



MIDDLE EAST INSIGHTS

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THE SECURITY OF SEA LANES IN THE INDIAN OCEAN

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Qatar is the world's largest exporter of Liquefied Natural Gas (LNG). Natural gas, along with crude oil and petroleum products, dominates Qatar's exports. With much of its LNG exports heading towards markets in the east, such as Japan, the security of sea lanes in the Indian Ocean is of critical importance for Qatar's economy. This paper in the Qatar series examines the prospects for the security of those sea lanes.

The Significance of the Indian Ocean

Natural gas forms the cornerstone of Qatar's economy. Together with crude oil and petroleum products, it accounts for more than 50 per cent of Qatar's annual GDP and 80 per cent of its exports, though these percentages are declining as the economy diversifies away from hydrocarbons. Qatar is the world's largest exporter of liquefied natural gas (LNG) and is likely to remain so for many years despite the growth of LNG exports from Australia. About 65 per cent of Qatar's LNG exports flow eastwards to Asia, mainly India, Japan and the Republic of Korea. Taiwan and China are also significant importers. The demand for natural gas is set to grow across much of Asia, and so the security of sea lanes in the Indian Ocean is of vital economic interest to Qatar. Its military cooperation with the United States, not least through the Al Udeid air base, enhances its security in the Gulf region. However, Qatar lacks the capacity to project power across the Indian Ocean and is therefore reliant on other actors for the security of the sea lanes used by its LNG tankers.

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The Indian Ocean covers about 20 per cent of the earth's surface and is bounded by the continents of Africa, Asia and Australasia. The Indian Ocean Region (IOR) comprises 28 nations that rim the ocean, including island states such as Comoros, Seychelles, Mauritius, and Maldives, and the island territories of France and the United Kingdom. Moreover, the economies of East Asia, Europe, and the Americas are also reliant on the Indian Ocean as it is a major global trade route for raw materials, commodities and manufactured goods.

While the IOR may only account for about 10 per cent of global GDP, its current economic importance lies principally in its role as a maritime trade route and in its natural resources such as energy, minerals, agricultural products, fisheries and timber. In addition, the region is likely to undergo sustained economic and population growth over the coming decades, as well as experience rising transnational investments flows.

The sea lanes of the Indian Ocean and the China Seas linking Europe, the Middle East and Africa with Asia are among the busiest in the world, accounting for 25 to 30 per cent of global shipping traffic in 2012 compared to 17 per cent in 1992 — a period in which total shipping traffic increased more than twofold. This trade is dominated by energy and other raw materials flowing eastwards from the Middle East and Africa to Asia, and by manufactured goods being shipped westwards from Asia to the Middle East, Africa and Europe.

The flows of energy across the Indian Ocean are particularly important for the major Asian economies of India, China, Japan and South Korea. More than 72 per cent of their oil imports and 44 per cent of their total gas imports come from the Middle East and Africa. These quantities amount to about one-third of total internationally traded crude oil and LNG, respectively.

Direct threats to maritime traffic in the IOR are generally limited to inter-state armed conflict, the deliberate or accidental blockade of choke points, terrorism and piracy. While the level of threat is not particularly high at present, with local exceptions, the future holds many uncertainties and risks, including:

- The ability and willingness of the United States to continue providing a security umbrella over the IOR at the current level;
- The potential impact of great power rivalry, notably with the growing role of China in the IOR;
- The rise of political Islam and terrorism in some of the countries of the IOR;
- The possibility of a decline in the quality of governance and level of economic development in certain IOR states, which may lead to an increase in piracy, trafficking and large-scale population movements.

Since the 1960s, the United States has been the predominant power in the Middle East as well as the de facto provider of security over the non-littoral sea lanes of the Indian Ocean. However, its willingness and ability to sustain that role over the coming decades has been called into question.

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This report assesses the potential sources of security provision for the sea-lines of communication (SLOCS) between the Middle East and Southeast Asia — or, in other words, across the Indian Ocean — over the next 20 years, by addressing the following questions:

- How will US strategic engagement in the Middle East and the Indian Ocean change and over what time period, and what factors will determine the level and nature of US strategic engagement in this region?
- Which nation(s) might be willing and able to share the security burden with the United States, and at which point would they have the required capability?
- In the absence of such willingness and capability, how will Asian nations be affected by a reduction of US engagement and the ensuing consequences of energy supply security?
- What are the potential implications for the Southeast Asian region?

