

Australia India Institute

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# A VERY SHORT POLICY BRIEF

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Australia's India Choice:  
Navigating strategic competition between India and China

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The Australia India Institute's A VERY SHORT POLICY BRIEF series examines key questions facing contemporary India and the Australia-India relationship. It combines in-depth academic analysis with clarity and policy relevance.



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## Summary

As India and China emerge as major powers, strategic competition is growing between them. This is becoming particularly evident in the Indian Ocean region. Australia has a major trading relationship with China and a growing defence and security partnership with India: and both of these relationships will be important for Australia's future prosperity and security. This means that Australia will need to navigate a rather strained relationship between those powers if it is to avoid having to make a choice between them in regional affairs.

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## An Overview

India and China are fast emerging as major powers of the Indo-Pacific. As their wealth, power and interests expand, they are increasingly come into contact with each other. The relationship between them is sometimes difficult. Their security relationship is relatively volatile and there are numerous unresolved issues between them. Not least is China's growing presence in South Asia and elsewhere in the Indian Ocean region, where New Delhi perceives China to be shaping the strategic environment and forming alignments that could be used against India. How India and China get along – cooperation, coexistence, competition or confrontation – could be one of the key strategic challenges for the region in the 21st century.

This Policy Brief looks at growing strategic competition between India and China in the Indian Ocean region and what that may mean for our region and for Australia. How can Australia navigate a tense Sino-Indian relationship, while continuing to further develop its relationships with each of them?

This Brief concludes that Australia will need to develop a strategy for the Indian Ocean that articulates its strategic objectives in that region, including the promotion of stability and the mitigation of strategic rivalry between major powers.

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## The Challenge

Strategic competition between India and China in the Indian Ocean region is growing, to a large extent driven by quite different self-perceptions about their status and roles. There is a real risk that these differences in perceptions will lead to a highly negative dynamic in their relationship – possibly to the detriment of Australia.

### India's Aspirations in the Indian Ocean region

India has long harbored ambitions to become a leading power in the Indian Ocean region. Many in India's strategic elite consider India as more or less destined to be the natural leader of the region in the long term. India has sometimes also taken a proprietorial attitude towards South Asia and the broader Indian Ocean, which leads it to have strong preferences against the presence of any other major powers in the region.

Views on the desirability of excluding other powers from the Indian Ocean are in part a defensive reaction to India's colonial experience. This has led to a view among many Indian analysts that the presence of outside powers in India's neighborhood is essentially illegitimate: that India's neighbours, especially in South Asia, should rely on it as the predominant regional manager and security provider.

But India's strategic aspirations in the Indian Ocean also reflect broader aspirations to be acknowledged as a major regional power. Some analysts directly connect India's ambitions in the Indian Ocean region with its aspirations to be recognized as a great power that sits at the world's top table.

### China's growing strategic interests in the Indian Ocean region

China has significant security interests in the Indian Ocean region, which are now leading to an ever greater military presence in the region. China's overwhelming strategic concern in the Indian Ocean is the protection of its maritime trading routes, particularly those carrying oil and gas that the Chinese economy relies upon. Beijing is keenly aware that these trading routes are vulnerable to threats from adversaries, especially at the narrow 'chokepoints' in the Indian Ocean through which maritime trade must pass. Some 40% of China's oil imports pass through the narrow entrance of the Persian Gulf and around 82% of China's oil imports transits the Malacca Strait in Southeast Asia.

China also has other important and growing interests in the Indian Ocean region. One is the growing number of Chinese nationals living and working in the region, many in politically unstable countries. Another is China's economic investments in the region, including in infrastructure and resources as part of its Belt and Road initiative. The imperative to protect Chinese people and investments in the region is likely to become an increasingly important element in China's military presence.

These factors are leading China to develop a military presence in the Indian Ocean region, including a semi-permanent naval presence in the Arabian Sea and the establishment of China's first overseas military base in Djibouti and likely another base in Pakistan. The Chinese navy is effectively moving to a two ocean strategy that incorporates the Indian Ocean as a normal part of China's military reach. The nature of many of China's relationships in the region are also changing, including the development of semi-military alliances, building dual-use port facilities for possible use by the Chinese navy, and increasing Chinese arms transfers into the region.

