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# **The Future of Sea Lane Security between the Middle East and Southeast Asia**

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Meeting Summary

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and  
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## INTRODUCTION

On 23–24 June 2015, the Energy Studies Institute (ESI) of the National University of Singapore and Chatham House organized an event entitled ‘The Future of Sea Lane Security between the Middle East and Southeast Asia’. The roundtable took place at the Grand Copthorne Waterfront Hotel in Singapore.

As countries in Asia become more reliant on energy supplies from the Middle East, the sea lanes that connect these regions are increasingly important. While the United States has been the principal guarantor of security of these routes since 1945, there are real questions as to what role America will play in the future as it develops its own energy resources and as its demand for Middle Eastern energy decreases. Any change could have significant implications for Asian nations, and in particular China, whose demand for Middle Eastern energy is rising swiftly. Understanding how these responses may play out is crucially important for policy-makers. To this end, this event brought together 23 experts, scholars and officials from Europe, Asia and the United States to explore the likely scenarios and their implications for the region. The discussions were held under the Chatham House Rule. The following summary sets out the key points made but does not reflect any consensus among the attendees.

The main points brought up during the discussion were as follows:

- The Indian Ocean Region (IOR) covers a vast geographic area. The nature of the security threats varies from a mix of interstate conflict, civil war, terrorism and piracy in the Middle East, to piracy and migration in Southeast Asia, to natural disasters across the region.
- It is unlikely (though still possible) that the United States will significantly reduce its provision of sea lane security in the IOR over the next 15–20 years, for a number of reasons: the continuing importance of the Middle East as a global supplier of oil and gas; the commitment of the United States to a number of conflicts in the Middle East; America’s substantial economic engagement in the Middle East, India and Southeast Asia; and the perception that sea power and control of choke points is indispensable for US hegemony.
- US policy-makers largely view the IOR today in the context of threats emanating from the Gulf region, and the region’s future in terms of the implications for strategic competition with China. However, this point of view is not shared in the IOR itself.

- The IOR's sea lanes are of varying levels of strategic importance to states in the region. Even though the United States is rapidly decreasing its dependence on Middle Eastern oil, some of its major allies—including Japan, South Korea and Australia—are highly dependent upon the security of sea lanes for energy imports (and other commercial trade). India attaches particular importance to sea lane security in the IOR as it is almost entirely dependent on what are termed 'sea lines of communication' (SLOCs) for its international trade.
- For the moment, institutions and states in the IOR are largely not up to the task of managing the sea lanes themselves, both in terms of capabilities and will to act.
- There is doubt over US commitment to the IOR, in particular over the extent to which it will act to guarantee freedom of navigation, because it has acted inconsistently in the past. Many regional actors are suspicious of China and do not believe the country's assertions that its intentions are peaceful.
- Both in this region and in the maritime domain more broadly, states remain the most important actors by a considerable margin, with transnational groupings a distant second. Non-state actors are generally seen as less important at a regional level, since they are either too weak to do more than engage in sporadic disruptive activity (pirates and terrorists fall into this category) or else play by the rules laid down by states (as is the case with multinational corporations). Nevertheless, illegal groups are able to exert control over littorals where local states are weak.
- While roundtable participants largely viewed a major war between the United States and China as unlikely, they more readily envisaged scenarios of limited conflict or increased competition. Nonetheless, the current security arrangement was widely seen as durable.

## **BACKGROUND**

The strategic significance of the Indian Ocean Region (IOR) will continue to grow for the foreseeable future for economic, social, environmental and security reasons.

The littoral regions of the IOR include East Africa, the Middle East, and South and Southeast Asia, all of which will continue to experience long-term growth of population and GDP, accompanied by urbanization and an expanding middle class with growing expectations of materially comfortable lifestyles. Governing these developments will pose a severe challenge for many national governments. Failure to meet societal expectations would enhance existing levels of political instability, unpredictably change patterns of migration, and increase existing security challenges such as piracy.

Economic development of the littoral regions will require additional supplies of energy, much of which may come from the Middle East. That development will be assisted by the shift of manufacturing away from China. Both these trends will boost the volume of seaborne trade passing across the Indian Ocean. Nations with a direct economic interest in sea lane security in the IOR include not just the littoral states, but also European and Northeast Asian countries that rely on the Indian Ocean for trade in commodities and manufactured goods.

The drive for economic development will present a number of environmental challenges, in part related to climate change, but on the whole exacerbated by poor governance. The greatest risks in this respect relate to food and water security.

The prevailing narrative in discussions about the IOR is that the United States is shifting its attention from west to east: trying to disengage from the Middle East and counter the rise of China. But this narrative elides significant complexities.

