

# **Australian Strategic Policy Institute & Curtin University**

## **Australia's Second Sea: Facing our multipolar future in the Indian Ocean**

### **Address by the Honourable Kim Beazley AC Governor of Western Australia**

**Tuesday, 19 March 2019**

I would firstly like to acknowledge the traditional owners of the land on which we meet – the Wadjuk Noongar people – and pay my respects to their elders past, present and emerging.

I commend Dr David Brewster and the Australian Strategic Policy Institute for helping to draw attention to the challenges and opportunities within the Indian Ocean and the region.

#### **Indian Ocean Overview**

The Indian Ocean, bound by Africa and the Arabian Peninsula (in the western Indian Ocean), India's coastal waters (comprising the central Indian Ocean) and the Bay of Bengal near Myanmar and Indonesia (the eastern Indian Ocean), consists of approximately 2.5 billion people or one-third of the world's population.

#### **The economic and geo-political importance of the Indian Ocean**

To quote Professor Craig Jeffrey, Director and Chief Executive Officer of the Australian India Institute, "in terms of global political significance, the Atlantic Ocean can be viewed as the ocean of our grandparents and parents; the Pacific Ocean as the ocean of us and our children; and the Indian Ocean as the ocean of our children and grandchildren."

As the global geopolitical centre of gravity shifts towards Asia and the broader Indo-Pacific, the security and stability of the Indian Ocean and its neighbouring countries will be of increasing importance.

The Indian Ocean is a significant location for international trade as much of the world's major trade routes crossing the Indian Ocean. An estimated 40 percent of the world's offshore oil production comes from the Indian Ocean.

The Major economies of North Asia – China, Japan and the Republic of Korea in particular - rely on energy transported through the Indian Ocean. In fact, as Dr Brewster indicates in his report, approximately "82% of China's imported oil needs are transported from the Middle East and Africa", across the Indian Ocean.

#### **The importance of the Indian Ocean to Australia**

The Indian Ocean is important to Australia, largely due to the reliance, of and on, our major trading partners for energy resources, transported across the Indian Ocean for sustenance.

Australia, as indicated in Dr Brewster's report, imports approximately 83% of our total refined petroleum needs, largely from Singapore, and is expected to import 100% of our needs by 2030.

Accordingly, the security of the maritime trading routes across the northern Indian Ocean, is of significant importance to Australia.

The Indian Ocean is the world's third largest-largest body of water and has become a growing area of competition between China and India. China's growing global influence and India's rapid economic rise have heightened the ocean's strategic value.

Strategic thinkers in Western Australia are acutely aware of the strategic importance of the Indian Ocean both nationally and globally. The importance of the Indian Ocean entered formally into national consciousness during my time in Government, when we announced the 'Two-Ocean Basing Plan' in 1987, establishing Fleet Base West at Stirling.

This shift continued in the 2013 Defence White Paper which spoke of the Indo-Pacific region, recognising the strategic importance of both the Indian and Pacific Oceans to Australia's national security. The White Paper stated 'the Indian Ocean will increasingly feature in Australia defence and national security planning and maritime planning.'

The subsequent 2016 Defence White Paper outlined that "The wider Indo-Pacific region, from the Indian Ocean to the Pacific Ocean connected by South East Asia, through and within which most of Australia's trade activity occurs, will be central to our national security and economic prosperity."

Similarly, the 2017 Foreign Policy White Paper emphasises the strategic importance of Australia enhancing its bi-lateral relations with India and Indonesia among other countries within the region.

### **Geopolitics – Challenges and Opportunities**

The emerging geopolitics of the Indian Ocean carries both significant challenges and opportunities which require a high level of responsiveness in national policy.

As Foreign Minister Marise Payne stated at the Raisina Dialogue in Delhi earlier this year, "Our respective futures are intertwined and heavily dependent on how well we cooperate on the challenges and opportunities in the Indian Ocean in the decades ahead."

### **Increasing challenges in the Indian Ocean**

The increasing economic and strategic weight of East Asia, particularly the rise of China as a global power, and the emergence of India are key trends influencing the development of the Indian Ocean. A number of geopolitical challenges and opportunities arise from this.

We also face a number of global challenges in the Indian Ocean including, piracy, unregulated migration, increased militarisation, climate change, overfishing and the rise of extremism to name but a few.

Amidst the growing need to approach emerging challenges in collaboration with other nations in our region, one of our biggest challenges is a lack of institutions of governance covering the Indian Ocean. This can impact the creation of coordinated, effective action in regional bodies, including the Indian Ocean Rim.

## **Increasing opportunity in the Indian Ocean**

Whilst I have just outlined some of the many challenges in the shifting global environment, it would be remiss of me not to acknowledge the great opportunities which present themselves to us.

India is growing in economic and strategic importance in the region. India's relationships with other major powers including China, the United States and Japan will help shape the global security environment out to 2035.

Former Secretary of the Department of Foreign Affairs and Trade, Peter Varghese AO last year released the report, *An India Economic Strategy to 2035*, which provided 'a roadmap for unlocking the opportunities that will help India and Australia grow together.'

The economic development of India presents significant opportunities for Australian exports. But Australia will have limited success if we don't consider the mutual benefits to India. For example, our uranium exports are critical to their significant energy demands.

The targets set in the India Economic Strategy report 'would see Australian exports to India grow from \$14.9 billion in 2017 to around \$45 billion measured in today's dollars, and outward Australian investment to India rise from \$10.3 billion to over the \$100 billion mark.'

Building a comprehensive and resilient partnership with India may be, at times, difficult, however it is one opportunity which we would do well to pursue.

Our near neighbour Indonesia, as Dr Brewster report identifies, provides another area of opportunity for Australia.

Indonesia is already the Indian Ocean's second largest economy in purchasing power parity terms and is predicted to be the world's fourth largest economy by 2050 (based on GDP at PPPs).

Australia offers many mutual benefits in return. For example, in WA we have significant capacity to deliver vocational training to support Indonesia's growth.

The recent signing of the Indonesia-Australia Comprehensive Economic Partnership on 4 March 2019, is anticipated to broaden opportunities for Australia and Indonesia to expand and diversify our economic partnership.

Education, tourism, energy and agribusiness are further areas of opportunity for Australia in the Indian Ocean, which we should also keep in mind.

## **Report commendations**

I commend Dr Brewster and the Australian Strategic Policy Institute for bringing attention to geostrategic considerations in the Indian Ocean and wider region.

In such a rapidly shifting global environment, Australia's strategic environment can only benefit from greater awareness of the challenges and opportunities that the region presents.