China-India Great Power Competition in the Indian Ocean Region: Issues for Congress

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Summary

The Indian Ocean Region (IOR), a key geostrategic space linking the energy-rich nations of the Middle East with economically vibrant Asia, is the site of intensifying rivalry between China and India. This rivalry has significant strategic implications for the United States. Successive U.S. administrations have enunciated the growing importance of the Indo-Pacific region to U.S. security and economic strategy. The Trump Administration’s National Security Strategy of December 2017 states that “A geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region.”

A discussion of strategic dynamics related to the rivalry between China and India, with a focus on U.S. interests in the region, and China’s developing strategic presence and infrastructure projects in places such as Pakistan, Sri Lanka, Burma (Myanmar), and Djibouti, can inform congressional decision-makers as they help shape the United States’ regional strategy and military capabilities. Potential issues for Congress include determining resource levels for the Navy, Marines, Air Force, and Army to meet the United States’ national security interests in the region and providing oversight of the Administration’s efforts to develop a regional strategy, provide foreign assistance, and maintain and develop the United States’ strategic and diplomatic relationships with regional friends and allies to further American interests.

Competition between China and India is driven to a large extent by their economic rise and the rapid associated growth in, and dependence on, seaborne trade and imported energy, much of which transits the Indian Ocean. There seems to be a new strategic focus on the maritime and littoral regions that are adjacent to the sea lanes that link the energy rich Persian Gulf with the energy dependent economies of Asia. Any disruption of this supply would likely be detrimental to the United States’ and the world’s economy. China’s dependence on seaborne trade and imported energy, and the strategic vulnerability that this represents, has been labeled China’s “Malacca dilemma” after the Strait of Malacca, the key strategic choke point through which a large proportion of China’s trade and energy flows.

Much of the activity associated with China’s Belt and Road Initiative (BRI) can be viewed as an attempt by China to minimize its strategic vulnerabilities by diversifying its trade and energy routes while also enhancing its political influence through expanded trade and infrastructure investments. China’s BRI in South and Central Asia and the IOR, when set in context with China’s assertive behavior in the East China Sea and the South China Sea and border tensions with India, is contributing to a growing rivalry between India and China. This rivalry, which previously had been largely limited to the Himalayan region where the two nations fought a border war in 1962, is now increasingly maritime-focused. Some in India feel encircled by China’s strategic moves in the region while China feels threatened by its limited ability to secure its sea lanes. Understanding and effectively managing this evolving security dynamic may be crucial to preserving regional stability and U.S. national interests.

Some IOR states appear to be hedging against China’s rising power by building their defense capabilities and partnerships, while others utilize more accommodative strategies with China or employ a mix of both. Some also see an opportunity to balance India’s influence in the region. Hedging strategies by Asian states include increasing intra-Asian strategic ties, as well as seeking to enhance ties with the United States. This may present an opportunity for enhanced security collaboration particularly with like-minded democracies such as the United States, India, Australia and Japan. While forces of nationalism and rivalry may increase tensions, shared trade interests and interdependencies between China and India, as well as forces of regional economic integration in Asia more broadly, have the potential to dampen their rivalry. The United States’ presence as a balancing power can also contribute to regional stability.
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Introduction

This report provides background information and potential issues for Congress regarding the growing strategic competition between China and India—the world’s two most populous nations—in South Asia and the Indian Ocean Region (IOR). The issue for Congress is how the United States should respond to this strategic rivalry and what role Congress might play in shaping that response.¹

Sino-Indian strategic competition in the IOR poses several specific policy and oversight issues for Congress. Decisions that Congress makes on these issues could affect numerous aspects of U.S. policy, including U.S. relations with India, China, and other countries in the region; U.S. defense programs and spending levels; U.S. arms sales and foreign assistance programs; and U.S. trade and energy policy. Other CRS reports cover related issues, such as U.S.-China relations,² U.S.-India relations,³ U.S. relations with other countries in the IOR,⁴ China’s military forces,⁵ and other specific issues relating to U.S. policy and this part of the world.

Background

U.S. Strategy and the Indian Ocean Region

Overview of U.S. Strategic Goals, Objectives, and Assets

Indian Ocean Region in U.S. Strategy

A central long-term tenet of U.S. strategic thinking has been that the United States cannot allow any one power, or coalition of powers, to dominate the Eurasian land mass, as such a power or coalition would have the ability to significantly threaten the United States and its interests.⁶ Geopolitical thinkers have long debated the importance of the Eurasian littoral in influencing the strategic direction of the Eurasian landmass. (For more on geopolitics and geo-economics, see Appendix A.) South Asia and the Indian Ocean littoral are a significant part of this broad strategic geography. As such, it is of strategic importance to the United States to understand the evolving power dynamics related to China-India rivalry in the IOR.