For example, despite the fact that America is becoming more self-sufficient in energy, its transportation sector remains heavily dependent upon Middle Eastern oil. Simultaneously, the regional powers in the Asia-Pacific are overwhelmingly dependent upon energy supplies sourced in the Middle East. That dependence is only forecast to increase as regional economies develop and their populations increasingly demand higher standards of living.

Given the shared dependence upon energy trade, there is a shared interest in maintaining basic freedom of navigation and communication via sea lanes. However, shared interest does not equate to consensus on how best to cooperate. There are significant and ongoing questions about whose responsibility it is to secure sea lanes, and who should bear the costs of guaranteeing their security.

The littoral states of the IOR are hugely dependent upon the sea. Most of the region's major population centres are port cities, and many of the major land borders (such as between China and India) are drawn across difficult terrain. This means that SLOCs are critical to commerce, industry and security.

Moreover, there are numerous dimensions to the provision of SLOC security, including physical security against attack or disruption, safety measures to mitigate the risk of accident, measures to protect freedom of access, and steps to prevent environmental degradation. No single actor can undertake all the necessary steps to meet these requirements. In short, despite the shared general interest in maintaining open SLOCs, it is difficult to get all the relevant actors to operate in a truly joint way rather than acting individually in a coordinated manner.

## CHALLENGES

- Strategic accommodation. The key challenge for the United States and its allies is how to best to accommodate China's growing interests in the IOR, given its combination of growing strategic ambition, expanding naval capacity and ambiguous intentions.
- Strategic rivalry. While strategic rivalry between the United States and China may not appear in the IOR for many years, India clearly sees China as a strategic rival in this maritime region.
- Strategic divergence among middle powers in the region does not fit neatly within the 'great power' competition rubric. Japan and South Korea, for example, are both aligned towards the United States and against China, but mutual distrust prevents cooperation between them. Other countries, such as Indonesia, have been inwardly focused and have not engaged beyond their immediate littorals or even developed the capacity to do so despite their dependence on seaborne trade.
- Non-state threats were generally deemed to be relatively insignificant at the strategic level. While piracy and terrorism can create specific effects—driving up the cost of moving traffic through sea lanes, forcing states to divert resources and otherwise disrupting their strategies—their actual ability to shape regional power relations and trade is minimal. Increased piracy off the Horn of Africa and in the Strait of Malacca has been successfully contained by cooperative naval action, and there is no reason to suggest that future outbreaks could not be similarly contained.
- Demographic and environmental changes are likely to play a defining role. The region is rapidly urbanizing and middle classes are growing, leading to increasing demands for resources. Many of the region's population centres are also adjacent to the sea; rising sea levels could cause massive population displacement and its attendant, unpredictable second- and third-order effects.
- Catastrophic events are by their nature unpredictable and can have cascade effects in political, economic and security spheres. However, major unexpected events such as 9/11, the tsunami of 2004 or the 2008 economic crisis happen frequently enough to be worth taking into account in strategic planning.

## **INTERESTS OF ACTORS**

### ***Economic Interests***

The United States has bilateral trade agreements with all six Gulf Cooperation Council (GCC) states. This group of countries continues to be a major supplier to the United States of commodities including oil, aluminium, fertilizer and organic chemicals. Total trade between the United States and the GCC in 2013 exceeded US\$120 billion. US companies also have substantial investments in the Middle East, amounting to more than US\$30 billion in 2012. Such investments are likely to grow rapidly now that sanctions on Iran are being lifted.

Even though total and net imports of oil to the United States have declined in the last few years, the absolute quantity of oil supplied from the Middle East has remained relatively stable, at around 2 million barrels per day. But even if US oil imports have declined, America is still closely tied to international oil markets. Therefore any major disruption of oil flows from the Middle East or elsewhere will have negative consequences for its economy, as well as for the economies of the European Union and the member states of NATO.

The US also has significant economic interests in ASEAN, with trade totalling US\$240 billion and investments exceeding US\$200 billion (2013 data); and in India, with trade exceeding US\$90 billion and investments of US\$28 billion (2012 data).

China is and will continue to be heavily dependent on safe, secure and unimpeded transit of goods along the sea lanes between the Middle East and Southeast Asia. China is closely tied to the global economy, with 90 per cent of its foreign trade transported by sea. 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 total foreign trade, 80 per cent of oil imports, and large proportions of other resources such as liquefied natural gas, iron ore and copper.

