to account, don't fall through legal loop holes.

So our economic engagement is in fact dense, and needs to become more engaged as well. Our security problems are real; they are there for us to act on. And then, on the maritime resource itself, the fisheries threats represented to many of the island countries are real and they are growing, and

when I look at the impact of illegal fishing on some of the island economies of the Indian Ocean, this is something we have a common responsibility to work on with our partners and friends in the region.

As I draw my remarks to a conclusion, could I also draw the attention of distinguished friends and colleagues around the table to a working paper that India, and ourselves as Australia, as the incoming Chair and Vice-Chair circulated among senior officials in recent days. It outlined five or six concrete areas of future cooperation: maritime security; trade and investment; natural disaster management; technical and scientific cooperation; environmental cooperation as well as fisheries management, and on top of that, tourism, people-to-people links and culture.

Around those initiatives, we in Australia will be putting forward during our deliberations today four or five specific sets of initiatives, which we will support financially through the Australian International Development Agency to give practical effect to these areas of cooperation and I will go into the detail of those later in our deliberations.

My final remark Mr Chair is this. If we as an Indian Ocean institution share these common interests, and we wish to make sure that the Indian Ocean region is supported into the future to be a zone of peace, of prosperity and of cooperation, then I think it's important that we reflect on the importance we attach to the institution in itself. I believe in the future. We need to work to ensure that our officials are working more regularly on our agenda.

That our attendance at meetings such as this becomes increasingly at the foreign minister level across the region and I do not come to this table with clean hands as Australia. This is the first meeting we have attended at foreign minister level in 15 years, so I'm not here to preach a lesson. I'm here to confess sins and then suggest a way forward.

But, on top of that could I suggest this. The name we have given ourselves 15 years ago defies pronunciation in the English language, I'm not sure about French and I'm not sure about the other languages represented around the table as well. I was engaged recently with US Secretary of State, Hillary Clinton, in a conversation about IOR-ARC and what it does. For the first three minutes she believed I was talking about Baghdad! And with due deference to our good friends in Iraq, that was not the immediate subject of the conversation. This name that we have for ourselves is too long, too cumbersome and too unpronounceable.

If I could make a radical, blunt and characteristically Australian suggestion, which defies all protocol and etiquette, it's that in our deliberations today we should think of a name change. I am completely open to what it is, but it must be pronounceable. I see in today's newspaper, a paper I'd never heard of before - the Deccan Chronicle - it has a very nice picture of my friend and colleague, the Indian Foreign Minister, which recommends the name 'Indian Ocean Community'. I'm very happy with that. 'Indian Ocean Regional Association', IORA, I'm very happy with that. 'Indian Ocean Organisation', I-O-O or I-double-O, I'm very happy with that. The good thing about all three of them is that you can pronounce them!

I think the day that we can pronounce, and understand clearly, what our regional institution is called will be the day we will achieve a great step forward in articulating to our own countries and to the broader international community what we are trying to do in this Indian Ocean region. I am looking forward to that discussion Mr Chairman on whether there's any support for a name change and how we go about doing it.

## **The Indian Ocean: In need of a regional organisation to match its growing influence<sup>29</sup>**

**Articles and op-ed, Kevin Rudd, Published in: The Hindu Times, 15 November 2011**

The Indian Ocean is a region of growing strategic significance.

The nations of this region are home to 2.6 billion people, almost 40 per cent of the world's population, accounting for 10 per cent of global GDP – and rising rapidly. Its sea lines of communication are among the world's most important – 40 per cent of global trade passes through the Indian Ocean, including 70 per cent of the total traffic of petroleum products.

South Asia is witnessing extraordinary growth, led by the rising great power that is India. As energy security becomes a preoccupation for an ever increasing number of countries, the influence of Gulf States is growing. East Africa's economic significance is also expanding. And the nations of South-East Asia, led by Indonesia, are on a strong growth path.

Australia understands all this implicitly. Our engagement with countries to our west is firmly on the upswing. We are as much an Indian Ocean nation as we are a Pacific Ocean nation. Australia has the largest maritime jurisdiction of any Indian Ocean country and the longest Indian Ocean coastline.

As a measure of the importance we attach to the vast and diverse region to our west, Australia recently convened the Commonwealth Heads of Government meeting in Perth, our national gateway to the Indian Ocean, and to the opportunities – and challenges – that it contains.

