



**The Future of the US Security Umbrella
for Sea Lines of Communication (SLOCs)
between the Middle East and Southeast
Asia, and the Future Role of China**
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Philip Andrews-Speed
Christopher Len

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Energy Studies Institute
29 Heng Mui Keng Terrace
Block A, #10-01
Singapore 119620
Singapore
www.esi.nus.edu.sg

Editorial Correspondence should be addressed to Ms Jan Lui (esilyyj@nus.edu.sg)

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About the Contributors

Philip Andrews-Speed is Principal Fellow at the Energy Studies Institute, National University of Singapore.

Christopher Len is Senior Research Fellow at the Energy Studies Institute, National University of Singapore.

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Executive Summary

The Significance of the Indian Ocean

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 a total of 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.

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. Whilst 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 USA to continue its security provision over the IOR at the current level;
- The potential impact of great power rivalry, notably 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 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. 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 US, 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 US 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 US from pursuing a coherent Indian Ocean strategy is the relative weakness of US alliance structures in the IOR.

The outlook for substantially enhanced strategic engagement in the IOR by the USA 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 in favour of 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 US in building their capacity, 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. Between 2015 and 2018, the US Navy will have 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. 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 US remains a key concern. 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 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 an 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

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 absolute 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, despite the recent success of 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.

Implications for the Southeast Asian Region

The primary issue for Southeast Asia is how the evolving dynamics in the surrounding maritime domain as described above would affect the region's stability, security and prosperity. Due their proximity to the IOR, the Strait of Malacca and the adjacent South China Sea will gain even more strategic prominence in the coming years. Given China's naval ambitions for "far seas protection" operations, the South China Sea will gain further importance as the strategic maritime gateway for the Chinese into the IOR. On a similar note, the US 7th Fleet, which is headquartered and forward deployed at Yokosuka, Japan, similarly relies heavily on the South China Sea for transit to the Middle East.

In view of the developing strategic rivalry, the 10 Southeast Asian states which form the Association of Southeast Asian Nations (ASEAN) have an enduring strategic interest to maintain the traditional central role of ASEAN in shaping and maintaining the regional economic and security architectures. However, many ASEAN observers have commented on the weakening of ASEAN solidarity among its member states, with countries such as the Philippines and Vietnam drawing closer to the US and Japan, and Thailand drawing closer towards China.

There are already concerns over the ability of ASEAN to adapt and cope as the surrounding major powers such as the US, China, India and even Japan become more active in asserting their maritime interests across the Indo-Pacific.

Thus, we are seeing a growing convergence of Great Power interests towards the littoral Southeast Asian states. The development of IORA with its focus on the Indian Ocean has also somewhat diminished ASEAN's role as the primary forum for regional issues. In order to maintain ASEAN centrality, ASEAN needs to strike a careful balance. To prevent the emergence of competing power blocs, it has to maintain a safe distance from the various external powers, and also uphold internal unity by safeguarding the principle of consensus.

There are four considerations to keep in mind for the Southeast Asian governments. The first is the careful management of external perceptions to ensure that ASEAN's actions are not misinterpreted as taking aim at any particular country. The second is to have realistic assessments of US commitment and Chinese intentions towards the Southeast Asian region. The third is to ensure that regional tensions, particularly the South China Sea disputes, are resolved peacefully through negotiations and do not further escalate into zero-sum naval competition. The fourth is to ensure that ASEAN continues to play a central leadership role in shaping Asia's regional architectures. These would all require greater dialogue with all parties at the Track One and Track Two levels.

I. Introduction

During World War II, the Indian Ocean was a key theatre of naval operations, and there were many engagements between British and Japanese forces as the struggle for the control of the vital sea lanes became part of the global confrontation between the Allies and the Axis Powers. In the early days of the war, Japan's land, air and naval forces made spectacular advances through Southeast Asia, forcing the surrender of British forces in Singapore in February 1942 and proceeding to threaten India and the sea lanes to the Gulf and the Suez Canal. Following victory of the British in World War II, the UK retained the responsibility of providing security throughout the Indian Ocean.

However, by the late 1960s, Britain began to feel the strains of its global commitments. A prolonged economic recession in the mid-1960s prompted the Labour Government to issue a strict £2 billion ceiling on the 1966 defence budget. In order to meet budgetary demands, its Ministry of Defence planned to abandon its base in Aden by 1968, and then leave all but a token force in the Persian Gulf by the early 1970s. The aim of this redeployment was to abandon commitments "East of the Suez" while refocusing British efforts on NATO and the defence of Europe.

Since that time, 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. 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. Of particular concern is the likely trajectory of security provision by the United States and the possible role of alternative actors, should the US provision decline.

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 a total of 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. Over 30 per cent of the world's population lives in these countries but they account for only about 10 per cent global GDP. Other countries with a direct interest in the Indian Ocean include 10 coastal states in the Red Sea and Persian Gulf, as well as up to 13 landlocked countries in Africa and Asia, many of which are connected to the ocean by rivers. 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. If the countries of the Middle East are included, the IOR hosts some of the world's most important fossil fuel resources, as well as minerals (both on land and deep-sea), fisheries and ecosystem resources.¹ The involvement of East Asian and American nations, particularly China and the USA, in the IOR has led to the concept of the Indo-Pacific, which envisages the Indian and western Pacific Oceans forming a single maritime biogeographic and strategic realm.²

For these reasons, the security of the Indian Ocean, including its sea lines of communication (SLOCs), should be considered as a global public good.

However, no systematic institutional framework exists to provide this security. Instead, maritime security in the IOR is dependent on the longstanding security umbrella provided by the USA, supported by informal bilateral and trilateral arrangements involving fora for deliberation, joint exercises and occasional collaborative action to address immediate pressing challenges.

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. Whilst 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 USA to continue its security provision over the IOR at the current level
- The potential impact of great power rivalry, notably 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 economic development in certain IOR states, which may lead to enhanced piracy, trafficking and large-scale population movements.

These issues provide the context for this report to address 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 US, and at what time would they have the required capability?
- In the absence of such willingness and capability, how can Asian nations prepare for the consequences on security of energy supply of a reduction of US engagement?
- What are the potential implications for the Southeast Asian region?

This report draws on three sources:

- A workshop held in Singapore in June 2015 that brought together 23 experts across Asia, the US and Europe³
- Background papers prepared by a number of workshop participants
- Published data and analyses

The report is structured as follows. It begins with an account of the economic importance of the IOR (Section II), followed in Section III by a summary of the perceived sea lane security challenges in the region. Sections IV and V examine, respectively, US and Chinese security engagement in the IOR, whilst Section VI summarises the activities of other nations. Section VII briefly lays out three possible scenarios for future security provision across the IOR and section VIII concludes by identifying some implications for the Southeast Asian region.

II. The Economic Importance of the Indian Ocean Region

Whilst 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. For these reasons, Martin Walker described the Indian Ocean as a “Nexus of the 21st century”.⁴

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.⁵ 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 (Table 1). These quantities amount to about one-third of total internationally traded crude oil and liquefied natural gas (LNG), respectively.

Table 1. Selected Statistics for Crude Oil and Natural Gas for India, China, Japan and South Korea, 2014

	Units	India	China	Japan	South Korea	Total for 4 states
Crude oil						
Consumption	mmt	181	520	197	108	1,006
Total Imports	mmt	210	372	214	110	906
Imports from Middle East and Africa	mmt	150	231	174	94	649
	% of total imports	71%	62%	81%	85%	72%
Natural gas						
Consumption	bcm	51	185	112	48	396
Total Imports	bcm	19	58	120	51	248
Imports from Middle East and Africa	bcm	18.5	13	45	32	108.5
	% of total imports	97%	22%	37%	63%	44%

Sources: BP, 2015; EIA, 2015

Abbreviation: mmt = million tonnes; bcm = billion cubic metres

With more than 2.5 billion people, the IOR countries account for more than one-third of the world's population, and this is set to grow to at least 3.2 billion by 2030. Whilst the region is relatively poor, accounting for just 10 per cent of global GDP, there is a wide diversity of wealth. At one end of the scale are rich nations, such as Australia, Singapore, Kuwait, Qatar and the United Arab Emirates. At the other end are some of the poorest countries in the world, including Mozambique, Somalia, Djibouti and Sudan.⁶ The economic outlook for the region is largely positive, with the International Monetary Fund projecting average GDP growth rates of 5 per cent to 2020, the major exceptions being the oil-exporting countries of the Middle East which are currently suffering from low oil prices.⁷ With these growth rates likely to continue to beyond 2030, the real GDP of the IOR will double between 2015 and 2030. The consequences are likely to include rising per capita incomes, urbanisation, industrialisation and a growing middle class with strong material expectations, but greater wealth disparities.

