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China-India Rivalry in the Indian Ocean

Rivalry between China and India, the world's two most populous nations, appears to be increasing. While tensions over the two nations' disputed border and other diplomatic frictions have attracted attention in recent months, the China-India rivalry is also expanding into the Indian Ocean. Congress may consider the implications of this evolving strategic rivalry for U.S. interests and strategic balances of Asia.

Indian Ocean Background

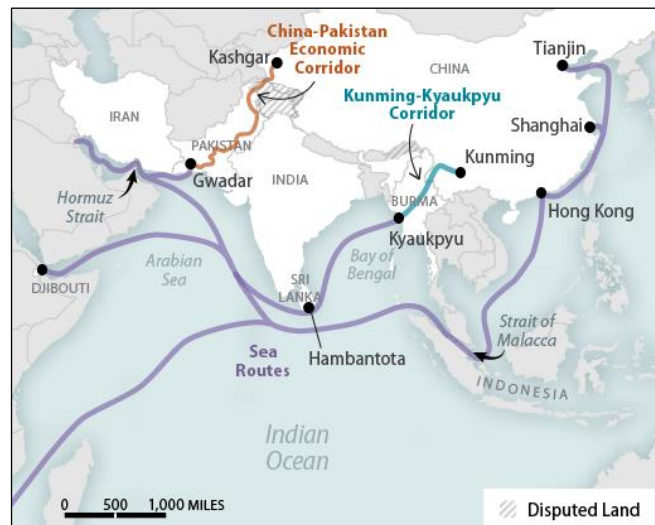
The Indian Ocean region (IOR) was a center of strategic competition for European colonial powers, including the Portuguese, Dutch, French, and British. The British East India Company's presence in the subcontinent is one example of this. China and other Asian powers have also played a role in the IOR. The voyages of Zheng He (1405-1433), for example, briefly extended Chinese influence into the Indian Ocean. The economic rise of China, India, and other Asian nations, and the rapid associated growth in seaborne trade and energy that transits the Indian Ocean, is making the region increasingly significant. Approximately 50% of the world's container traffic and 70% of its petroleum shipments transit the Indian Ocean. The Indian Ocean littoral region encompassed 2.49 billion people in 2010, representing more than one-third of the world's population. It is estimated that by 2030 the population in the IOR will have expanded by 27%. An estimated 15% of the world's fish catch comes from the Indian Ocean, and it may have additional hydrocarbon reserves that may further increase its strategic importance.

China's Expanding Presence in the IOR

China's developing strategic presence in the IOR is manifesting itself largely through port and infrastructure projects, and through its first regional military base. China's development and investment projects have gained strategic coherence through Beijing's Belt and Road Initiative (BRI). This initiative is intended to develop trade and energy routes through the Indian Ocean and its littoral. The BRI's most high-profile project is the \$46 billion China-Pakistan Economic Corridor designed to link China's west through Pakistan to Pakistan's Gwadar Port on the Arabian Sea. China has also proposed a Bangladesh-China-India-Myanmar (BCIM) Economic Corridor. The Kunming-Kyaukpau, Burma segment of the BCIM has moved forward. China is rebuilding its ties with Burma and may augment its oil and gas linkages with that country by developing a Special Economic Zone at Kyaukpau on the Bay of Bengal. China has agreed to sell submarines to Bangladesh and Pakistan and has also invested heavily in port facilities and other infrastructure in Hambantota, Colombo, and elsewhere in Sri Lanka. China is developing investments in port, rail, and pipeline projects in Malaysia, including at Melaka, Selankor, and Perak. Malaysia recently agreed to purchase four Chinese littoral mission

ships. China also reportedly leased an island in the Maldives to develop Maritime Silkroad infrastructure. In addition, in July 2017, China sent troops to Djibouti to set up its first-ever overseas military base. The base will reportedly support Chinese naval ships operating in the region. Djibouti's location on the Horn of Africa gives it access to the strategic Bab el-Mandeb Strait, which connects the Mediterranean Sea with the Indian Ocean via the Suez Canal. A 2016 U.S. Defense Department report to Congress states that China's "military modernization program has become more focused on supporting missions beyond China's periphery, including power projection [and] sea lane security ... China most likely will seek to establish additional military bases in countries with which it has a longstanding friendly relationship and similar strategic interests, such as Pakistan."

Figure 1. Indo-Pacific Energy and Trade Routes



Source: CRS map by Hannah Fischer with data from the South China Morning Post (2017); the Department of State (2015); Esri (2016); DeLorme (2016).

Analysts believe the China-India rivalry could spur the more rapid development and deployment of naval assets on both sides, and in the region more broadly. This geographic expansion of strategic competition between China and India may increase strategic linkages between the Asia-Pacific and the Indian Ocean regions, creating a larger, increasingly interactive Indo-Pacific region including increased competition for energy and other resources across the IOR.

The potential for increasing competition with China may add impetus in India to further develop its relationship with the United States and/or other regional partners in the Indo-Pacific, such as Japan and Australia. Great power competition may also offer opportunities for Indian Ocean littoral states to gain foreign aid, military assistance, and possibly trade and investment. The expansion of Indian and Chinese naval capabilities and presence and increased

engagement with regional states could diminish the relative strategic posture of the United States in the IOR.