Building on this, Australia is now determined to work with other Indian Ocean countries to harness a sense of community in this region by intensifying practical engagement aimed at enhancing our prosperity and security. It is with this objective in mind that I am participating in the Council of Ministers of the Indian Ocean rim Association of Regional Countries (IOR-ARC) in Bengaluru on 15 November.

IOR-ARC is the only Indian Ocean organisation meeting at ministerial level with membership ranging across the entire Indian Ocean region. It has a wide mandate to promote cooperation within this highly diverse region. And has the potential to make a difference.

Thus far, however, IOR-ARC has not lived up to this potential. Some critics argue that the countries around the Indian Ocean are too distant from each other, too diverse in their economic and social make-up and too disparate in their stages of economic development to work effectively together. I do not agree. I see no cause for resignation or defeatism – quite the opposite.

Australia wants to work with other members to make a difference in IOR-ARC. We think we can best do that by suggesting practical, specific ways in which members can work more closely together. We want to build and nurture the habit of joint work in the service of common purpose.

The challenge for us in Bengaluru will be to identify concrete steps towards more effective practical cooperation in areas such as: sustainable fisheries management; science cooperation on climate change, food security and ocean science; disaster management; maritime safety and security; trade facilitation; and resources and energy security. We will also need to be alert to challenges that pose risks for our economic development – most pressingly, piracy.

We are not seeking a big bang in Bangalore, but we do need to commit to revitalise IOR-ARC, to give it a fresh sense of purpose. Over the next two years, Australia will serve as Vice Chair, supporting the leadership of India as Chair. In the two years after that, we will be in the Chair, and will ourselves be

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<sup>29</sup> [http://www.foreignminister.gov.au/articles/2011/kr\\_ar\\_111115a.html](http://www.foreignminister.gov.au/articles/2011/kr_ar_111115a.html)

relying on Indian advice and guidance through the IOR-ARC troika of immediately past, present and future chairs.

The Indian Ocean is a region where much of the economic and strategic dynamics of the twenty-first century will be played out. To keep the region peaceful and to make it more prosperous, we need an organisation that is focused, practical and alive to the possibilities of our diverse region.

We need IOR-ARC to step up to this challenge. Australia is ready to help it do this, and we will be looking for partners from every corner of this region to meet this challenge.

*Statements by former Foreign Minister Stephen Smith*

**Paper by Stephen Smith MP, Minister for Foreign Affairs, presented at the launch of ASPI's report: 'Our Western Front: Australia and the Indian Ocean' Perth, 31 March 2010<sup>30</sup>**

Dr Michael Chaney, Chancellor, University of Western Australia.

Peter Abigail, Executive Director, Australian Strategic Policy Institute.

Distinguished guests. Ladies and gentlemen.

It is a great pleasure to launch this new ASPI report, Our Western Front: Australia and the Indian Ocean.

I congratulate the report's authors — Sam Bateman and Anthony Bergin — for producing a timely analysis of a subject that, given its strategic importance, deserves greater attention.

That the Indian Ocean region is of critical strategic importance to Australia is substantially underappreciated.

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

The Indian Ocean is the third largest body of water in the world. Australia has the largest maritime jurisdiction of any Indian Ocean country.

The security of its waters goes to the heart of Australia's national interests.

Indian Ocean shipping routes are vital to Australia's economic interests, particularly for the energy and

resources that meet rising demand in the Middle East, India and China.

Despite its importance, Australia has, regrettably, neglected the Indian Ocean region.

This has not always been so, but it has certainly been the case in the recent past.

In the Asia-Pacific Century when economic, political, military and strategic influence is moving to our part of the world, this has to be rectified.

We need to look west, as well as east.

In Western Australia we have long appreciated that Australia is a country with significant Indian Ocean as well as Pacific interests.

As the gateway to Australia for this region, we understand that our economic strength reflects our willingness and success in engaging with the fast-growing economies and major markets to our west.

For this reason I am delighted that Perth will host the Commonwealth Heads of Government Meeting next year.

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<sup>30</sup> [http://www.foreignminister.gov.au/speeches/2010/100331\\_our\\_western\\_front.html](http://www.foreignminister.gov.au/speeches/2010/100331_our_western_front.html)

In making this announcement I said that "Australia is an Indian Ocean rim country and Perth is an Indian Ocean rim capital".

An Indian Ocean CHOGM will be an important opportunity for the region.