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## Indian Perspectives on China and its role in the Indian Ocean

The Sino-Indian dynamic in the Indian Ocean is just one part of a multifaceted relationship that combines elements of cooperation, coexistence, and competition. The level of trade between them has, for example, grown considerably in recent years, although bilateral investment remains very thin. But China's growing political and military presence in South Asia and the broader the Indian Ocean region is viewed with special suspicion by India. China's growing relationships with countries in the region are generally not perceived in Delhi as being a legitimate reflection of Chinese interests, but as being directed against India, either to encircle it or keep it off balance.

China's projection of naval power into the Indian Ocean has become the Indian Navy's principal long-term source of concern, and is now an important driver of India's growing security relationships with the United States and Australia. India sees the need to work with both Washington and Canberra to balance or delay the growth of China's presence in the Indian Ocean.

India's claims to a special regional security role and its views on the legitimacy of China's presence create fertile conditions for competition. This is exacerbated by another factor: a perceived imperative to maintain China's strategic *vulnerability* in the Indian Ocean. Unlike other dimensions of the strategic relationship where India is generally at a disadvantage, the geography of the Indian Ocean gives considerable advantages to India. As a result, and despite some alarmist commentary to the contrary, the Chinese naval presence in the region presents a manageable military threat to India and the Indian Ocean is the one area in which India holds a clear military advantage over China.

India's strategy of building its naval capabilities near Indian Ocean chokepoints involves an implicit threat of blocking of China's trading routes. Beijing is concerned that in the event of a conflict between the two states on their shared border, India might be tempted to escalate the conflict to the maritime sphere, where it would have the advantage.

### Chinese Perspectives on India and Its role in the Indian Ocean

Beijing takes a quite different view from Delhi on India's proper role in the Indian Ocean region and the legitimacy of China's presence there. For a start, many Chinese strategists perceive India as lacking comprehensive national power and give it a status significantly below major Asian powers such as Japan or Russia. This may make China less respectful towards India compared with its dealings with other powers. There is also a pronounced asymmetry in threat perceptions: India tends to regard China as a significant threat, whereas China is much more focused on the United States.

Beijing also strongly resists any suggestion that India has any right to restrict China's relationships in the Indian Ocean region or that India should be somehow recognized as having a sphere of influence in the Indian Ocean. China takes the view that it is free to enter into relationships with India's neighbours as it chooses.

Some argue that China suffers from strategic "blind spots" in understanding the perspectives of its neighbours, particularly with India. Strong Chinese beliefs about their country's history may make it difficult for Chinese to put themselves in their neighbor's shoes and reassure them about China's growing power. These beliefs may also tend to make China dismissive of Indian fears.

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### China's choices with India and India's choices with China

As a result of these differences in perceptions, and perhaps a strategic 'blind spot', China generally pays little heed to Indian sensitivities about China's relationships in the region. China's growing military and economic links with Pakistan (which in the past has included proliferation of nuclear weapons), are brushed off as unimportant because they are "not directed at India." None of this is any reassurance to India.

This negative dynamic is exacerbated by China's approach towards its Belt and Road initiative under which China is building huge infrastructure projects throughout the Indian Ocean region, many of them in India's immediate neighbourhood. Beijing regards these initiatives very much in economic terms and takes the view that it does not require India as a partner in the region. It need not explain its regional initiatives to India nor ask for India's cooperation.

This approach has only fuelled Indian suspicions about the Belt and Road initiative, leading the Indian foreign secretary to comment that when "a national initiative is devised with national interest, it is not incumbent on others to buy it." There is currently little indication that India is interested in buying into China's Belt and Road initiative in any significant way. Overall, there seems to be little chance that India will be a willing partner with China in the Indian Ocean region and much more likely that it will oppose many Chinese initiatives throughout the region.

Greater transparency by Beijing in its relationships in the Indian Ocean might prevent India from sliding into simple obstructionism over China's engagement with the region. But transparency would not address the fundamental differences in perceptions over India's and China's roles. This would require much greater effort by both sides to build mutual understanding of their competing perspectives and a willingness to adjust those perspectives.

There is a significant risk that differing perspectives over status and aspirations could descend into long-term strategic rivalry between the two countries that could destabilize the whole Indian Ocean region. China now seems intent on pressing ahead with its plans in the Indian Ocean without making a major effort to coopt India as a partner. But in the long run it may find it difficult to create a favorable geostrategic environment in the Indian Ocean in opposition to India.