The Indian Ocean Region is rich in natural resources of many types: fossil energy, fisheries, minerals, and ecosystem goods and services.⁸ For the states that rim the ocean, the IOR offers the opportunity of a "Blue Economy".⁹ If the Middle East is included, the IOR holds about 50 per cent of the world's proven reserves of oil and natural gas. Although much of the production is currently onshore, most future discoveries are likely to be offshore, as recent developments off East Africa have demonstrated. Other emerging and potential areas of offshore oil and gas production include Myanmar, the Timor Sea and India. The Indian Ocean may also host deep marine gas hydrates, though their commercial exploitation lies some way in the future.

In addition to oil and gas production facilities and ships that transport the fossil fuel across the ocean, the supply chains across the IOR include a massive amount of coastal infrastructure, including oil refineries, petrochemical plants, terminals, gas liquefaction and re-gasification plants, and storage capacity. This infrastructure tends to be concentrated in a small number of locations such as the Persian Gulf, Singapore and Bombay.

Living natural resources form an important part of the wealth of the IOR. The Indian Ocean accounted for about 15 per cent of the total world marine catch of fish in 2012.¹⁰ In addition, many IOR countries, including India, Indonesia, Bangladesh, Thailand and Myanmar, have large aquaculture industries. These fishing industries not only provide food but also economic livelihoods for tens of millions of people across the region, through fishing and farming, as well as their supporting activities. As coastal waters become over-exploited, fishing will move progressively further offshore towards the deep ocean. Just as important as the fish are the wide range of maritime and coastal ecosystem services supplied by such natural features as mangrove forests, sea grasses and coral reefs that protect coastlines, filter pollutants, and provide habitats. Coral reefs, beaches and other natural phenomena are also key tourist attractions, and tourism accounts for a sizeable share of these economies.

The IOR also hosts near-shore and deep ocean mineral resources. Coastal sediments in such countries as Mozambique, South Africa, Myanmar, Thailand and Indonesia hold significant resources of tin, titanium and zirconium,

some of which are in production. The deep ocean bed is home to polymetallic nodules and massive sulphides. India in 1987 and China in 2011 were awarded exclusive exploration rights for such deposits over defined areas in the Indian Ocean. However, the continuing availability of onshore deposits at lower cost means that the deep ocean resources are unlikely to become commercially viable for decades.

III. Sea Lane Security Challenges in the Indian Ocean Region

This section summarises the various direct threats to shipping that arise across the IOR and identifies the sources of these threats.

Direct Threats to Shipping

Direct threats to efficient and safe passage of marine vessels along the sea lanes of the Indian Ocean fall into several categories:

- Inter-state or civil armed conflict
- Deliberate interruption by one or more states
- Hostile acts by non-state actors (piracy and terrorism), especially at choke points
- Other illegal activities
- Accidents and natural disasters

Inter-state armed conflict evidently poses a direct threat to all shipping in the area of conflict. The most notable recent example was the Gulf War of 1990–91. Ships passing along enclosed seas, such as the Persian Gulf, and choke points like the Straits of Hormuz and Malacca, are particularly at risk. The ongoing civil war in Yemen, with Saudi involvement, does not appear to threaten maritime traffic. However, rising tensions between Saudi Arabia and Iran has the potential to escalate to a level of armed conflict that is more disruptive than the First Gulf War.

The deliberate interruption or blockade of a sea lane by one or more states in the absence of armed conflict is a distinct possibility in the Middle East, with Iran possibly playing the role of the main aggressor. A relevant historic example was Egypt's closure of the Suez Canal between 1967 and 1975, which persisted long after the armed conflict had ended.

More pervasive in recent years have been hostile acts by non-state actors, notably those of piracy and terrorism. Piracy has been a serious challenge faced by the Arabian Sea region off the Horn of Africa and the Arabian Peninsula. These attacks developed in the early years of this century, reaching a peak in late 2010 and early 2011, then declining as a result of cooperative security efforts, re-routing and an increase of sailing speeds.¹¹ Piracy is also a growing problem in Southeast Asia, notable around the Malacca Strait, though the frequency of attacks is much less than in the Arabian Sea at its peak. Further, the size of vessel attacked is much smaller on account of the limited resources of the pirates. Concerted patrolling by Indonesia, Malaysia and Singapore succeeded in reducing the number of attacks after 2005, but there appears to be a recent upsurge.¹²

As with the case with piracy, the main area threatened by terrorist attacks is the northwestern part of the Indian Ocean, notably in the Gulf of Aden

and the Persian Gulf. The main agents of maritime terrorism in this region are the various affiliates of Al-Qaeda and the Taliban. In 2000, the USS Cole, a navy guided-missile destroyer, was bombed during a suicide terrorist attack in the Yemeni port of Aden during a refuelling stop. In this incident attributed to Al-Qaeda, 17 American sailors died and 39 others were injured.¹³ Then in 2010, the Al-Qaeda affiliated group, the Abdullah Azzam Brigades, attacked a Japanese-owned very large crude oil carrier (VLCC), but caused no significant damage.¹⁴ Further east, Pakistan's main naval base in Karachi was attacked twice: in 2011, the Tehrik-i-Taliban attacked the naval airbase of Mehran, and in 2014 Al-Qaeda in the Indian Subcontinent tried to take control of a naval frigate in port.¹⁵

Other illegal activities in the maritime space of the IOR appear to be growing in scale and scope in different parts of the IOR over recent years. These include human trafficking and migration, and the smuggling of drugs, weapons and nuclear materials. Whilst these activities do not generally pose a serious threat to the use of sea lanes by naval or commercial vessels, they do diminish the overall level of order and security in certain areas, again primarily in the northwestern Indian Ocean and, to a lesser extent, in the Bay of Bengal and Southeast Asia.¹⁶

Accidents and natural disasters make up the final threat of disruption. Accidental collisions between ships are most frequent in narrow marine passages or "choke points". The main choke points in the IOR include: the Straits of Hormuz, with its two 3.2 km-wide shipping lanes that link the Persian Gulf to the Indian Ocean; and the Strait of Malacca, just 2.7 km wide at the narrowest point, which provides the main passage from the Indian Ocean to the South China Sea. Approximately 30 per cent of world's seaborne oil trade passes through the former, and 27 per cent through the latter. Whilst the volume of oil flowing through these straits has been increasing at a slow rate, the amount of ship-borne LNG through the Strait of Malacca has doubled between 2010 and 2013.¹⁷ As many as 500 vessels pass through or across the Strait of Malacca each day, and this number is set to grow. As a result, the risk and frequency of collisions are increasing.¹⁸

Natural disasters and violent natural events affect shipping in a two main ways. First, the event itself: for example, an unusually violent storm or tsunami can damage or sink a ship either in harbour or at sea. Second, a disaster on land may create the need to divert shipping to assist in rescue and emergency service provision.