India is almost entirely dependent on maritime transport for its international trade, which amounts to about US\$800 billion per year. Of this, more than 20 per cent consists of energy commodities. Domestic production of oil and gas is static or declining. The country imports about 80 per cent of its oil requirements and 60 per cent of its natural gas needs, all by sea. In addition, refined oil products account for 20 per cent of the value of exports. Imports of coal have risen rapidly over the last few years, now accounting for about 25 per cent of consumption, and this trend is likely to continue despite growing domestic production.

All state actors around the Indian Ocean and in East Asia have an interest in maintaining freedom of navigation, safety and security along the sea lanes between the Middle East and Southeast Asia. The Middle East states rely on these sea lanes for the energy exports that sustain their economies, and Asian countries are increasingly becoming the principal importers of these energy products. Future gas exports from East Africa will boost these energy flows. At the same time, countries in the Middle East and Africa rely on imports of manufactured goods from Asia.

Overall, the sea lanes linking Europe, the Middle East and Africa with Asia—via the Indian Ocean and the East and South China seas—are among the busiest in the world. They accounted for 25–30 per cent of global shipping traffic in 2012, compared with 17 per cent in 1992—during this period, total shipping traffic increased more than twofold.

### ***Strategic Interests***

The key drivers of US strategic interests in the Middle East and Indian Ocean continue to be: 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 weapons capability; and the promotion of more stable, democratic societies. To date, the overall challenge to US interests posed by China's increasingly expansive foreign policy is not a major strategic threat, unlike the situation in the East and South China seas between China and its neighbours.

In other words, US strategy is still primarily focused on land threats. However these could also lead to disruption of sea lane traffic between the Middle East and Southeast Asia. This could take the form of interference with maritime traffic through the key strategic waterways and straits of the Middle East—namely, the Suez Canal, Bab el Mandeb and Strait of Hormuz. Once commercial ships clear these straits, there are no serious (non-weather-related) threats to their survival on the route to Southeast Asia. In this regard, the plague of piracy that has been most noticeable in Southeast Asia and off the coast of Yemen and Somalia, while an important challenge, poses more of a financial than a strategic threat. Piracy is a business, albeit a very unpleasant one. Most large commercial maritime companies regard the payment of ransom to pirates as a cost of doing business. Nevertheless, the impact on the governance of the country that hosts the pirates may be considerable.

China's overriding strategic priority is to maximize its strategic and operational autonomy, meaning a high degree of independence in decision-making in the international arena. It seeks to expand its access to Middle Eastern and African markets and resources while raising its status as a global power. It can improve its status and its soft power capacity by contributing to the provision of common security goods such as open sea lanes. It can additionally do so by working to build a community of shared interest with other concerned countries. However, building a stronger presence in the IOR also means that China is less likely to be contained or challenged by strategic competitors.



For China, operational autonomy refers to the capacity to act and respond to events without having to rely on others, for example in the evacuation of its citizens from Libya in 2011 and more recently from Yemen.

## **CAPACITIES**

Despite its geographic distance, the United States continues to be the most powerful military actor in the region. Between its blue-water navy, its network of allies and bases, its logistical reach and its financial capacity, the United States remains unmatched in its ability to project power at will. However, as new shipbuilding programmes increase rapidly in cost and as the government continues to struggle with spending caps and contentious domestic politics, the long-term growth plan for the US Navy has been endangered, even as it copes with major worldwide deployments.

Chinese naval capacity is growing rapidly, but along different lines, focused more on anti-access/area denial (A2AD) capabilities such as submarines and anti-ship missiles. These capacities have made it increasingly plausible that the Chinese military could deny US vessels freedom of manoeuvre in proximity to China. However, China is still a long way away from being able to stand up to the United States militarily on its own terms. It is likely to be decades before China can keep a carrier battle group permanently in the Indian Ocean. The challenge for the Chinese military will be to develop its operational experience and professionalism in proportion to its growing base of assets.

Capability is more than simply the sum of military expenditure and assets; a significant aspect is the professionalism and experience of military personnel. But friendly nations are also crucial, in terms of providing logistical support and basing opportunities. Some allies are also capable of operating jointly with each other in complex environments, but this is only true of the most advanced militaries with the longest histories of cooperation.

The United States is effectively a status quo power; it seeks to maintain its own hegemony and prevent the rise of a meaningful alternative. China does not seek to supplant US domination in the IOR in the foreseeable future, but it does seek to build its influence and capacity in the region.