US Engagement in the Indian Ocean Region

The United States has been the predominant power in the Middle East since the 1960s as well as the de facto provider of security over the non-littoral sea lanes of the Indian Ocean. The key drivers of US strategic interests in the Middle East have been the uninterrupted access to oil and gas resources; the containment of terrorism throughout the region including Afghanistan; the security of Israel and key Gulf allies; the prevention of an Iranian nuclear programme; and the promotion of more stable, democratic societies. The wider Indian Ocean has not been a central part of naval strategy because US economic and strategic interests in the region have been modest, with the exception of the Middle East. This is exemplified by the division of the IOR between three regional commands: Pacific Command (PACOM), Africa Command (AFRICOM) and Central Command (CENTCOM). A second factor which constrains the United States from pursuing a coherent Indian Ocean strategy is the relative weakness of US alliance structures in the IOR.

The outlook for substantially enhanced US strategic engagement in the IOR is uncertain for a number of inter-connected reasons, such as the following:

- Foreign policy priorities tend to change with each new US administration, in reaction either to events or policy failures of the previous administration;
- The willingness of US voters and political interests to accept the level of expenditure required which, in part, will be related to the state of the economy;
- The willingness and ability of US allies and partners in the IOR to engage more closely with the United States in building their capacities, both naval and institutional;
- The capacity of the US navy to support such enhancement.

Based on present projected force levels, US force level goals of 308 vessels will remain consistent through 2035. Currently, the US navy has a total force of fewer than 300 ships; after 2018, it will approach its goal of between 306 and 308 ships, and hover at or above this number through 2035.

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In light of an unpredictable and inhospitable fiscal environment, the US navy and PACOM plan to use networked expeditionary forces to increase cooperation with allies and partners, and to strategically target the planning and execution of joint exercises to provide lower-cost avenues to maintain a presence in the region.

China's Engagement in the Indian Ocean Region

With its large and growing navy and ambitious strategic vision, China is clearly a country that could, at some time in the future, make a major contribution to SLOC security across the Indian Ocean. Strategic rivalry with the United States remains a key concern for China. In this respect, China's broad strategic priority is to maximise its strategic and operational autonomy in the international arena. However, it is becoming increasingly evident that stability and peace in China's immediate neighbourhood is the focus of Beijing's current strategic attention; this neighbourhood embraces the East and South China Seas, Northeast Asia, Southeast Asia, South Asia, Central Asia and Russia.

China's strategic interests in the IOR arise primarily from its economic dependence on the sea lanes of the Indian Ocean for the import of energy and other raw materials, and for the export of its manufactured goods. The route from the Indian Ocean via Southeast Asia to China is its most important sea route: it accounts for around 50 per cent of China's total foreign trade, and large proportions of non-oil resources such as liquefied natural gas, iron ore and copper. In addition, investments by Chinese companies across the IOR are significant and continue to grow.

These strategic priorities and specific interests in the IOR are reflected in China's recent Defence White Paper, *China's Military Strategy*, published in May 2015. The text concerning the development of China's armed forces states the need for the PLA Navy (PLAN) to "gradually shift its focus from "offshore waters defense" to the combination of "offshore waters defense" with "open seas protection", and build a combined, multi-functional and efficient marine combat force structure". The White Paper builds on and clarifies thought trends that have been emerging in earlier Chinese strategic documents and that have underpinned the ongoing modernisation of the PLAN.

The capacity to project a true blue-water navy is a Chinese ambition that will be realised over a period of decades rather than years. Consequently, it is to be expected that the involvement of China in the provision of security across the IOR will grow only slowly, with the primary focus being anti-piracy operations along the main choke points in the Arabian Sea and Southeast Asia, as well as search-and-rescue and disaster relief when required. The PLAN has already demonstrated that it is capable of sustaining small surface task groups in the Indian Ocean for extended periods. Submarine deployments have also begun in the region, although it is likely to be some years before such a presence becomes permanent.