The Sources of Threat

With a few exceptions, such as accidents and natural disasters, the threats identified in the previous section do not arise in a vacuum, but rather have their origins in various political, economic or societal contexts. Five partly interconnected categories of threat source may be identified as the following:

- Great power or regional power rivalries
- Maritime disputes or un-delimited maritime boundaries

- Weak state governance capacity or civil conflict
- Discrimination or persecution
- Environmental degradation

The Indian Ocean is seen by many as an arena where great power rivalry as well as regional rivalries are mounting.¹⁹ Although the US is clearly the largest naval power in the Indian Ocean and has the strongest diplomatic and economic ties in the IOR, China's presence is increasing, supported by its recently promulgated One Belt–One Road vision and its steady naval build-up.²⁰ Whilst tensions between the US and China in the Indian Ocean are not significant at present, the risk exists that any conflict in the western Pacific could spill over to the IOR. Tension also characterises aspects of the relationship between China and India, with distrust particularly widespread within the Indian strategic community towards China's intentions. In addition to disputes over land borders and transboundary rivers, this relationship has also seen competition for access to natural resources in third-countries. China's growing naval capacity and ventures in the Indian Ocean have resulted in India becoming more engaged in the South China Sea disputes as part of Delhi's strategic interest.

In the wider picture, the IOR is experiencing a general build-up of armed force capacity, both at sea and on-land. This reflects regional rivalries as well as those between great powers—the most obvious examples being those between India and Pakistan, and between Iran and Saudi Arabia. Among other factors, these tensions involve maritime disputes or un-delimited maritime boundaries, problems that are pervasive in the Bay of Bengal, the Arabian Sea, the Gulf of Aden and the Mozambique Channel.²¹ These rivalries have also spurred nuclear proliferation, notably involving India, Pakistan and Iran.²²

States characterised by combinations of weak governance, civil conflict, civil war and insurgency can play host to non-state actors with illegal or violent agendas, such as pirates, terrorists, and traffickers of drugs and people.²³ The IOR is home to a number of such states, mainly in the northwest of the region with notable terrorist groups including Al-Qaeda, Taliban, al-Shabaab and Tehrik-i-Taliban. In some cases, the weak state capacity has arisen from the growth of militant Islamic movements, not just in the Middle East and North Africa, but also further east, in Pakistan, Bangladesh and Indonesia.

A further consequence of weak governance and civil conflict is the forcible or voluntary displacement of large populations.²⁴ Although armed conflict tends to produce the largest waves of refugees, such as those currently hosted by Pakistan and Iran, other pressures can also persuade people to move. These include various unfavourable outcomes of weak governance such as poor economic conditions, or weak food and water security. Even in the absence of these pressures, systematic discrimination or persecution on ethnic or religious grounds can also trigger migration. The flow of Rohingya from Myanmar is a recent example.

Environmental degradation is yet another source of insecurity.²⁵ In some cases, this arises from poor environmental management by weak or

disinterested governments. In other cases, natural disasters or the steadily accumulating consequences of climate change undermine the sources of livelihood for large populations, either temporarily or permanently. In the absence of a strong state or extensive outside help, migration of large numbers of people is sometimes inevitable. Two emerging challenges in the IOR arise from the future need to resettle the populations of small island states threatened by rising sea levels and the growing need to dispose of nuclear waste.

IV. US Engagement in the Indian Ocean Region

The US 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 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.²⁶ This is exemplified by the division of the IOR between three regional commands: Pacific Command (PACOM), Africa Command (AFRICOM) and Central Command (CENTCOM).²⁷

This section assesses the outlook for US security provision in the IOR by examining its economic and strategic interests in the region, the outlook for its strategic engagement and naval capacity in the IOR, and its regional engagement strategies.²⁸

US Economic Interests

The economic interests in the IOR lie mainly in the Middle East. The US has bilateral trade agreements with all six Gulf Cooperation Council (GCC) states, and this group of countries continues to be a major supplier to the US of commodities, including oil, aluminium, fertiliser and organic chemicals. Total trade between the US and GCC states 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, and these are likely to grow rapidly now that sanctions on Iran are being lifted.²⁹

Even though total and net imports of oil to the US have declined in the last few years, the absolute quantity of oil supplied from the Middle East has remained relatively stable, at around two million barrels per day.³⁰ But even if US oil imports from the Middle East were to decline, the US 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 the US economy, as well as those of the European Union and the member states of NATO.

The US also has significant economic interests in the ASEAN region, 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).³¹

Strategic Interests

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.³²

In keeping with these drivers, when the Obama administration assumed office in 2009, it had two major objectives in the greater Middle East: to end the US military presence in Iraq and to draw down the presence in Afghanistan on an accelerated time frame. Once these goals had been accomplished, the US would “re-balance” its military focus on Asia, more especially East Asia where China is showing increasing maritime assertiveness and ambitions. However,

the Obama administration has found it increasingly difficult to extract itself from the greater Middle East. The Arab Uprisings in 2011 led to US military involvement in Libya and Syria, and the emergence of the so-called Islamic State of Iraq and Syria (ISIS) as a fearsome terrorist group in 2014 has once more seen the US commit itself to fight in the region, so far primarily with air power.

With the emergence of Iran as a key Middle East player and the deep fear among the Sunni Arabs and Israel arising from the deal with Iran that permits it to retain the potential to become a nuclear weapons state, the US is under great pressure to increase its security commitment to the region, rather than walk away from it. In fact, the immediate dangers posed by ISIS in Iraq and Syria could well mean that Obama will have to increase the presence of US ground forces in the region with no expectation that the war against radical Islam will end anytime soon. In other words, US strategy in the Middle East has been primarily focused on land threats. However these could also lead to disruption of sea lane traffic between the Middle East and South East Asia as a result of piracy or terrorism, especially at the choke points, as discussed in Section III of this report.

In the wider Indian Ocean, the main US strategic interest has been to maintain the ocean as an open route for international trade, especially for energy and other raw materials flowing west from the Middle East and Africa to Asia, and for manufactured goods flowing in the other direction.³³ The navy has also been involved in disaster relief. In these respects, the US has been providing a global or regional public good.

The Outlook for US Strategic Engagement in the Region

Although the US has drawn down its military commitment to Afghanistan and Iraq, its interest in stability in the Middle East has not diminished. Rather, it is the nature of the security challenge which has changed, not least through the political instability and armed conflicts that have arisen as a consequence of the “Arab Spring”. Across the wider IOR, the threats to regional stability and economic development appear to be growing in number, variety and intensity, as outlined in Section III of this report.

The “Pivot to Asia” announced in 2011 committed the US to enhancing its presence in the Indian Ocean and Southeast Asia, as well as in the western Pacific, on the grounds of the growing political and economic importance of the region.³⁴ This strategic approach was reinforced by the Department of Defense in its 2015 *Asia Pacific Maritime Security Strategy*, which made frequent reference to the Indian Ocean in the context of its four “lines of effort”, namely: enhancing US military capacity; building partner capacity; reducing risk; and building regional architecture and supporting the rule of law.³⁵ Nevertheless, these and other strategic documents are seen as falling short of a specific US strategy for the Indian Ocean, rather than for the wide Indo-Pacific or Asia-Pacific regions.³⁶

Two sets of institutional factors constrain the US from pursuing a coherent Indian Ocean strategy. The first is the above-mentioned subdivision of the region under three separate military commands. The second is the relative weakness of US alliance structures in the IOR, for only Australia and Thailand

are formal allies, and regional military cooperative institutions lack real substance.³⁷ Though military partnerships of varying intensity exist with such countries as India, Indonesia, Malaysia and Singapore, these capitals emphasise their own strategic autonomy, and do not have clear-cut alignments with the US.

The outlook for substantially enhanced strategic engagement in the IOR by the USA is uncertain for a number of interconnected reasons:

- Foreign policy priorities tend to change with each new US administration, in reaction either to events or to the policy failures of the previous administration³⁸
- The willingness of US voters and political interests in favour of 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 US in building their capacity, both naval and institutional
- The capacity of the US navy to support such enhancement

The Outlook for US Naval Capacity

PACOM is responsible for the Indian Ocean, so its deployed assets are those most directly implicated in the defence of these sea lanes between the Middle East and Southeast Asia. Table 2 displays the total number of each of seven different types of vessels deployed in PACOM in the years 2010 and 2015.³⁹ There has been a modest augmentation of US naval assets deployed in the PACOM area of responsibility since 2010, but it is worth noting that none of these assets are deployed directly in the Indian Ocean.