It will bring unprecedented focus on the challenges and opportunities of this region.

#### Strategic Issues

The presence of large and growing naval powers, as well as transnational security issues including piracy, requires that we put the Indian Ocean alongside the Pacific Ocean at the heart of our maritime strategy and defence planning.

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

The Defence White Paper noted that the Indian Ocean already ranks among the busiest highways for global trade and it will become a crucial global trading thoroughfare in the future, particularly in energy.

For these reasons Australia has become a member of the Indian Ocean Naval Symposium (IONS), an initiative of the Indian Navy.

The symposium's aim is to cooperate on regional maritime concerns in an area where security architecture is limited.

We are also working in key areas where ASPI's report notes that there are emerging risks and challenges which require our attention and careful management, such as

climate change, combating piracy, management of fisheries and other natural resources.

There is no doubt that there is a lot more to be done.

We need, for example, to examine the architecture of the region.

The Indian Ocean rim Association for Regional Cooperation, known as IOR-ARC, is the region's largest grouping.

Its interests are as diverse as its broad membership.

There are many issues that IOR-ARC members could work collaboratively on, including fisheries management, disaster management, education, tourism, and agriculture.

As a founding member, we look forward to working with the IOR-ARC Chair and other members to increase the relevance and focus of its activities.

One issue on which countries in this region are working closely together is in the development of an Indian Ocean Tsunami Warning and Mitigation System.

Australia holds the vice chair of the group within UNESCO charged with developing this vital system.

Last year, the joint Australian Tsunami Warning Centre began providing bulletins to regional centres in the Indian Ocean.

This initiative built on Australia's longstanding engagement in disaster management, mitigation and preparedness, particularly in the Asia-Pacific region.

Now, Australia, through Geoscience Australia, is talking with countries in the Gulf to explore opportunities for cooperation, particularly on issues like disaster warnings, as earthquakes in one region could cause tsunamis in another, including in the Gulf.

Rapid population growth and infrastructure challenges in many Indian Ocean rim countries, combined with climate change, could intensify natural resource and food security pressures in coming years, such as depleting vital fish stocks and lowering agricultural production.

Australia is working with others on the important fisheries issues.

The Indian Ocean Tuna Commission was set up in 1996 to provide a regional fisheries framework for commercially valuable tuna and billfish, amid concern the resources are being over-exploited.

The total catch in the Indian Ocean has increased dramatically over the past 20 years, reaching more than 1 million tonnes, or 26 per cent of the global tuna catch in 2007.

The trend in increasing catches has continued despite the implementation of two international instruments designed to protect highly migratory or straddling fish stocks, the UN Fish Stocks Agreement and the UN Convention on the Law of the Sea.

In short, there is a need, and much scope, for closer and more effective cooperation on a range of significant issues.

It is clear that much can be accomplished when the region comes together to cooperate — the aftermath of the 2004 Boxing Day tsunami is evidence of that.

This leads to an important point.

While Australia's foreign and trade policy focus has traditionally been oriented towards the Asia-Pacific, since it came to office the Government has established a more comprehensive approach that recognises the diverse regions of the Indian Ocean rim and Australia's interests in closer Indian Ocean engagement.

This has meant forging stronger relations within the region in a targeted way: strengthening our bilateral relationships with key regional countries on one hand; and upgrading our engagement with regional groupings on the other.

#### South Asia

want to set out the progress we're making right across the sub-regions of the Indian Ocean rim, starting with our neighbours in South Asia.

The Australian Government has made enhancing foreign and trade policy with South Asia a priority.

As a result of closer engagement, Australia has been invited by the South Asian Association for Regional Cooperation, the SAARC, to participate as an observer.

Australia will be represented at the SAARC Summit for the first time in Bhutan next month, in April this year.

SAARC will present an important opportunity for Australia to engage South Asian governments annually at the highest levels and enhance cooperation through practical and mutually beneficial regional projects.

Australia's bilateral relationships with all the countries of South Asia have also grown in breadth and depth, from India, Sri Lanka and Pakistan to Bangladesh, Nepal and the Maldives.

The Government has done much to progress our relations with India.

It is clear that India is once again assuming the influence reflecting its economic size and strength, its strategic weight and its rich history.

We have elevated our relationship with India to the front line of our bilateral relationships.

We both understand that there is much we can do together to tackle the challenges of the 21st century.