China-India dynamics in this region have further implications for U.S. interests and policy. The IOR is a crucial transit route for energy and other cargoes shipped between the Middle East and East Asia's booming economies. This strategic importance is one factor behind rising naval procurement by India, China, and their neighbors, and has led to greater Chinese naval activity in the IOR. China's economic, diplomatic, and military expansion into the region is widely viewed as a challenge for India, long the region's dominant power, and may be leading to a more outward-looking foreign policy in New Delhi, and to warming U.S.-India relations in recent years. The extensive U.S. naval presence in the Indian Ocean and adjacent waters—along with U.S. diplomatic and economic relations with the nations that rely on these transit routes—also makes these dynamics directly relevant to U.S. interests. One issue for Congress is whether to hold hearings on this issue to help the administration develop a comprehensive and integrated strategy toward the Indian Ocean or the Indo-Pacific more broadly. Another issue for Congress is whether to take into account this rivalry when considering naval procurement, or reviewing defense planning and multilateral cooperation in the region.

General Context of China-India Rivalry

Bilateral tensions between India and China related to border disputes and China's support of Pakistan have existed for many years. China and India fought a brief border war in the Himalayas in 1962. This was generally considered a humiliating defeat for India and left a disputed border. While India and China have in the past sought to negotiate a settlement of the border, China in recent years has made more assertive claims. Since 2006, China has claimed the Indian state of Arunachal Pradesh as the Chinese territory of "South Tibet." China also holds significant territory in the western sector of the border at Aksai Chin.

From India's perspective, ongoing tensions have been exacerbated by China's opposition to India's joining the Nuclear Suppliers Group, its obstruction of efforts to designate Jaish-e-Muhammad leader Masood Azhar a terrorist at the United Nations, Chinese and Pakistani plans to develop the China Pakistan Economic Corridor (CPEC) through part of Kashmir claimed by India but held by Pakistan, and China's growing ties with and presence in Indian Ocean littoral states. A further strengthening of China-Pakistan ties could have a negative impact on China-India relations given India's and Pakistan's historically adversarial relationship. A 2017 Pew poll in India found that 44% of Indians felt that China posed a threat to India. India has shown some reluctance to antagonize China as possibly demonstrated by its reported decision to decline Australia's request to join the 2017 Malabar naval exercise among India, the United States, and Japan. From China's perspective, issues contributing to bilateral tensions include the visit by Tibet's exiled spiritual leader, the Dalai Lama, to the Indian state of Arunachal Pradesh, which China considers disputed territory; India's decision not to attend China's Belt and Road initiative summit in May 2017; and a recent stand-off between Chinese and Indian soldiers at Doklam, an area disputed between Bhutan and China.

Tensions at Doklam appeared to be easing in early September 2017.

Economic factors also influence to some extent relations between India and China. In 2016, India had a \$51.1 billion trade deficit with China although China's exports to India accounted for only 2% of China's total exports. Chinese Foreign Direct Investment (FDI) in India has grown rapidly in recent years. China's rank as a source of FDI in India has risen from 28th in 2014 to 17th in 2016.

Strategic Implications

Much of the Indian Ocean is within the U.S. Navy's Seventh Fleet's area of responsibility. The United States military has air, naval, and logistics hubs on the island of Diego Garcia and in Djibouti. The fight against Al Qaeda and the Islamic State in Afghanistan and Iraq has increased the strategic importance of the IOR for the United States as large numbers of U.S. military personnel have deployed through the region in recent years. The region's energy and trade routes are of strategic importance to the United States and many other nations. Any disruption of the strategic sea lanes that link the energy-rich Persian Gulf with the energy-dependent economies of Asia would be detrimental to the world's economy. Increasing U.S. energy independence makes it relatively less vulnerable to interruption of these routes than other nations. China's dependence on imported energy, and the strategic vulnerability that this presents, has been labeled its "Malacca dilemma" after the key strategic strait through which an estimated 80% of Chinese oil imports flow. Much of China's strategic maneuvering in the IOR can be viewed as an attempt to minimize this vulnerability.

The extension of Chinese influence into South Asia and the IOR, when viewed in the context of China's assertive behavior in the East China Sea and the South China Sea, raises concerns in many Asian capitals. China's contemporary naval presence in the Indian Ocean began with counterpiracy operations in the Arabian Sea. While some in India increasingly feel encircled by China's strategic moves in the region, the Chinese may also feel threatened by its limited ability to secure sea lanes, upon which China's economy depends for both trade and energy. The Chinese also emphasize the potential economic benefits of the Belt and Road Initiative to regional states. Understanding and effectively managing these evolving security and economic issues may be key to preserving regional stability and U.S. interests in the region. Some IOR states are hedging against China's rising power or developing their own defense capabilities; others are seeking more accommodative strategies or combining these approaches. Hedging strategies by Asian states include both developing intra-Asian strategic ties as well as enhanced ties between regional states and the United States. From this perspective there may be an opportunity for enhanced security collaboration between and among democratic nations such as the United States, India, Australia, and Japan.

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