Table 2. PACOM Deployed Naval Assets

Vessel Type	PACOM 2010	PACOM 2015
Cruisers	11	11
Amphibious ships	7	6
Patrol craft	0	0
Aircraft carriers	4	5
Destroyers	26	31
Submarines	39	41
Frigates	10	9

Source: International Institute for Strategic Studies, *The Military Balance: The Annual Assessment of Global Military Capabilities and Defence Economics* (London: Routledge, 2010/2015).

CENTCOM is not directly responsible for the Indian Ocean, but many of its deployed assets are located closer to the area than those of PACOM. When compared to the same vessel deployments from 2010, present capabilities in

CENTCOM appear to have been somewhat reduced (Table 3). It is worth noting, however, that CENTCOM deployments are determined by the United States' mission requirements in the Middle East, and this decline in vessels is capturing the US drawdown from Iraq and Afghanistan. Again, none of these assets are deployed directly in the Indian Ocean.

Table 3. CENTCOM Deployed Naval Assets

Vessel Type	CENTCOM 2010	CENTCOM 2015
Cruisers	2	1
Amphibious ships	1	1
Patrol craft	11	16
Aircraft carriers	1	1
Destroyers	7	4
Submarines	0	0
Frigates	2	0

Source: International Institute for Strategic Studies, *The Military Balance: The Annual Assessment of Global Military Capabilities and Defence Economics* (London: Routledge, 2010/2015).

If tabulating relevant deployed naval assets in PACOM and CENTCOM is dissatisfying, analysts may prefer to rely on a simpler, rougher approach. As of February 2015, the US Department of the Navy has set its force level goal of 308 ships. The previous year's force level goal was 306 ships, so it is reasonable to say that the United States maintains a goal number of between 306 and 308 vessels.⁴⁰ Approximately one-third of the fleet is actively deployed at any time, and a cornerstone of the US rebalance towards Asia is that 60 per cent of its navy will be based in the region by 2018. This allows us to infer that approximately 60 vessels will be available for the broader Pacific area at that time, though there are few near-term changes that are likely to take place that will affect the deployment levels of US naval assets in the Indian Ocean region.

A bipartisan assessment of the 2014 Quadrennial Defense Review argued that a goal level of 306 ships was insufficient for the United States to maintain its forward-presence missions, particularly in East Asia and the Middle East. The panel recommended that the fleet size requirement falls between 323 and 343 ships.⁴¹ If the panel's advice is heeded, the US fleet could expand by 35 vessels, and we might expect as many as 21 of these additional vessels to be based in the Pacific. This would increase the United States' ability to protect sea lanes between the Middle East and Southeast Asia, but there is no present indication that this will occur.

The US may also modestly expand its forward deployed naval assets if allied countries agree to new basing arrangements. The US and Australia continue to explore joint basing opportunities, and it is possible that the former could opt to base submarines, littoral combat ships, destroyers, or carriers in Perth or Darwin.⁴² The same bipartisan panel cited above recommended that Washington explore energetically the potential basing opportunities with Canberra.⁴³ In 2014, the United States also signed the Enhanced Defense

Cooperation Agreement (EDCA) with the Philippines, which may result in additional forward basing. Because it does not own the bases under the ECDA, however, the United States is unlikely to base significant assets there, and may be most likely to deploy vessels such as destroyers or littoral combat ships, if at all.⁴⁴

Based on present projected force levels, US force level goals of 308 vessels will remain consistent through 2035. Between 2015 and 2018, the US Navy will have a total force of fewer than 300 ships; after 2018, it will approach its goal of 306–308 ships, and hover at or above this number through 2035. Vessel numbers may fluctuate from year to year, because the Navy anticipates a shortfall in small surface combatants, amphibious ships, and attack submarines at various times during this 30-year plan.⁴⁵

In the last several years, the US Navy has augmented its ability to surge forces across the globe on short notice. It has adopted more flexible forward deployment schedules when necessary. In addition, it has implemented a Fleet Response Plan (FRP), which is intended to increase the Navy's ability to surge multiple formations in response to emergencies. The FRP allows the United States to have seven of its 11 carrier strike groups deployed at once and on a short timeline (30 days for the first six, 60 days for the remaining carrier strike group).⁴⁶ Washington has also increased the number of vessels that it homeports in the Pacific. Taken together, these initiatives mean that many of the assets deployed in CENTCOM and PACOM could be in the Indian Ocean in a matter of days; additional non-deployed assets could be surged into the theatre in one month's time.

Around the same time that the Obama Administration announced its Rebalance to the Pacific (or Pivot to Asia), the US Congress passed the Budget Control Act (BCA). Sequestration, which consists of two mechanisms—the annual deficit reduction sequester and the annual appropriations sequester—went into effect in March 2012 and is slated to last a decade. The Budget Act of 2013 eased the sequester numbers for two years, but the full cuts will return in the fiscal year of 2016. If Congress does not act to eliminate the cuts, the Navy could reduce its fleet to just 260 ships—well below current numbers.⁴⁷ The effects of sequestration will also be felt in the operations and maintenance accounts that fund unit readiness.⁴⁸ Even if the United States fully implements the Rebalance and bases 60 per cent of its Navy in the Pacific, this implementation will not be meaningful if the fleet is reduced to 85–90 per cent of its current size. If the size of the fleet drops as low as 260, this will essentially offset the Rebalance's additional force contributions to the region.

In light of this 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 of maintaining a presence in the region.⁴⁹ Particularly if the US Congress does not act to eliminate the cuts, alliances and emerging partnerships will be especially vital force multipliers for sustaining a US presence in the Indo-Pacific region.

Regional Engagement Strategies

In the absence of enhanced naval capacity, the most effective way to enhance US naval engagement in the IOR is through collaboration and capacity-building.⁵⁰ The United States has meaningfully increased its cooperation with regional navies, including those of Japan, Australia and India. The most tangible product from these efforts is the new US–Japan Defense Guidelines, which redefine the alliance’s scope as “global” and pave the way for a more active Japanese presence in the region. The revamped alliance aims to implement “seamless” responses to regional contingencies, and envisions much deeper cooperation on international search-and-rescue operations, training and exercises in the maritime domain.⁵¹

In mid-2014, the United States and Australia signed a binding Force Posture Agreement. The accord will allow the United States to build up Marine Corps rotations in Darwin to 2,500 troops in the next few years. This makes up approximately one Marine Expeditionary Unit, which may serve as a crisis response force. The United States will also preposition military equipment in Darwin so that it may respond more quickly to a crisis in Southeast Asia. The agreement also augments bilateral naval training and exercises in the region, establishes a bilateral working group on ballistic missile defence, and permits increased access for the US Air Force. Follow-on accords may allow for US access to naval facilities in Western Australia.⁵²

Washington is also increasing its naval cooperation with Delhi, but how this relationship will evolve remains to be seen. In October 2014, the leaders of both countries pledged to “upgrade” their annual Malabar exercise, and their January 2015 Joint Vision Statement emphasised a commitment to freedom of navigation and to peaceful resolution of disputes in the South China Sea.⁵³ It did not, however, outline the direction of possible growth in the US–India relationship.

The United States has also pursued direct military engagement with China to encourage regional safety and security. In November 2014, the two countries signed a Memoranda of Understanding, which laid down the rules of behaviour for safe air and maritime encounters, while a supplement MOU on the air-to-air encounters was signed in September 2015. The second was a confidence-building agreement in which the US and China are to notify each other of major military activities, such as military exercises and major defence reports.⁵⁴

In Southeast Asia, Singapore has provided the US Navy with an operation base since 1992. The US has also announced that it will base rotationally four Littoral Combat Ships in Singapore, and will deploy these by 2018.⁵⁵ It continues to hold annual naval exercises with Thailand as part of its longstanding treaty relationship.⁵⁶ Since 2010, the US has enhanced its security ties with Indonesia, and the Department of Defense made capacity-building a priority in its engagements with the navies of both Indonesia and Malaysia. Some have argued that these links should be deepened further.⁵⁷

V. 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. In order to assess this potential, this section outlines China's strategic priorities and its economic interests in the IOR, before assessing the outlook for China's naval capacity and engagement in the IOR and the implications for future Chinese naval deployment in the Indian Ocean.