Through our new strategic partnership, announced by Prime Minister Rudd and Prime Minister Singh in November last year, we are taking advantage of our convergence of interests and our shared wish to play a constructive role in world affairs.

Australia and India have finalised a Joint Declaration on Security Cooperation and are pursuing a feasibility study into a possible free trade agreement between Australia and India.

My visit to India earlier this month, my third as Foreign Minister, was aimed at strengthening our strategic partnership and included discussion our Strategic Partnership, on the Commonwealth Games and safety of Indian students.

Pakistan is a strategically important country.

It is critically located at the intersection of South Asia, Central Asia and the Middle East.

It has the second largest Muslim population in the world, and on current projections will overtake the larger Muslim population of Indonesia by mid-century.

What happens in Pakistan directly affects the security of the region and Australia's long-term national interests.

It has a significant bearing on our ability to make progress in Afghanistan, where about 1550 Australian troops are deployed.

Since the Government came to office, it has increased its engagement with Pakistan. This is a key example of our growing proactive engagement in the Indian Ocean region.

I visited Pakistan in February 2009 — the first visit by an Australian Foreign Minister in more than a decade — to enhance bilateral relations and urge decisive action by Pakistan to dismantle extremist networks.

Pakistan faces complex and urgent security, economic, humanitarian and political challenges. The threat of terrorism and extremism has become so severe that even President Zardari himself has described it as a threat to Pakistan's very existence.

Australia recognises the sacrifices and loss of life made by the Pakistan Government, military and people as they stare down terrorism.

As a founding member of the Friends of Democratic Pakistan, Australia is strongly committed for the long term

to support and work with Pakistan as a partner to strengthen its security, economy and its democracy.

Australia has doubled the number of Australia-based training positions for Pakistani defence personnel to more than 140 places and doubled our development assistance to total \$120 million over the period 2009-2011.

As I outlined in my Ministerial Statement to Parliament this month, Australia is promoting strengthened humanitarian and diplomatic support for the people of Sri Lanka.

We are working with Sri Lanka to meet its political and humanitarian challenges and to "win the peace" after decades of military conflict.

We have responded generously to the humanitarian challenges facing Sri Lanka.

We are committed to working with Sri Lanka to build a peaceful and prosperous future for all Sri Lankans.

We are also working together with Sri Lanka and other countries in the region to address the issue of people smuggling, both bilaterally and through groupings such as the Bali Process on People Smuggling, Trafficking in Persons and Transnational Crime.

Looking further west across the Indian Ocean to the Gulf region, Australia shares a commitment to stability and economic growth with the six Gulf countries.

We also cooperate on strengthening regional and international security and countering the threats posed by terrorism and piracy.

We work closely with the Gulf Cooperation Council, the premier regional body.

Australia wants to strengthen further our relations with the Gulf Cooperation Council.

To that end, Australia and the GCC have agreed to hold a regular Foreign Ministers' Strategic Dialogue, the first of which we expect will take place this year.

Australia's engagement with the GCC — our ninth largest trading partner in 2008-09 — is underpinned by growing trade and people-to-people links, and shared interests in regional stability.

To maximise the potential of our economic relationship, Australia is negotiating a free trade agreement with the GCC.

We have also taken important steps to re-engage with the nations of Africa, reflecting that, for too long, Australia has not given Africa the priority it deserves.

Until recently, the Australian private sector had been quicker to recognise the economic importance of Africa than our public sector.

Today, more than 150 Australian minerals and petroleum resources companies, many from here in Western Australia, have interests in more than 40 African countries, with current and prospective investment estimated at \$20 billion.

Australia's trade with Africa is also growing, with two-way trade valued at close to \$5 billion.

There are important strategic, geopolitical and economic reasons for enhancing our engagement with Africa.

We are focusing on economic, social and political interests that we can advance together, with African nations comprising an important and growing influence in multilateral fora.

The Australian Government is committed to broadening and deepening our engagement with Africa, bilaterally, regionally and through the African Union.

Over the past two years, we have set about enhancing our political and diplomatic engagement promoting trade and investment addressing peace and security challenges in Africa, including by supporting efforts to combat piracy off the coast of Somalia, and delivering targeted development and humanitarian assistance.

Since taking office in 2007, Australia has established diplomatic relations with another 10 countries in Africa.

We have also expanded our diplomatic missions in Abuja, Accra, Cairo, Harare and Nairobi.

We've used high-level visits in both directions to further our common interests and strengthen cooperation on pressing global challenges.

