United Kingdom: National Involvement in the Indian Ocean Region

BY FAY CLARKE, FUTURE DIRECTIONS INTERNATIONAL PTY LTD RESEARCH ASSISTANT

SUMMARY

Though no longer an empire, the United Kingdom still maintains an interest in the Indian Ocean region. As a global power, the UK sees the Indian Ocean as critical to its own economic success. In addition to security interests, the strategy of “commercial diplomacy”, which taps into the rise of a number of Indo-Pacific economies, the continuing geostrategic relevance of the Middle East and longstanding Commonwealth links from a colonial past in Africa, provide the basis for the UK’s national involvement in the Indian Ocean region.

ANALYSIS

Security and Geostrategic Interests

For much of the twentieth-century, the United Kingdom was the preeminent power in the Indian Ocean, a region considered crucial to the commercial activities of the British Empire. Today, the strategic presence of the UK is on a considerably diminished scale and Sino-India and Sino-American rivalries (real or perceived) tend to overshadow the strategic presence of other actors in the region. The British Indian Ocean Territory (the BIOT, comprising the Chagos Archipelago and three islands formerly belonging to the Seychelles) is the only remaining UK territory within the region although, according to the 2006 Brits Abroad study by the Institute for Public Policy Research, there are over an estimated 1.9 million British persons living in the greater Indian Ocean region. The BIOT atoll of Diego Garcia is leased to the United States to house its major Indian Ocean naval base. Diego Garcia is strategically vital: it sits at the centre of the Indian Ocean, offering roughly equidistant access to all major shipping lanes and to the rim and island states of the region. The US lease is due to expire in 2016, with the possibility of a 20-year extension built into the original agreement. Despite overcrowding concerns, given the current US strategic pivot towards the Indo-Pacific, it seems unlikely that interest in Diego Garcia will diminish in the future.

The UK has important commercial interests in the Indian Ocean. In part due to the legacy of the primarily mercantile British Empire, the UK has a sizeable commercial shipping industry operating within the region. Total British shipping revenue for 2010 stood at £12.6 billion ($19.3 billion),

KEY POINTS

- Conscious of the current straitened economic circumstances, the UK is pursuing “commercial diplomacy” by seeking new markets in burgeoning Indian Ocean region economies.
- Within the Indian Ocean region, the UK’s diplomatic resources have been strategically pivoted towards the emerging economic “powerhouses”.
- The Indian Ocean continues to be vital to British strategic maritime interests. The UK maintains a naval presence within the Indian Ocean region and plays a leading role in counter-piracy and maritime security efforts.
- The United Kingdom is committed to promoting its values abroad and uses its former colonial links to help forge and strengthen relationships.
United Kingdom: National Involvement in the Indian Ocean Region

of which almost £9 billion ($13.8 billion) came from overseas trading, much of which would be conducted in the Indian Ocean region. The Indian Ocean region is vital to Britain’s strategic maritime interests, and the UK is a major stakeholder in promoting maritime security. Admiral Sir Trevor Soar, the Royal Navy’s former Commander-in-Chief Fleet, confirmed the strategic importance of the Indian Ocean to the UK, when he told Future Directions International that, out of the 25 per cent of the Royal Navy units that are deployed at any one time, it is likely that over 50 per cent of the Navy’s manpower and assets will be located in the Indian Ocean.

The UK plays a leading role in multilateral counter-piracy efforts in regional danger zones, particularly around Somalia and the Gulf of Aden. The UK is a significant contributor to the anti-terrorism and anti-piracy Combined Task Forces 150 and 151. The Royal Navy currently provides the Commander and headquarters for the European Union’s Operation Atalanta, charged with combating Somali piracy. In October 2011, London authorised the carrying of armed guards by British merchant vessels transiting the Gulf of Aden, Strait of Hormuz and other “chokepoints” along major sea lanes. The United Kingdom has also capitalised on its Commonwealth connections to broker co-operation with countries such as Mauritius, the Seychelles and Tanzania, as well as the self-declared state of Somaliland to prosecute suspected pirates and to imprison those convicted of piracy.

The United Kingdom, like the US and EU, has a considerable stake in restoring stability to Somalia and preventing destabilisation from spreading to geo-strategically and commercially significant states along the East African coast. The UK remains the largest foreign direct investor in its former colony of Kenya: a neighbour of Somalia and regional “diplomatic hub” for the Foreign and Commonwealth Office (FCO).2 Whitehall recognises that Somali piracy “cannot be solved at sea” and has led multilateral diplomatic efforts to support the return of stable governance to Somalia. In February 2012, the FCO hosted the London Conference on Somalia, attended by over 50 states, to plan future nation-building, counter-piracy and humanitarian relief efforts in Somalia. UK support for the African Union force combating al-Shabaab militancy was underscored and, that same month, a British Ambassador to Somalia was appointed for the first time since the fall of former dictator Mohammed Siad Barre in 1991. The September 2012 election of Somali President Hassan Mohamud and a new parliament was greeted with cautious optimism by the UK, as a key member of the international community backing the ‘roadmap to end the transition’.