Strategic Priorities

China's international strategic priorities have undergone a degree of transformation and clarification under the leadership of President Xi Jinping.⁵⁸ Strategic rivalry with the US remains a key concern. In this respect, China's broad strategic priority is to maximise its strategic and operational autonomy, which involves a high degree of independence in decision-making in the international arena. The search for strategic autonomy is particularly relevant today in the South China Sea. Operational autonomy refers to the capacity to act and respond to events without having to rely on others; for example, the evacuation of citizens from Libya in 2011 and more recently from Yemen.

However, it is becoming increasingly evident that stability and peace in China's immediate neighbourhood is the focus of current attention; this neighbourhood embraces the East and South China Seas, Northeast Asia, Southeast Asia, South Asia, Central Asia and Russia. This is the context in which the Chinese President has emphasised the country's need to collaborate with its neighbours and international partners to find peaceful solutions to disputes. This approach marks a significant change from the past, and provides the logical premise for the launch of a new international strategic vision designated as "One Belt, One Road" (OBOR), comprising an overland "Silk Road Economic Belt" that would link Asia and Europe and a "Maritime Silk Road" that spans the South China Sea, the Indian Ocean and the South Pacific. Whilst the geographic extent of this vision is unclear, the principle focus is on promoting economic development in China's neighbourhood by building infrastructure and providing development finance and aid.

Though the vision of the OBOR is international, the primary driver is domestic. Possibly the most pressing challenge that China's leaders face is having to manage the domestic economy to support the aspirations of the population, and in so doing legitimise the continued rule of the Communist Party. Thus, the principal strategic objective of the OBOR is to support China's economy through several different means, for example:

- Diversifying and enhancing the capacity of routes to bring energy, minerals and other essential materials and goods to China
- Stimulating domestic economic growth by employing excess industrial capacity in heavy industry and construction to build infrastructure along

these routes, and gaining access to new markets;

- Upgrading, rebalancing and further opening China's economy to promote internationalisation of the RMB

Many foreign observers remain sceptical over the actual economic benefits to be derived from the OBOR programme due to its vague definition and vast geographic scope, and the likelihood that China over-stretching its reach in the economic, diplomatic and security spheres. Low returns or even financial losses could result from a combination of excessive central planning, poor investment decisions and appreciation of local conditions, corruption, and rent-seeking. These would be in addition to the conventional risks that face all international investors such as currency, policy, legal, fiscal risks and security risks. It is also notable that many likely recipients of investment, such as Pakistan, carry a high level of political risk. Overlying all of these business risks is a broader but poorly defined danger that China's ambitious vision generates suspicion, opposition and resentment among host country governments and populations, as well as among other actors.

China's Interests in the Indian Ocean Region

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. Oil is seen as the most important of these commodities, for China is the largest net importer of oil in the world and depends on imports for 60 per cent of its oil consumption. More than 70 per cent of these imports are shipped across the Indian Ocean from the Middle East and Africa. In the wider context, 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, 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, ranging from mines and gas fields in Australia and pipelines in Myanmar, to infrastructure and resources in the Middle East and Africa.

In these respects, China's economic interests in the IOR closely resemble those of its East Asian neighbours, Japan and Korea, as do its security concerns related to the possible consequences of armed conflict, piracy, illicit trafficking and natural disasters. This convergence of interests clearly does not apply to their relationship with the USA. Whereas Japan and Korea are formal allies, China is an actual or potential strategic competitor of the US, the latter currently the major provider of maritime security in the Indian Ocean. What is of specific concern to China in the IOR is the growing ambition of India, to become a major maritime power across the Indian Ocean, especially with respect to choke points such as the Straits of Hormuz and Malacca.⁵⁹ Whilst many Chinese commentators have argued that the strategic importance of the Malacca Strait (the so-called "Malacca Dilemma") has been overstated by Chinese strategists,⁶⁰

the ability of China to participate in securing sea lanes leading from the Middle East and through Southeast Asia remains a strategic priority for the government.

The Outlook for China's Naval Capacity and Engagement in the Region

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. In it, three of the seven strategic tasks for the armed forces are stated as follows:

- To safeguard China's security and interests in new domains
- To safeguard the security of China's interests overseas
- To participate in regional and international security cooperation and maintain regional and world peace⁶¹

The main 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".⁶² Under the heading, "Force Development in Critical Security Domains", the White Paper emphasises the strategic importance of the seas and oceans, and the need to protect, among other things, the "security of strategic SLOCs and overseas interests" and to participate in international maritime cooperation with the overall aim of "building itself (viz. China) into a maritime power".⁶³

This recent 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.⁶⁴ This modernisation programme is ambitious and has many elements that include a wide range of platforms and weapon systems, as well as maintenance, logistics, doctrine, recruitment and training. Whilst the immediate objectives appear to be the protection of China's interests in its maritime neighbourhood and in the Western Pacific, in the longer term the modernisation is also intended to support China's emergence as a major international maritime power.⁶⁵

Submarines. The development of a continuous undersea nuclear deterrent is clearly a key element of China's ambitions to build a blue-water navy. While the British have just managed sustained availability with a four boat force, the PLAN is likely to require five and possibly six operational units to have this surety (Table 4). Any increase in numbers over this figure would imply a shift in overall PLA resources from land- to sea-based launches. This is unlikely to happen until the submarine force and its missiles have proved their reliability, something very possible by the 2020s.

Table 4. Estimated and Projected PLA Navy Force Levels

TYP	2015-16	2025	2035
SSBN: Nuclear Powered Ballistic Missile Submarine	4+1	6+2	10
SSN: Nuclear Powered Attack Submarine	5+2	15	25
SSK (Modern): Conventional Patrol Submarine	39+3 *	40	40
Aircraft Carrier	1+1	2+1	4
Guided Missile Cruiser	0 +1	2	5
Guided Missile Destroyer	20+4 *	30	30
Anti-Submarine Warfare Specialised Guided Missile Destroyer	0	6	12
Landing Platform Helicopter	-	2+1	4
Landing Platform Dock	3+1	6	6
Auxiliary Oiler Replenishment, Dry Cargo/Ammunition Ship	5+1 *	9+1	12

Note: *Numbers include only units assessed as modern and fully effective in contemporary conditions.

Aircraft carriers. The PLAN appears to have embarked on a carrier programme, with the intention of creating at least four and up to six carrier battle groups. The rehabilitated *Liaoning* (Carrier 16) will be the basis of this effort, although its reliability has yet to be confirmed. Experience gained with the ship will be used to evolve the follow-on units which are entering production. However, the challenge involved with these new carriers will not so much be the build, but the design. For this reason, China’s first home-made carrier under construction, Carrier 17, will also certainly be a direct derivation of the original Russian blueprints for the *Liaoning*. Its construction will give the shipyard type experience, while also allowing time to evolve the design of Carrier 18. The greater the ambitions for Carrier 18, the longer the design phase will be, if not the build (and the greater the risks). Introduction into service of such a vessel is unlikely before 2025, although the production rate could accelerate after 2025.

Surface Combatants. The major new surface combatant project for the PLAN looks to be the Type 055 cruiser. This is clearly intended to act as the major escort for future carrier battle groups and to have considerable strike capability in its own right as the core of a surface action group. The pattern of PLAN building programmes in the past suggests that the first unit will enter service around 2019. The production of smaller air- and surface-warfare specialised units is likely to stabilise around the new Type 052D destroyer, which should remain in production for the next decade.

Potential naval bases in the IOR. China, like the US, cannot hope to sustain naval deployment in the Indian Ocean without access to port facilities. The term “String of Pearls” was created by the consulting firm Booz Allen Hamilton in 2005 as a reference to China’s stated intention to build a series of

ports around the Indian Ocean to support its naval and merchant fleets in friendly countries such as Pakistan, Bangladesh, Myanmar and Sri Lanka. For many years, this concept was ridiculed since very little actual construction seemed to be taking place. However, efforts to develop these facilities have been accelerated by the announcement of the One Belt–One Road vision.