In January 2009, for example, it was my privilege to be the first Australian Foreign Minister to address a meeting of

the African Union Foreign Ministers' Executive Council Meeting in Addis Ababa.

And in January of this year I became the first Australian Foreign Minister in more than seven years to visit South Africa, a country which remains by far our most important economic partner in Africa.

For more than 35 years Australia has enjoyed particularly strong relationships with the key South-East Asian groupings and institutions.

In 1974 we became ASEAN's first official dialogue partner.

Australia was also a founding member of the ASEAN Regional Forum in 1994 and of the East Asia Summit in 2005.

These bodies continue to play a central role in promoting regional security, regional prosperity and regional economic integration.

Importantly, last year Australia, New Zealand and ASEAN concluded negotiations for a landmark free trade agreement, which came into effect on 1 January 2010.

Covering more than 610 million people and a combined GDP of over A\$3 billion, AANZFTA is the largest FTA Australia has entered into.

It is also the most comprehensive FTA that ASEAN has signed, eliminating tariffs on 90-100 per cent of tariff lines for all but the three least developed parties to the FTA.

Australia's bilateral relationships with Southeast Asian countries are among our most comprehensive and important.

Indonesia merits a special mention, not least because the Indonesian archipelago occupies a crucial strategic location in the eastern part of the Indian Ocean.

The visit to Australia by Indonesia's President earlier this month underscored just how much our bilateral relationship with Indonesia has developed in recent times.

Today, ours is a mature partnership between two robust, open democracies that increasingly see the world in similar ways.

Our common interests with Indonesia offer opportunities to work closely together in regional and global forums for our common good, from APEC to the EAS to the WTO and the G20.

Moreover, our areas of cooperation are expanding quickly.

They now encompass climate change, defence relations, counter-terrorism and people-smuggling, strong economic links, growing people-to-people ties and Australia's largest development partnership.

Conclusion

Ladies and gentlemen.

On the day I was sworn in as Foreign Minister in December 2007, in my first speech as Foreign Minister I said that Australia needed to look West.

I said that when the sun sets in the West, it sets on the Indian Ocean, not the Pacific.

The Government has made significant progress in terms of our strategic engagement with our neighbours and countries to our West.

We know there's a lot more to do, and that includes in and with IOR ARC.

That ASPI has undertaken this work is a reflection both of the importance of this engagement and the opportunities that remain to do more.

I commend the report to you.

The Government will give very serious consideration to the advice that it contains. It gives me great pleasure to declare it officially launched.

Thank you.

**Future Directions International: Launch of the Indian Ocean Dialogue<sup>31</sup>**

**Remarks by Stephen Smith MP, Minister for Foreign Affairs and Trade (check against delivery), Government House, Perth, 6 July 2010**

Thank you Major General Hartley [Future Directions International Institute Director]  
His Excellency, Dr Ken Michael, Governor of Western Australia

Indian High Commissioner Sujatha Singh

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<sup>31</sup> [http://www.foreignminister.gov.au/speeches/2010/100706\\_future\\_directions\\_international.html](http://www.foreignminister.gov.au/speeches/2010/100706_future_directions_international.html)

The Honourable Mr Norman Moore, MLC, Minister for Mines and Petroleum representing West Australian Premier Mr Barnett

Lord Mayor of Perth Lisa Scaffidi

Distinguished guests

Ladies and gentlemen.

It is my great pleasure to be with you today at the Perth launch of Future Directions International's inaugural Indian Ocean Dialogue.

This year is Future Direction International's 10th anniversary.

Since its foundation, Future Directions International has established a strong research record on developments in the Indian Ocean region.

It pursues these interests from a Western Australian vantage point, adding an important dimension to the consideration of how Indian Ocean rim issues will influence Australia's future.

In December 2007, in my first speech as Foreign Minister, I said that Australia needed to look west.

Since that time Australia has made significant progress in our strategic engagement with our regional neighbours to our west.

We now have a much more comprehensive approach that recognises both the diverse nature of the Indian Ocean rim and Australia's long term national interests in pursuing closer Indian Ocean rim engagement.

This has meant forging stronger relations within the region. It has meant upgrading our engagement with regional groupings like the Indian Ocean rim Association for Regional Cooperation (IOR ARC) and the South Asian Association for Regional Cooperation (SAARC), at the same time as strengthening our bilateral relationships, including with India itself.