For its part, India will likely seek to maintain what strategic advantages it has over China in the region: including developing its naval and airpower in cooperation with partners such as the United States, Australia, Japan and France.

### What does India-China strategic competition mean for the region?

Competition between India and China is becoming an increasing factor in political dynamics in South Asian countries such as Pakistan, Sri Lanka, Bangladesh as well as several island states in the Indian Ocean. Some are trying to capitalize on competition to extract economic, political and military benefits from one or both sides. Countries such as Sri Lanka, Bangladesh and Maldives seek to play China and India (and its partners) off against each other to attract more investment in major infrastructure projects.

But competition between China and India can also lead to political instability in many countries. Over the last few years, controversies over major Chinese infrastructure projects have contributed to changes in government in Myanmar and Sri Lanka, with India likely playing a significant role in the latter case. We are likely to see more jostling for influence throughout the region in coming years.

There are also fears that strategic competition will lead to the greater militarization of the Indian Ocean region. China is in the process of establishing military bases in the western Indian Ocean, and India is responding by developing military facilities in several countries. It is not clear that India or China would be willing to reach a *modus vivendi* in the region.

Most Indian Ocean states, with the possible exception of Pakistan, would not like to see increased strategic competition between India and China across the region. However, their ability to act collectively is limited. The Indian Ocean Rim Association (IORA), the only pan-regional political grouping in the Indian Ocean, is very weak and operates only by consensus. India, as a leading player in IORA, is particularly concerned to keep China and Pakistan (China's main regional ally) out of the grouping. It is therefore unlikely to be a useful tool in mediating strategic competition between major powers

### What does it mean for Australia?

These developments create some important challenges for Australia. It is the country with the longest Indian Ocean coastline and by far the biggest maritime jurisdiction in the Indian Ocean. Australia values its growing strategic relationship with India, including as an important long term defence partner. But it would not be in Australia's interests to see strategic rivalry in the Indian Ocean leading to instability, rivalry and militarization in the region.

Australia is concerned about Chinese assertiveness in East Asia, most obviously in the South China Sea. But how do these concerns translate to the Indian Ocean region? Some argue that China is merely moving to protect its legitimate interests in the Indian Ocean and that Australia could potentially work with partners such as the United States and India to coopt China as a responsible stakeholder there. An alternative might be to work with its partners to improve defensive capabilities in the Indian Ocean to potentially deter assertive Chinese behaviour elsewhere.

Yet other analysts argue that accelerated arrival of China as a security player should be cause neither for panic nor complacency. There is still scope to ensure that China in the Indian Ocean becomes neither destabilisingly defensive nor dangerously dominant. Both Australia and India should take the initiative in building maritime security cooperation with a range of capable Indian Ocean-going powers that are well-disposed to its rise in order to create a stable strategic environment in which China will play an important role.

But Australian policy-makers have not articulated a clear strategy to shape the strategic environment in the Indian Ocean region, including having regard to its relationships with India and China. Australia has long neglected the Indian Ocean region and has often effectively outsourced its defence needs and security relationships there to the United States. That approach has probably reduced Australia's influence in the region and reduced its options in shaping the strategic environment. But Australia will no longer have the luxury of taking the back seat in the Indian Ocean region if the negative dynamic between India and China continues on its present course.

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## Recommendations

- The defence partnership with India is becoming increasingly important for Australia, and cooperation with India in the Indian Ocean region will be a key part of that relationship. But the lack of a comprehensive strategic policy towards the Indian Ocean region, including India, undermines Australia's interests. Australia needs to better articulate its strategic objectives in the region, including how it intends to promote political stability and mitigate potential strategic rivalry.
- Australia needs to actively develop its partnership with India without becoming captive to India's particular perspectives on China. That can sometimes be a difficult balance to achieve, but it is essential.
- Australia needs to better articulate its own preferences for China's role in the Indian Ocean region. How can Australia build a cooperative relationship with China which recognizes its interests and encourages China to become a responsible stakeholder – in a way that would be broadly acceptable to India?
- Australia should continue to partner with India and other major regional players in building more effective Indian Ocean regional institutions and norms. That can involve a difficult balance between encouraging India to assume a more active role in the region without necessarily ceding regional leadership to India.

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