A Chinese state-owned enterprise (SOE) has taken over the management of the deep-water Gwadar port in Pakistan, and has committed to undertake a major enlargement of the port as part of China's US\$45 billion infrastructure investment programme in the country. The same SOE is also involved in other port projects in and around Karachi. In Sri Lanka, Chinese SOEs are engaged in the expansion of Colombo's port as well as the construction of a new port on the south coast of the island. China has also been involved in the expansion or upgrading of port facilities in Chittagong (Bangladesh) and Sittwe (Myanmar). Meanwhile, Chinese naval vessels have been using facilities not just in these ports but also those in Djibouti and the Seychelles, where there are reportedly discussions with China on the construction of naval port facilities.⁶⁶

Box 1. Supplementary Insights on China's Naval Capacity

Submarines

Development of the nuclear attack submarine (SSN) force will continue and this will be most relevant to securing China's interests in the East and South China Seas, and in Southeast Asia. Much will depend upon the success of the new designs (Type 903A/Type 905). If reliability, safety and noise problems apparent in earlier nuclear boats have been resolved, the PLAN probably has the capacity to produce an attack boat a year, with the long-term target of 25 units (Table 4). Such a force would allow sustained deployments into the Indian Ocean and the Pacific, while providing escorts for the on-patrol SSBN. Although this target is unlikely to be reached before 2035, sufficient units should be available by 2025 to provide much of the deployed effort sought. Similar challenges appear to exist with conventional submarines. The PLAN has repeatedly turned to the Russians, for both design assistance and purchase of new construction. Chinese plans to acquire a version of the new Russian *Lada* patrol submarine (SSK) appear to have been replaced by some form of cooperation in Russia's development of a follow-on. The evolved Type 041 will be the core of the modernisation programme. A mature SSK force will probably stabilise at 40 operational boats, provided the nuclear units prove satisfactory.

Aircraft carriers

The actual capability which can be generated by the carriers depends upon their air groups. So far, the only true marinised unit is a fighter, with limited strike capabilities. For the air group to have true all-round capability independent of shore-based air, then Aerial Early Warning (AEW) and Anti-Submarine Warfare (ASW) aircraft will be required, as well as attack aircraft configured for electronic warfare. The PLAN will also need to devote much more attention to helicopters, both as part of the carrier groups to support ASW and Anti-Surface operations, and to operate from its surface combatants in the same roles. All this effort will take the PLAN at least a decade, whether or not modifications are required to fit the new carriers for such new types.

Surface combatants

The key gap in the PLAN's inventory is an antisubmarine-warfare (ASW) specialised unit capable of extended operations, whether as a consort to a carrier or in theatre ASW missions. ASW remains the area of greatest challenge to the PLAN, which can expect only limited technology and doctrine transfer from Russia. Although systematic efforts to gain insights into western ASW technology and procedures will continue, this area of warfare will present significant difficulties for the PLAN's "bootstrap" efforts and presents a real vulnerability for out-of-area deployments, as well as any defensive efforts against American SSNs and Japanese SSKs.

Afloat Support

The fleet train has been inadequate for the PLAN's operations for some years. The handful of oilers were barely sufficient to support such activities as anti-piracy operations in the Indian Ocean and long-range deployments of training squadrons, forcing something of a catch-up on the PLAN. There was a long gap between the first pair of Type 103 replenishment ships, commissioned in 2004, and the second, Type 103A, commissioned in 2013. This programme continued with the launch of a fifth vessel in 2014. At least three more hulls will be required to meet the PLAN's emerging requirements. Sustainment capabilities for carrier groups will not be complete until ammunition and aviation stores ships are brought into service, notwithstanding China's efforts to access forward operating bases in the Indian Ocean.

Amphibious Forces

The PLAN's approach to amphibious capability is difficult to determine. There is a substantial and relatively modern force of tank landing ships and smaller craft. Given that their numbers stabilised some years ago, it may be that they are considered sufficient to meet operational requirements in China's near waters. Priority in the last few years has been given to the much larger Type 071 assault ships. A fourth hull was launched in January 2015 and at least two more may be under construction. These units have obvious utility both within the first island chain and for more distant work.

A much clearer commitment to out-of-area operations may be emerging, as suggested by the appearance of export models of a larger, flat deck design (Type 081). Such ships could form, with Type 071, the core of amphibious groups similar to those of the US Navy. This will also require that much greater priority be accorded to helicopter development—a trend that is not yet apparent in the PLAN. The combination of the new ship and helicopters would form a clear signal of the PLAN's long-term intentions to achieve an extra-regional and even global reach as with the aircraft carrier and fleet train programmes.

Implications for Chinese Naval Deployment in the Indian Ocean

The IOR has great strategic importance for China on account of the role of the ocean as a maritime sea route for the nation's imports and exports, and the increasing level of Chinese investments in the littoral states. However, this does not undermine the primacy of the nearer seas—the East and South China Seas—when it comes to how China thinks in military terms. As a result, most investments and efforts in the naval modernisation programme are being devoted to near-seas offence and defence. The capacity to project a true blue-water navy is an ambition that is less urgent and 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 its primary focus being the main choke points of 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 into the region, although it is likely to be some years before such a presence becomes permanent. This will probably depend on the expansion of the nuclear submarine force. Occasional deployments by larger surface task groups, including amphibious units, have already been conducted. These are likely to become more frequent. An annual, probably Africa-focused major deployment can be expected by 2018.

Although *Liaoning* may be used to conduct a demonstration deployment to the region within the same timeframe, appearances in the Indian Ocean by Chinese carriers will not become routine until Carrier 17 is fully operational. The aircraft carrier program will be subject to the truism that the ability to sustain a continuous operational capability requires three hulls to generate one on task. Given *Liaoning's* age and limitations, it will not be until a fourth carrier is acquired that the PLAN will have any surety that it can continuously maintain a carrier group on station in waters distant from China. Until this time, China will have a choice. It can either deploy its carrier groups as frequently and for as long as possible in order to demonstrate presence, and accept the risks inherent in the gaps in their operating cycles. Alternatively, it can husband them to maximise their readiness for unexpected when a deployment is needed as a strategic signal or for direct action. In reality, the PLAN is likely to attempt to balance between the two approaches, given that the carriers will be important international symbols of China's rise and increasing reach.

As with the United States Navy, an alternative to the carrier battle groups that would demonstrate Chinese presence is to deploy an amphibious force. This would have credibility for all but high-intensity conflicts. Thus, it is likely that for many years a carrier deployment will rotate with an amphibious group and/or even a surface action group centred on a Type 055 cruiser. With careful sequencing of the different formations, Chinese naval presence on such a scale in the Indian Ocean is likely to be continuous by 2020, with carriers taking an increasing share of the load by 2025.

VI. Security Provision by India and Other Actors

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.

This section briefly assesses the interests and naval capacities of selected states with an interest in sea lane security in the Indian Ocean. It examines India, other Indian Ocean littoral states, East Asian states outside the IOR, and cooperative efforts at security provision.

India

With more than 7,000 km of coastline, hundreds of islands and nearly 200 ports, India is a maritime nation, but its easy access to the Indian Ocean brings security risks with it.⁶⁷ Sea lane security is of paramount importance for the country's economy. 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 takes the form of energy commodities. Domestic production of oil and gas is static or declining, and 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.

India has the largest economy of all Indian Ocean littoral states. The next two in rank, Indonesia and Australia, are not solely dependent on the Indian Ocean as they have access to the Pacific. In this respect, India can be said to be the premier Indian Ocean nation in terms of economic size, political weight and geo-strategic location. Its concerns relating to maritime security include all of those outlined in Section 3 of this report, from terrorism, piracy and trafficking, to human security, disaster relief, and search and rescue.⁶⁸

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 its Navy.⁶⁹ The India-China relationship features a complex mix of cooperation and competition, with strong and growing economic ties counter-balanced by disputes over land boundaries dating back decades. These two rising nations will remain the key Asian powers for decades to come, and the Indian Ocean and Southeast Asia will be key maritime arenas where their rivalry will be played out.