The world’s geo-economic shift toward Asia, and the related increase in Indian Ocean trade and investment, is increasing the strategic importance of the Indian Ocean Region to many nations.⁷

¹ India and China have approximately 1.3 billion people each for a total of 2.6 billion people out of a world total of an estimated 7.6 billion in 2017. Chris Buckley, “Experts Doubt China’s Population Number, Saying India May Be Number 1,” The New York Times, May 24, 2017.
² See, for example, CRS Report R41108, U.S.-China Relations: An Overview of Policy Issues, by Susan V. Lawrence.
³ See, for example, CRS Report R44876, India-U.S. Relations: Issues for Congress, coordinated by K. Alan Kronstadt.
⁴ See, for example, CRS Report R41832, Pakistan-U.S. Relations, by K. Alan Kronstadt, and CRS Report RL31707, Sri Lanka: Background and U.S. Relations, by Bruce Vaughn.
⁶ See Ronald O'Rourke, Defense Primer: Geography, Strategy and U.S. Force Design, CRS In Focus Report, IF 10485.
⁷ For more information see CRS In Focus IF10560, The Changing Geopolitics of Asia: Issues for Congress, by Emma (continued...)
Further, the rapid development of China’s economic and military capabilities in the IOR is a source of rivalry and tension. The Indian Ocean is the world’s busiest trade corridor, carrying two thirds of global oil shipments and a third of bulk cargo. Approximately 80% of China’s, 90% of South Korea’s, and 90% of Japan’s oil passes through the Indian Ocean. This economic dependence on energy and trade transiting the Indian Ocean has become a strategic vulnerability for these states at a time when the United States is becoming less dependent on imported energy.

**U.S. Goals and Objectives**

Under several past administrations, U.S. policy toward the Indo-Pacific has included the following goals and objectives:

- Shape the strategic dynamics in the IOR as needed to prevent Asia from being dominated by a single hegemon or coalition of powers that could threaten the United States;
- Support U.S. friends and allies in the region and develop strategic and defense relationships with regional partners to strengthen the U.S. strategic standing in the region;
- Promote a rules-based order and norms that support regional stability;
- Protect U.S. access to energy supplies;
- Help maintain freedom of navigation on the high seas and through the strategic choke points of the Indo-Pacific to facilitate the flow of U.S. and global trade and energy resources and the transit of U.S. naval forces;
- Prevent the region from being used by terrorists as bases of operations;
- Prevent the proliferation of Weapons of Mass Destruction from the region to state and non-state actors;
- Prevent large scale conflicts, such as between India and Pakistan, to preserve regional stability and trade;
- Keep the United States engaged in the dominant economic and strategic architectures of the region to promote U.S. economic interests;
- Continue to work with like-minded partners to support open societies and promote shared values including the rule of law, human rights, democracy and religious freedom;
- Conduct counterpiracy operations; and
- Work with China, India and regional states to address the threat of climate change in bilateral, multilateral, and global contexts.

Under the Trump Administration, some of these assumptions and policy positions, such as the importance of climate change, have changed.

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(...continued)

Chanlett-Avery, K. Alan Kronstadt, and Susan V. Lawrence.


U.S. Assets

The United States has significant military assets in the Indian Ocean Region including

- **Camp Lemonnier in Djibouti**, which is the primary base of operations for U.S. Africa Command in the Horn of Africa, supports approximately 4,000 U.S. and allied military and civilian personnel.10
- A **U.S. Navy Support Facility** is located on the British Indian Ocean Territory of **Diego Garcia** in the Indian Ocean south of India. The facility “provides logistic support to forces forward deployed to the Indian Ocean and Persian Gulf areas of responsibility (AOR).” There are approximately 2,500 U.S. and allied military and civilian personnel on Diego Garcia.11
- **Naval Support Activity Bahrain** is home to U.S. Naval Forces Central Command (CENTCOM) and the U.S. Fifth Fleet. Naval Support Activity Bahrain provides operational support to U.S. and coalition forces in the CENTCOM AOR.12 In addition to much of Central Asia and the Middle East, CENTCOM’s AOR includes the Persian Gulf, the Red Sea, and the Arabian Sea.

The U.S. Pacific Command’s (PACOM) AOR extends across much of the Indian Ocean.13 The United States is also developing a rotational presence of up to 2,500 marines and aircraft near Darwin, on Australia’s northern coast, as part of its alliance relationship with Australia.14


2017 U.S. National Security Strategy15

The 2017 National Security Strategy (NSS) of the Trump Administration declares that “great power competition [has] returned” and places significant emphasis on the Indo-Pacific while describing China, along with Russia, as a revisionist power and competitor challenging “American power, influence and interests” while “attempting to erode American security and prosperity.”16 One observer states that, “The biggest departure from previous NSS documents is the placement of the Indo-Pacific discussion—at the very top of the regions considered, above Europe and the Middle East.”17

The NSS states that “China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor.” It identifies “a

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geopolitical competition between free and repressive visions of world order” in the Indo-Pacific. The document also states that “China’s infrastructure investments and trade strategies reinforce its geopolitical aspirations.” The NSS lists the “Indo-Pacific” as the first of six regional contexts it discusses and states that, “we welcome India’s emergence as a leading global power and stronger strategic and defense partner.” It goes on to say that the United States will expand and deepen its security cooperation and strategic partnership with India while supporting India’s leadership role in the Indian Ocean region. The NSS also states: “We will seek to increase quadrilateral cooperation with Japan, Australia, and India.”