TRADE AND DIPLOMACY: “COMMERCIAL DIPLOMACY”

Trade and commercial interests are now more than ever positioned at the centre of the United Kingdom’s diplomatic engagement with the Indian Ocean region. In 2011, the British Government launched a new strategy of “commercial diplomacy” as part of its efforts to “rebalance” the flagging UK economy through international trade and investment. The ongoing economic instability of the Eurozone (Britain’s most important export market) and the slowdown of Britain’s own national growth, in addition to a weakened ability to project influence abroad, have led the UK to seek new markets and pursue opportunities within the growing economies of the Indian Ocean region.

While there has been a general reduction of the British diplomatic presence worldwide following the implementation of government-wide austerity measures, there has been a clear strategic reorientation and streamlining toward the economic ‘powerhouses of the near future.’ The adoption of “commercial diplomacy” has seen the creation of the FCO Business Charter and the UK Trade and Investment portfolio, which identifies a number of Indian Ocean economies, including India, Indonesia, Malaysia and Singapore, as key high-growth ‘target markets.’ British exports to Indonesia alone, for instance, increased by 44 per cent in 2011.


India and Indonesia are seen as particularly important and, in recent years, London has commenced annual strategic business summits with them. The bilateral UK-Indonesia Partnership forum covers the key policy areas of foreign policy and international security issues, trade and investment, climate change and sustainable growth and education. The range of issues reflects not only the commercial diplomacy strategy, but also the UK’s interests in regional stability and supporting democracy in Indonesia as part of a strengthened ASEAN regime. Britain also views its highly creative and productive science and technology industries as a critical asset, with research and development an important “pull factor” for UK trade in the competitive Indian Ocean marketplace.

The UK has also pursued "commercial diplomacy” with growing Indian Ocean economies through multilateral means. London is spearheading efforts to negotiate European Union Free Trade Agreements with Singapore and India, and hopes to bring both sets of talks to a conclusion by the end of 2012. The UK was also a major player in bringing about the suspension of EU economic sanctions (excepting the continuing ban on arms sales) against Burma in April 2012. Accompanied by a business delegation, Prime Minister David Cameron became the first Western leader to visit Burma, during a four-day scoping tour of Burma, Malaysia, Indonesia and Japan taken shortly before EU sanctions were suspended. The trip also demonstrated the close alignment of British business and diplomatic interests in the region, with the UK eager to explore economic opportunities within Burma but reiterating its firm committed to support for human rights and political freedoms, including the release of political prisoners, as a necessary precondition for the strengthening of bilateral ties between the two countries.

The UK has sought to consolidate and expand its already strong economic ties to the wealthy Persian Gulf states. In recent years, the UK has become more reliant on foreign energy imports as domestic natural gas and crude oil production declines; it is now a net energy importer. It is critical for the UK to maintain friendly relations with international suppliers, rather than risk restricted access to long-term supply in an age of austerity. Qatar, for instance, accounts for 60 per cent of British LPG imports. Qatar is also an important bilateral investment partner for the UK and a key stakeholder in the energy trade within the Indian Ocean region.

It is not just energy that is critical to UK interests within the Gulf. The
United Kingdom: National Involvement in the Indian Ocean Region

area has lucrative markets for UK exports in financial, training and educational services, plus specialist technical products including defence, engineering and industrial equipment. Saudi Arabia is the UK’s largest market for goods and services outside of the OECD and Britain’s most significant trading partner in the Middle East. Oman and Kuwait are also significant markets for Britain. British arms manufacturers hold major contracts in Kuwait and Saudi Arabia, while the UK is the largest foreign investor in Oman, with high levels of bilateral trade in addition to defence co-operation and educational exchanges.

London maintains a naval presence in Bahrain, which hosts the United Kingdom Maritime Component Command (UKMCC) headquarters and the Royal Navy’s Armilla Patrol, tasked with ensuring the safety of British vessels in the Persian Gulf and Arabian Sea including minehunters, submarines and surface combatants. Bahrain purchased nearly £3 million ($4.6 million) worth of military equipment in the April-June quarter of 2012. Additionally, British Prime Minister David Cameron has recently closed deals with Saudi Arabia and the United Arab Emirates on the sale of the Eurofighter Typhoon. These advanced aircraft are being purchased to replace the ageing Panavia Tornado, first introduced in 1979.

As lucrative as its trade relations with the Gulf States are, the UK may not be able to take them for granted. The Gulf States are also seeking increased commercial engagement with emerging and established Asian powerhouses such as India, South Korea and Japan and those relationships may come to take priority over those with “Old World” powers such as the UK.