India has long possessed the largest ocean-going navy of the IOR littoral states (Table 5), and between 1991 and 2011 spent significant amounts of

money to modernise its navy, though without increasing the absolute number of vessels. Of greatest importance was the growth in the number of submarines, destroyers and missile batteries. The configuration of the fleet suggested that the main objective of this investment was the protection of sea lanes and, secondarily, the soft projection of power.⁷⁰ Despite this investment, a number of vessels still required replacement, and India's naval capacity still fell far short of matching its aspirations.⁷¹ To address this challenge, it took possession of an aircraft carrier from Russia in 2013 after 10 years of negotiation. India's first nuclear powered ballistic missile submarine was launched in 2009 and should be commissioned in 2016. A second is under construction.⁷² 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. In addition to enhancing the capacity of the navy, his government has boosted the domestic ship-building industry. As a result, more than 40 naval vessels are now under construction in India, including submarines, destroyers, anti-submarine corvettes and stealth frigates.⁷³ These trends towards a greater number and larger size of naval vessel demonstrate that power projection has become an important part of India's naval strategy.⁷⁴

The continuing limited capacity of India's navy has obliged the country to pursue a wide variety of partnerships across the IOR and beyond. Immediate threats to India's maritime interests lie mainly to its west. Pakistan continues to pose security challenges, notably through terrorism and piracy.⁷⁵ India's engagement with the Middle East is mainly economic: there is a large Indian labour force in the Middle East, and India depends on the Middle East for about 60 per cent of its oil imports, as well as trade in manufactured goods and infrastructure investment. India also has defence arrangements with a number of Middle Eastern states such as Saudi Arabia, Iran and the United Arab Emirates.⁷⁶ In addition, India's Navy played an active role in the anti-piracy patrols in the Gulf of Aden since 2008.

Since the early 1990s, India has been "Looking East" to Southeast Asia, and particularly to the Association of Southeast Asian Nations (ASEAN). This engagement has been driven primarily by economic objectives linked to India's economic reforms. The Malacca Strait is of strategic importance to India, as it is for many other IOR states, and thus India has built a number of bilateral security relations in the region, notably with Malaysia, Indonesia and Singapore.⁷⁷ The Indian navy took part in disaster relief efforts after the Indian Ocean tsunami of 2004 and the cyclone of 2008, and has also undertaken patrols the Malacca Strait.

To the south, India's navy has been working with South Africa, Mozambique and other East African coastal states, as well as with island nations such as Sri Lanka, Mauritius, the Maldives and the Seychelles.⁷⁸ The visit of Prime Minister Modi to Australia in 2014 saw the two countries sign a new security cooperation agreement that has resulted in the first ever joint naval exercise which was held in September 2015 in the Bay of Bengal.⁷⁹

Further afield, the key relationship would appear to be that between India and the USA. The United States is, after all, the global maritime superpower and key security provider in the Indian Ocean. However, despite the

numerous common interests, active naval cooperation has been slow to develop, even after the Strategic Partnership Agreement signed in 2006.⁸⁰ There is hope that this situation will improve under Modi's leadership.⁸¹ India also holds regular bilateral naval exercises with Russia, France and the United Kingdom.⁸²

In addition to these bilateral partnerships, India has also taken the lead in creating or providing key support for multilateral frameworks (see next section).

Table 5. Reported Strength of Selected IOR Littoral State Navies in 2015

	Iran	Pakistan	India	Malaysia	Singapore	Indonesia	Australia	Japan	South Korea
Aircraft carriers	0	0	2	0	0	0	0	2	0
Submarines	3 (+26*)	8	14	2	6	2	6	18	23
Cruisers	0	0	0	0	0	0	0	2	3
Destroyers	0	0	12	0	0	0	0	34	6
Frigates	0	10	13	10	6	11	12	9	14
Corvettes	6	0	24	4	6	18	0	0	36
Other coastal combatants	182	18	72	33	29	70	14	6	80
Mine warfare	5	3	7	4	4	11	6	35	10
Total	216	36	144	53	51	112	38	106	172

Note: *The number in brackets refers to small and midget submarines.

Source: International Institute for Strategic Studies, *The Military Balance* 115, 1 (2015).

Other Indian Ocean Littoral States

The other IOR littoral states have navies of varying size, structure, age and effectiveness (Table 5). In the northwest of the Indian Ocean, Iran has by far the largest navy in terms of numbers of vessels, though most of these are old and, with the exception of the three Russian submarines, are designed mainly for coastal combat and patrol.⁸³ The main role of Iran's navy is to support the government's strategic objective of expanding Iranian power in the Middle East and reinforcing the nation's capacity for asymmetric warfare against the USA.⁸⁴ To this end, naval patrols are directed principally at the Straits of Hormuz and, to a less extent, across the Caspian Sea. Investment has been directed at upgrading the existing naval bases and building new ones, as well as expanding the fleet of small and midget submarines. The country is also developing a new class of submarine, intermediate in size between the existing Russian and the midget submarines.⁸⁵ Both Russia and China are believed to be providing technological assistance to the modernisation of Iran's navy.⁸⁶ The overall result of these trends will be that Iran's capacity to obstruct maritime traffic in and around the Strait of Hormuz will continue to grow. In contrast, Saudi Arabia is the only country to have armed naval capacity beyond coastal combat, with three destroyers and four frigates.⁸⁷

Lying between Iran and India, Pakistan has a navy that urgently requires modernisation, enlargement and enhanced effectiveness. Though its vessels have been taking part in anti-piracy operations in the Arabian Sea, its poor

security was exposed in the aftermath of two terrorist attacks on its bases (discussed in Section III).⁸⁸ The Pakistan government has been planning a significant increase in the number of submarines and other classes of vessel, through purchases from China as well as a revitalisation of domestic shipyard construction. However, these plans are delayed by budgetary and other challenges.⁸⁹

In addition to their reliance on the Indian Ocean for international trade, Southeast Asian nations share an interest in the security of the Malacca Strait, a seaway which continues to suffer from piracy, illicit trade, human trafficking, armed robbery and accidental collisions. Singapore has the most effective naval force in the region, including six re-conditioned Challenger class submarines and six modern multi-role Formidable class guided missile frigates.⁹⁰ The naval capacities of Indonesia and Malaysia are significantly less than that of Singapore, and are mainly directed at coastal patrols (Table 5).

Since 2004, these three nations have collaborated through the Malacca Strait Patrol (MSP), whereby each party patrols its own waters in coordination with the other. This was supplemented in 2005 with air surveillance (“Eyes-in-the Sky”) that now includes Thailand, and in 2006 with intelligence exchange (MSP Intelligence Exchange Group”). In 2015, the sudden increase in the flow of migrants led to discussions to include Myanmar in these mechanisms, whilst rising tensions in the South China Sea have raised the possibility of joint patrols to the east of the Malacca Strait.⁹¹

In a new initiative, soon after his election President Widodo announced a maritime strategy that would substantially enhance Indonesia’s engagement with the maritime realm, both in its domestic waters and further afield. In this strategy Indonesia is envisaged as a “maritime fulcrum’ between the Indian and Pacific Oceans.⁹²

As an island nation far from a major continent, Australia has a deep interest in IOR security for both economic and strategic reasons. Its navy has significant ocean-going capacity to deploy frigates across the Indian Ocean and to actively support joint maritime task forces.⁹³ Its longstanding treaty relationship with the USA forms an important pillar of its military strategy, and this relationship is set to deepen further.⁹⁴ Australian think-tanks have been among the most sophisticated in the region in analysing the range of traditional and non-traditional threats that might undermine national interests and highlighting the changing security environment.⁹⁵ In response, the federal government has been working on a Defence White Paper that has been several years in the making and still has not been finalised as of 2015. The difficulty in finalising this important strategic document arises from fundamental disagreements over the purpose of the Australian navy and what capacities are needed to fulfil this purpose.⁹⁶ The controversy over the proposal to buy 12 new submarines from Japan is emblematic of the strategic discourse.⁹⁷

East Asian states Outside the Indian Ocean Region

Aside from China, Japan and Korea (Republic of Korea) are the two East Asian nations outside the IOR that have the greatest interest in maritime security in that region. As shown in Table 1, these two countries, along with Taiwan, are

highly dependent on the Indian Ocean for their imports of oil and gas from the Middle East, and are likely to remain so for many years to come. This is despite moves to diversify sources of supply, enhance the use of renewable energy and Japan's gradual return to nuclear power. In this respect, the very survival of these nations is contingent upon the security of SLOCs across the Indian Ocean.