Japan and South Korea have significant naval forces, but have only begun to develop power projection capabilities recently, having previously focused largely on self-defence in East Asia. India has a large and—despite some procurement setbacks—increasingly capable navy, but has until now limited its strategic view to the Indian Ocean. Australia's navy is capable but relatively modest in size. Other regional states, such as Indonesia, Malaysia and Singapore, have more limited naval capabilities; accordingly, their naval strategies tend not to be particularly ambitious, focusing mainly on maritime Southeast Asia and coastal patrol. However, as the overall balance of power changes, there will be increasing investment in strategic naval capabilities and more ambitious strategies.

## MULTILATERAL PARTNERSHIPS

Given the geographic size of the IOR and the variety of interested actors, it is unrealistic for the United States to be the sole supplier of sea lane security. In addition to many bilateral defence or strategic partnerships, a number of trilateral or multilateral regimes address sea lane security in the Indian Ocean, either directly or indirectly. Trilateral cooperation exists between the following nations: Australia–Japan–United States, United States–Japan–India, and China–Japan–South Korea. In addition, Japan, Australia and India are exploring ways to cooperate bilaterally and trilaterally.

Additionally, a number of multilateral frameworks exist:

- The Western Pacific Naval Symposium (with 24 participating countries, including the United States and China);
- The Indian Ocean Rim Association (with 20 members from around the Indian Ocean, plus six dialogue partners including the United States and China), which focuses mainly on economic cooperation;
- The Indian Ocean Naval Symposium (with 35 member nations, solely from the IOR);
- A number of ASEAN-centred groupings, including:
  - The ASEAN Defence Ministers Meeting (ADMM)
  - The ASEAN Regional Forum (27 members, including the United States, China, Russia and the EU)
  - ADMM Plus (ASEAN members plus the United States, Japan, China, South Korea, India, Russia, Australia and New Zealand)
- The Five Power Defence Arrangements (the United Kingdom, Australia, New Zealand, Malaysia and Singapore);
- The Malacca Strait Patrol (Singapore, Malaysia and Indonesia).

Despite the involvement of key naval powers in most of these frameworks, the parties have yet to create a sustained and credible regime for the multilateral provision of sea lane security across the Indian Ocean, despite the recent success of naval operations in the Gulf of Aden. The sources of failure lie in China's preference for strategic autonomy, strategic rivalry between India and China, suspicion of China on the part of several other states, as well as a lack of trust between certain middle powers.

## **OUTLOOK**

Three general types of scenario projections to 2035 emerged from the discussions:

1. The maintenance of US hegemony. This projection foresees sustained US naval engagement in and hegemony over the Indian Ocean, with other nations, including China, free-riding on continued US guarantees of security and freedom of passage. This could lead to growing dissatisfaction on the part of China and other nations, potentially including India.
2. Growing cooperation. US naval engagement in the region is maintained or declines marginally, and mechanisms are developed to accommodate the navies of China and other states (notably India and Australia) into collective security provision. Formal cooperation between the United States and China is likely to be selective rather than comprehensive.
3. Rising tensions. Increased competition between the United States and China, among other factors, undermines efforts to build a collective security framework. The level of security in the Indian Ocean deteriorates and the risk of confrontation rises as each navy seeks to protect its own national interests.

The general consensus was that Scenario 2 provides the best long-term potential for sea lane security in the Indian Ocean. The growth of strategic ambition and capability across the region creates opportunities for greater cooperation and burden-sharing. However, it also means that states will increasingly have the opportunity to project power against one another, which creates instability and potential dangers. However, another view expressed by participants was that Scenario 1 was more likely, given that China currently lacks and is unlikely to develop the necessary capabilities and relationships to take on a fully cooperative role.

However, unexpected 'black swan' events cannot be counted out. Major unexpected events, such as natural disasters, terrorist attacks, coups and so on happen with some frequency, and can rapidly upset regional power balances—and with them the most careful projections and predictions. The most serious type of event discussed would involve either the collapse of the Saudi regime or a major confrontation between the United States and Iran.

There are many regional bodies throughout the IOR, and while some are relatively effective, none are completely inclusive and none appear willing to tackle hard security challenges head on. The lack of an overall regional framework, along with definitional challenges for many of the most pressing threats, impairs cooperation on both military and non-military aspects of ocean governance.

Fundamentally, states are still setting the agenda. Non-state actors, whether they operate within the law or not, are relatively limited in their capacity to change state behaviour or alter the overall strategic balance. If the more positive scenarios of regional cooperation are to be realized, it will likely be through states aligning their interests with each other, with actions against mutually harmful non-state actors forming a clear shared interest.

One proposed longer-term alternative to continued American security provision in the IOR would be for the middle powers to develop an inclusive, multilateral security framework and the capabilities to realize it, but such an outcome would require a significant political and economic commitment over an extended period.

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