Security Provision by India and Other Actors

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India can be said to be the premier Indian Ocean nation in terms of economic size, political weight and geo-strategic location, and sea lane security is of paramount importance for the country's economy. India's primary long-term strategic concern in the Indian Ocean arises from China's growing presence across the region, through economic engagement, the construction of ports and pipelines, and the increasing capacity and deployment of the Chinese navy.

India has long possessed the largest ocean-going navy of the IOR littoral states, and between 1991 and 2011 spent significant amounts of money to modernise its navy, but without increasing the number of vessels. Despite this investment, the country's naval capacity still fell far short of matching its aspirations. After Narendra Modi was elected as prime minister in 2014, he announced that maritime security in the Indian Ocean would be a top strategic priority for India. Trends towards a greater number and larger size of naval vessels demonstrate that power projection has become an important part of India's naval strategy.

Other countries with significant naval presence in the Indian Ocean include: in the west, Iran and Pakistan, with their rather outdated vessels; and in the east, Singapore and Australia, which have modern navies with ocean-going capacity. The navies of Indonesia and Malaysia have been focused on coastal patrols. In East Asia, Japan and South Korea have substantial navies with the capacity to patrol the Indian Ocean.

In addition to many bilateral defence or strategic partnerships, a number of trilateral or multilateral regimes address sea lane security in the Indian Ocean. There are also a number of multilateral frameworks, notably the Western Pacific Naval Symposium, the Indian Ocean Rim Association (IORA), and the Indian Ocean Naval Symposium (IONS). Despite the involvement of key naval powers in most of the frameworks, the parties have yet to create a sustained and credible regime for the multilateral provision of sea lane security across the Indian Ocean notwithstanding the success of recent anti-piracy operations in the Gulf of Aden. IORA and IONS appear to be the frameworks that have the most promise. Whilst IORA is taking steps to boost its capacity with respect to emergency response and search-and-rescue in cooperation with IONS, there is reluctance on IORA's part to engage with hard security issues.

The Outlook

The strategic and economic importance of the Indian Ocean is becoming increasingly apparent to national governments in the IOR and beyond. Many of these nations have relied explicitly or implicitly on the United States to provide the security umbrella for the sea lanes of the Indian Ocean, but some doubt Washington's willingness and capacity to continue to be the unilateral pillar of security in the long term. This feeling of insecurity is exacerbated by China's growing military and political power, and by the perception that China wants to play a more decisive role in providing security across the IOR and counter-balancing the United States. As a result, navies across the region — from Iran to Australia, and from India to Korea — are modernising and growing in projection capacity in order to combat perceived threats to national security that are

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close to and far from their shores; for they all rely on the Indian Ocean for their economic health and survival.

The pace of naval capacity growth is not being matched by enhanced collaboration across the IOR. Sub-regional initiatives have met with some success, for example, the anti-piracy measures taken in the Arabian Sea and the Malacca Straits, and search-and-rescue missions. In contrast, wider multilateral security initiatives tend to be constrained by a deficit of trust and of shared regional interests.

Philip has 35 years of academic and industry experience. He started his career as a mineral and oil exploration geologist before moving into the field of energy and resource governance. He has a PhD in geology and an LLM in energy and resources law and policy. Until 2010 he was Professor of Energy Policy at the University of Dundee and Director of the Centre of Energy, Petroleum and Mineral Law and Policy. There the principal focus of his research was China's energy sector, both the domestic and external dimensions. After that, whilst a Fellow at the Transatlantic Academy of the German Marshall Fund of the US, he co-authored a report entitled *The Global Resource Nexus. The Struggles for Land, Food, Water and Minerals*. From 2010 to 2012 he led a major European Union, Framework 7 Programme project "Competition and Collaboration in Access to Oil, Gas and Mineral Resources". Recent books include *China, Oil and Global Politics* with Roland Dannreuther (Routledge, 2011) and *The Governance of Energy in China: Transition to a Low-Carbon Economy* (Palgrave MacMillan, 2012).

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