Britain and Australia maintain a strong relationship, characterised by healthy two-way trade, cultural and historical ties and knowledge-sharing, with numerous bilateral agreements in health, law, science and technology. Recreational travel remains the primary contributor to the services trade on both sides. Amongst the major Australian exports to the UK are gold (totaling $4.5 billion in 2011-12), coal and lead. The main UK exports to Australia include medicines, platinum, silver, printed materials and passenger motor vehicles. Australia is seen as a safe market for British investment and an attractive base for Indo-Pacific regional operations, primarily in the infrastructure, pharmaceuticals and energy industries. The Department of Foreign Affairs and Trade notes that the UK is the second-largest source of total foreign investment in Australia and the second-largest source of foreign direct investment in Australia, behind only the United States.4

UK investment in Australia has proved resilient despite the global economic slowdown. Following the post-2008 downturn which had a significant impact upon the UK, British FDI into Australia increased by $1.8 billion in 2009. The UK currently exports more to Australia than it does to India or China (although Australia is only Britain’s thirty-third largest source of imports).5 With its focus on emerging economic powers, the UK’s new “commercial diplomacy” strategy may alter the proportion of British exports to Australia.

The United Kingdom and Australia have a long history of defence and security co-operation. Since 2006, the two countries have held regular AUKMIN defence and foreign policy summits, the fourth of which took place in January 2012. Major items of discussion included constructive engagement with China, reform in Burma, counter-piracy efforts (and the increased role of India in such operations) and Australian support for UK engagement in the Indo-Pacific via the Five Power Defence Arrangements (FPDA). The FPDA brings together the UK, Australia, Singapore, Malaysia and New Zealand and has remained in place for over 40 years, with joint training exercises held each year.6 In common with the United States, New Zealand and Canada, the UK and Australia are also members of a number of military interoperability programmes that can, at times, incorporate an Indian Ocean aspect: the ABCA (American, British, Canadian, Australian and New Zealand) Armies Programme, the naval AUSCANZUKUS (Australia, Canada, New Zealand, United Kingdom, and United States), ASIC (the Air and Space Interoperability Council), the military scientific and technological Technical Co-operation Programme and intelligence agency linkages.

A bilateral UK-Australia National Security Partnership in 2009 pledged to further co-operation on intelligence sharing and responses to emerging security challenges. In 2011, a Memorandum of Understanding pledged further collaboration in science and innovation to aid counter-terrorism and national security measures. Australia remains an important market for UK defence

---

4 Australian investment in the UK is considerable, with over 1,500 Australian companies active in Britain, largely in the financial services sector, but also including dual-listed resources companies, such as BHP Billiton and Rio Tinto. ‘United Kingdom Country Brief’, DFAT, March 2012.


6 The FPDA entered into force in 1971 as a security guarantee for Singapore and Malaysia and has continued since. Despite no longer having a major military presence in the region, the UK retains assets in Singapore including a refuelling depot at the Sembawang dockyard, which also hosts warships from the Australian, New Zealand and United States navies.
exports. Given their considerable history of military, defence and security co-operation, in addition to Australia’s strategic position in the Indo-Pacific region, bilateral engagement between the UK and Australia in these areas may increase over the coming “Asian Century”. On the other hand, the UK does not yet actively participate in major multilateral maritime security initiatives such as the Indian-initiated Indian Ocean Naval Symposium, or take part in the Exercise Malabar operations, which Australia, India and Singapore all do.

**CULTURAL INTERESTS**

The United Kingdom offers a number of special higher educational opportunities, particularly to Commonwealth students, through initiatives such as the Chevening, Marshall and Commonwealth Scholarships. Large-scale migration to the UK from Commonwealth countries in the Indian Ocean region has enhanced cultural ties; Indian migrants constitute the largest ethnic minority resident in the UK. Indian nationals are a continued source of skilled migration to Britain, and currently 60 per cent of intra-company transferees to the UK are from India. The importance of these links with India is underscored by the strong support of the UK for the proposed European Union FTA with India.

The United Kingdom is also keen to promote its values alongside diplomatic, commercial and strategic engagement with the Indian Ocean region. As such, London has been a firm supporter of democratisation and political freedoms in countries such as Burma, Somalia and Egypt. Prime Minister David Cameron was the first foreign head of state to visit Egypt following the Arab Spring.

The Department for International Development also offers considerable aid initiatives to various Indian Ocean countries, including India, Kenya, Bangladesh and Burma and offers incentives to support the UK’s regional policy objectives.

**CONCLUSION**

The Indian Ocean region remains vital to the United Kingdom’s maritime strategic interests and the UK will continue to play an active role in regional security efforts, both unilaterally and multilaterally. Seeking to revive its own flagging economy, the United Kingdom will continue to pursue new markets through such strategies as “commercial diplomacy”.

As a global power, the UK may find it increasingly to compete with influential rising regional powers to secure opportunities and strengthen existing relationships, despite retaining strong ties to many former colonies. The United Kingdom is, however, well placed to offer mutually-beneficial opportunities in trade, defence, education and skills training and knowledge-sharing in specialist areas of science and technology, to help achieve its commercial goals in the Indian Ocean region.

Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.