The priority Australia now rightly accords India in our foreign and trade policies reflects the fact that India, the world's largest democracy, has now emerged as a significant global power, both politically and economically.

India has been Australia's fastest-growing trading partner, with two-way trade growing more than 10 per cent to over \$20 billion in 2009.

In November last year, Australia and India lifted the status of our bilateral relationship to a Strategic Partnership, reflecting the strong convergence of interests and values that we share.

This Strategic Partnership includes co-operation on trade and investment, regional and global security issues, education, science, research and development, climate change, and resources and energy.

The Australia-India Joint Declaration on Security Cooperation, importantly, enhances the links between our defence, foreign policy and national security institutions.

In May we completed a joint Free Trade Agreement (FTA) feasibility study. It makes a strong case for a comprehensive FTA.

We want to commence negotiations, as I said to Indian Minister for Commerce and Industry Anand Sharma over the weekend, once internal processes on both sides are completed.

All this clearly recognises that the Indian Ocean rim is of critical economic and strategic importance to Australia.

It is home to more than 2.5 billion people, almost 40 per cent of the world's population.

The security of its waters goes to the heart of Australia's national interests. Indian Ocean shipping routes are vital to our trading interests, particularly for the export of minerals, petroleum and energy resources to meet the rising demand in India itself, China, the Gulf and the Middle East.

The Indian Ocean rim Association for Regional Cooperation is the region's largest grouping.

There are many issues that IOR-ARC members could work collaboratively on, including fisheries management, disaster management, education, tourism, and agriculture.

As a founding member, we continue to work with the current IOR-ARC Chair Yemen.

Australia has also nominated to Vice Chair the group for the period 2011 to 2012. We hope this bid is successful. We look forward to working with the next Chair India and other members to increase the relevance and focus of IOR ARC activities.

I am delighted that Perth will host the Commonwealth Heads of Government Meeting in October next year. One of the main reasons for choosing Perth was its significance as an Indian Ocean capital city.

An Indian Ocean rim CHOGM will be an important opportunity for the region.

It will bring an unprecedented focus on the opportunities that the region brings. This will benefit not just Perth, Western Australia and Australia but the Indian Ocean region itself.

As global economic, political and strategic military influence continues to shift to our region, Australia is well-placed to play a leading role in tackling both the challenges and the opportunities that this presents.

To do this effectively Australia must continue to look west, and continue to enhance its engagement with the countries and the regional associations of the Indian Ocean.

As we do so, we look forward to listening to your ideas about the enhanced role that Australia can play in the region.

Thank you.

## 6.6 IOR-ARC 2011 Communiqué

*11th Meeting of the Council of Ministers of IOR-ARC Bengaluru Communiqué, November 15, 2011*<sup>32</sup>

We the Ministers of the Member States of the Indian Ocean rim Association for Regional Cooperation (IOR-ARC), met for the 11th Meeting of the Council of Ministers at Bengaluru, India, on 15 November 2011. Our discussions were facilitated by the recommendations of the preceding meetings of the Committee of Senior Officials, IOR Academic Group, Working Group on Trade and Investment and the IOR Business Forum.

We were delighted to welcome the Republic of Seychelles back as a member of IOR-ARC family.

Our deliberations emphasized the increased salience of the Indian Ocean in the contemporary setting. Our maritime domain is at the crossroads of commerce and its busy energy trade routes pass through vulnerable points. The menace of piracy has assumed alarming proportions in recent years. Our cities have been the target of global terror. Our region's susceptibilities to natural and manmade disasters, issues of sustainable development of our countries and the well-being of our peoples, of the requirement of resources, environmentally friendly technologies and renewable energy to handle challenges of changing climate, the management and sustainable harvesting of the Indian Ocean's bounty, all these were foremost in our minds and the peoples we represent.

The Indian Ocean is a part of our collective destiny, and there is clearly a case for developing a holistic vision and working cooperatively towards its realization if we are to cope with the challenges of the 21st century. We have reiterated our commitment to furthering the goals of IOR-ARC of promoting sustained growth, balanced development and stability, co-operation based on mutual trust and respect, common interests and similar approaches towards the pressing issues of our region.

We identified sectors of common and contemporary interest, which should guide our Association's work as we further deepen and give intra-regional cooperation greater relevance and value.