Both Japan and Korea have navies with significant ocean-going capacity (Table 5) and have defence treaties with the USA. Whilst the primary security concern of both countries has in the past related to the long-standing challenges on the Korean peninsula, China's growing military and economic power has triggered both nations to reassess their naval strategies and capacities. In addition, the Indian Ocean is seen as increasingly important. The dependence of both Japan and Korea on the Middle East for oil and gas supplies caused both navies to take an active role in the anti-piracy patrols off the Horn of Africa— in Japan's case, this even called for a new law to be passed.⁹⁸

Japan's relationship with India has been growing over the last 15 years, first in the economic sphere and more recently in the strategic.⁹⁹ Whilst the strategic relationship has much to do with the desire to counterbalance China's rising military power, Japan also sees India as a key naval ally for maritime security in the Indian Ocean.¹⁰⁰ This aspect of the relationship was symbolically illustrated by Japan's 2015 participation in the annual joint US-India naval exercise ("Exercise Malabar"), and by the formal transition of the bilateral arrangement to a tri-lateral exercise.¹⁰¹

For several years, Korea has been harbouring ambitions to build a blue-water navy capable of projection across the globe and which enables the country to play a more active role in Asian maritime security. As a result, it is building new ships, including submarines and destroyers.¹⁰² Reflecting its interests in the Indian Ocean, Korea has been deepening its relationship with India over several years and has carried out joint naval exercises on an irregular basis.¹⁰³ It has also been strengthening its security ties with Australia.¹⁰⁴

Cooperative Efforts

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. 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 (IORA; 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 (IONS; 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 Regional Cooperation Agreement on Combating Piracy and Armed Robbery Against Ships in Asia (ReCAAP; with 20 members, including the USA, China, Japan, South Korea and some European nations)
- 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. IORA and IONS appear to be the frameworks that are most promising. Despite IORA's origins in economic cooperation, maritime security is now officially on its agenda. Whilst IORA is taking steps to boost its capacity with respect to emergency response and search and rescue in cooperation with IONS, there is a reluctance to engage with hard security issues.¹⁰⁵

A key multilateral naval exercise worth pointing out is the Rim of the Pacific Exercise (RIMPAC), which is the world's largest maritime warfare exercise. This event is held biennially, and administered by the US Pacific Fleet from Hawaii. China has been an observer to RIMPAC since 1998, but it was only in RIMPAC 2014 that it was invited to join in the naval exercises. China is reportedly very interested in attending RIMPAC 2016.¹⁰⁶ While RIMPAC's geographical focus is on the Pacific Rim and not the IOR, it would nevertheless serve as a useful venue for the US navy to engage its Chinese counterpart.

Two other multilateral organisations that come from outside the IOR have also been involved in maritime security operations in the region, namely the North Atlantic Treaty Organization (NATO) and the European Union (EU). At the request of the United Nations, NATO has played a leading role in Operation Ocean Shield, aimed at combating piracy in the northwestern Indian Ocean.¹⁰⁷ The EU has contributed through its Atalanta naval mission.¹⁰⁸

VII. The Outlook: Scenarios

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 US to provide the security umbrella for the sea lanes of the Indian Ocean, but some doubt the US'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 it wants to play a more decisive role in providing security across the IOR and counter-balancing the US. 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 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 success; for example, the anti-piracy measures taken in the Arabian Sea and the Malacca Straits, and in search-and-rescue. In contrast, wider multilateral security initiatives tend to be constrained by a deficit of trust and of shared regional interests.¹⁰⁹

In this context, we have identified three general types of scenario projections for SLOC security provision in the IOR up to the year 2035:

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.

Scenario 2 appears to provide 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. Alternatively, Scenario 1 may be seen as more likely, given

that China currently lacks and is unlikely to develop the necessary capabilities and relationships to take on a fully cooperative role.

Major unexpected events, such as natural disasters, terrorist attacks and coups, occur 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.

VIII. Implications for the Southeast Asian Region

The primary issue for Southeast Asia is how the evolving dynamics in the surrounding maritime domain would affect the region's stability, security and prosperity. Due Southeast Asia's proximity to the IOR, the Strait of Malacca and the adjacent South China Sea will gain even more strategic prominence in the coming years. Given China's naval ambitions for "far seas protection" operations, the South China Sea will gain further importance as the strategic maritime gateway for the Chinese into the IOR. On a similar note, the US 7th Fleet, which is headquartered and forward deployed at Yokosuka, Japan, similarly relies heavily on the South China Sea for transit to the Middle East. From an economic perspective, it has often been reported that US\$5.3 trillion of trade passes through the South China Sea;¹¹⁰ and of this, a sizeable volume, which includes Middle Eastern oil and gas destined for the major economies of China and Japan, transits across the Indian Ocean. This has resulted in a growing convergence of Great Power interests towards the littoral Southeast Asian states.

While these littoral states stand to benefit from the overtures of the external powers, the growing attention also comes with rising stakes for the Southeast Asian region as a whole. Politically, the South China Sea, which is already subject to protracted territorial and maritime boundary disputes, is set to see greater contestation among external powers seeking access and control over the South China Sea. If left unchecked, such a trend would in the long run undermine the stability of the region and the autonomy of the Southeast Asian littoral states.

In view of the developing strategic rivalry, the 10 Southeast Asian states which form the Association of Southeast Asian Nations (ASEAN) have an enduring strategic interest to maintain Association's central role of shaping and maintaining the regional economic and security architectures. However, many ASEAN observers have commented on the weakening of ASEAN solidarity among the member states, with countries such as the Philippines and Vietnam drawing closer to the US and Japan, and Thailand is drawing closer towards China.

The growing great power rivalry comes at a time when ASEAN member states are focused on deeper economic integration through the ASEAN Economic Community (AEC), which came into existence on 31 December 2015. In the context of the AEC, the question is whether the ASEAN member states will continue to prioritise the AEC Blueprint 2025—which is on the agenda for ASEAN economic integration from 2016 to 2025 requiring domestic economic reform—or become distracted by the bilateral economic incentives offered by external powers seeking to gain a deeper strategic foothold in the region.

There are already concerns over the ability of ASEAN to adapt and cope as the surrounding major powers such as the US, China, India and even Japan have become more active in asserting their maritime interests across the Indo-Pacific. The development of IORA with its focus on the Indian Ocean has also somewhat diminished ASEAN's role as the primary forum for regional issues. It will, at the very least, further dilute the resources of ASEAN member states and partners in managing regional challenges. In order to maintain ASEAN

centrality, ASEAN will need to strike a careful balance. It will have to maintain a safe distance from the various external powers, and also uphold internal unity by safeguarding the principle of consensus. If ASEAN member states choose to favour bilateral relations with external powers over ASEAN solidarity, the balancing act will produce the ironic effect of gradually making ASEAN lose its relevance if all decisions and outcomes are based on the lowest common denominator.

The other challenge relates to the growing naval interests of external powers in the ASEAN region at a time when maritime consciousness is growing among the ASEAN member states. The test is whether ASEAN and its member states can continue to maintain a balanced approach in managing the various competing relations, so as to avoid the emergence of competing power blocs. There are four considerations to keep in mind for the Southeast Asian governments. The first is the careful management of external perceptions to ensure that ASEAN's actions are not misinterpreted as taking aim at any particular country. The second is to have realistic assessments of US commitment and Chinese intentions towards the Southeast Asian region. The third is to ensure that regional tensions, particularly the South China Sea disputes, are resolved peacefully through negotiations and do not further escalate into zero-sum naval competition. The fourth is to ensure that ASEAN continues to play a central leadership role in shaping Asia's regional architectures. These would all require greater dialogue with all parties at the Track One and Track Two levels.

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