We expressed our shared concern on the prevailing situation regarding maritime security in the Indian Ocean, particularly at the growing level of piracy off the Horn of Africa which poses a threat to international and regional navigation, maritime commerce and the safety of sea farers. In this regard we fully support the international efforts at the UN and the several initiatives at the regional level, as well as the Contact Group on Piracy off the Coast of Somalia which is coordinating anti-piracy efforts. We committed ourselves to cooperate fully through sharing of information and through technical assistance to jointly combat this menace. We noted that stabilisation of Somalia will contribute to dealing with piracy in the region. As members take practical steps consistent with international law to combat piracy, we agreed that IOR-ARC could serve as an effective vehicle for sharing information, experience and best practices. We encouraged members to actively participate in international conferences, regional symposia and workshops being held in the region dealing with these issues.

The Rim has faced the devastating impact of a tsunami a few years ago, and our countries have faced cyclones, monsoon floods and similar natural disasters. Oil spills and marine pollution are recurring threats. Sharing of experiences and best practices through workshops and through capacity building would help in better preparedness to tackle the consequences of disasters, and we have adopted this approach.

Fisheries and marine resources occupy important place in the economies and livelihood of the IOR-ARC member countries. We underscored the importance of deepening cooperation among IOR-ARC members, including in the management and sustainable harvesting of fish stocks and combating illegal fishing and damaging fishing techniques, to further consolidate cooperation under IOR-ARC.

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<sup>32</sup> <http://mea.gov.in/mystart.php?id=190018531>

The IOR-ARC Fisheries Support Unit set up under the aegis of the Sultanate of Oman could function as a nodal institution to respond to the interests and requirements of member states.

Intra-regional trade amounts to 24% of the global trade and it is increasing. We have the capacity to take this process further. Infrastructure building and trade facilitation are areas in which we would be especially interested. We encourage IOR-ARC forums to reach out to the business and commercial expertise that exists in the region, with improved dissemination of market and supply side analyses and reports to support intra-regional growth of business. We also discussed possibility of initiation of a comprehensive study on the feasibility of preferential trading arrangements for the region including in a variable geometry. We are of the firm view that the academic, scientific and business communities of our membership would find their participation in the wide variety of trade, academic and tourism exhibitions and fairs held in our region of benefit and use, and encourage them to do so.

Science and Technology, and in a wider sense, the whole IOR Academic effort are areas which, in our opinion, need close attention with a recalibration of methodology and approach. We need to understand our region and our shared maritime domain better, we need to look at the development of technologies relevant to our peoples' needs. Meteorology and the study of the monsoons, marine biology and management of our coastal zones are all areas of relevance; so also are energy efficient and renewable energy technologies, capacity building in ICT, analytical studies on investment promotion etc. We emphasize the need for cross-fertilization of ideas between the Academic and Business Forums and the Working Group on Trade and Investment to strengthen overall cooperation under IOR-ARC. We are convinced that educational mobility and academic exchanges have the potential to contribute to this effort.

We appreciate the diversity and richness of the region's tourism potential and tourism promotion is an attractive vehicle for socio-economic growth and development in the IOR-ARC region. We believe that intra-regional tourism offers interesting possibilities and suggest that relevant authorities of member countries target this sector for growth to realize the potential of cooperation to fuller extent. We have noted that the second phase of Tourism Feasibility Study is being undertaken at the initiative of the Sultanate of Oman and look forward to its early completion.

We also agree that cultural exchanges would help in promoting people-to-people contacts, contribute to greater appreciation of our diverse capacities, social and cultural values, build mutual confidence and enhance the visibility and value of our Association.

In all these sectors, capacity building is a key instrument. We encourage Member States to make full use of capacity building programmes and workshops that members organize. We would like this aspect to be studied and remedial action suggested, so that the considerable efforts that are put into organizing these activities are put to optimum use.

We agreed to consider a new name for our Association. We directed our senior officials to undertake necessary consultations and report at our next meeting.

We express our appreciation for the leadership provided to the Association by Yemen as the Chair of IOR-ARC over the last two years. We welcome India as the incoming Chair and Australia as Vice Chair of the Association and extend our support and cooperation to it during its Chairmanship in our collective efforts.

We welcome the new Secretary General Ambassador K.V. Bhagirath of India. We would also like to record our appreciation of the contributions of Ambassador Morteza Sarmadi, Secretary General during his term of office.

We thank the Minister of External Affairs of the Republic of India for hosting the 11th COM at Bengaluru.