The NSS takes the view that past assumptions that engagement with rivals through international fora and commerce would turn them into benign partners have, for the most part, turned out to be false.

**2018 National Defense Strategy**

The 2018 National Defense Strategy views the reemergence of long-term, strategic competition by revisionist powers as the central challenge to the United States’ prosperity and security. Within this context it states

> China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. ... it will continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near term and displacement of the United States to achieve global preeminence in the future.

The Defense Strategy prioritizes expanding Indo-Pacific alliances and partnerships to achieve a “networked security architecture capable of deterring aggression, maintaining stability, and ensuring free access to common domains ... and preserve the free and open international system.”

**Concept of a Free and Open Indo-Pacific**

On October 18, 2017, in a speech described as seeking to establish a foundation for U.S.-India relations over the next century, then-Secretary of State Rex Tillerson stressed the importance of the United States’ developing a strategic partnership with India by stating that, “The Trump administration is determined to dramatically deepen ways ... to further this partnership.” Tillerson pointed to the annual Malabar naval exercises and growing bilateral defense ties before observing, “The United States and India are increasingly global partners with growing strategic convergence. The emerging Delhi-Washington strategic partnership stands upon a shared commitment upholding the rule of law, freedom of navigation, universal values, and free trade.”

In discussing developing ties with India, Tillerson described China’s rise as

> at times undermining the international, rules-based order even as countries like India operate within a framework that protects other nations’ sovereignty. China’s provocative actions in the South China Sea directly challenge the international law and norms that the United States and India both stand for. The United States seeks constructive relations

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with China, but we will not shrink from China’s challenges to the rules-based order and where China subverts the sovereignty of neighboring countries and disadvantages the U.S. and our friends. In this period of uncertainty and somewhat angst, India needs a reliable partner on the world stage. I want to make clear: with our shared values and vision for global stability, peace, and prosperity, the United States is that partner.\textsuperscript{22}

\textbf{Figure 1. The Indian Ocean and Littoral Regions}

\begin{center}
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\textit{Source:} Graphic created by CRS from various sources.

Former Secretary Tillerson also raised the issue of “predatory economics” and the related need to counter China’s financing mechanisms by providing alternative financing to states. India lauded Tillerson’s remarks while China was more critical.

Tillerson’s affirmation of the strategic partnership between the United States and India builds on bilateral developments of the past several years, over various U.S. administrations. The U.S.-India Joint Strategic Vision for the Asia-Pacific and the Indian Ocean Region of 2015, released under President Barack Obama, affirmed a growing partnership between the two countries:

As the leaders of the world’s two largest democracies that bridge the Asia-Pacific and Indian Ocean region and reflecting our agreement that a closer partnership between the United States and India is indispensable to promoting peace, prosperity and stability in those regions, we have agreed on a Joint Strategic Vision for the region.

Bilateral cooperation is also taking on a more practical aspect. For example, in January 2017 the United States and India were reportedly “jointly tracking Chinese naval movements in the Indian Ocean.”

The Trump Administration has called for an “America First Foreign Policy” and emphasized the need for “Making Our Military Strong Again.” The Administration has highlighted that “Our navy has shrunk from more than 500 ships in 1991 to 275 in 2016. Our Air Force is roughly one third smaller than in 1991.” An understanding of strategic dynamics between India and China may help inform congressional decisionmakers as they make military procurement decisions related to the Administration’s policies and U.S. interests. To this end, Congress can help the Administration to define more clearly what U.S. interests, objectives, and strategy are relative to India and China in an Indian Ocean context.

Some Members of Congress have observed the increasing importance of the Indo-Pacific. H.R. 2621, “Strengthening Security in the Indo-Asia-Pacific Act,” introduced in May 2017 and referred to the Subcommittee on Asia and the Pacific in June 2017, is one example. It would declare that

It is the sense of Congress that (1) the security, stability, and prosperity of the Indo-Asia-Pacific region is vital to the national interests of the United States; (2) the United States should maintain a military capability in the region that is able to project power, deter acts of aggression, and respond, if necessary, to regional threats.

The proposed legislation also states: “Continued United States engagement in the Indo-Asia-Pacific region is fundamental to maintaining security and stability in the region, and the United States should expand and optimize cooperative relationships with and among allies and partners in the region.”

24 “India Lauds Secretary Tillerson’s Speech; China More Critical,” Open Source, Media Notes, October 17, 2017.
Congressional interest in the region was also demonstrated by the House Armed Services Committee’s February 14, 2018, hearing on “The Military Posture and Security Challenges in the Indo-Asia-Pacific Region.” Admiral Harry Harris, Commander, U.S. Pacific Command, testified that “The U.S. has a lasting national interest in the Indo-Pacific,” adding, “To be blunt, the stability of the Indo-Pacific matters to America. And the region needs a strong America, just as America needs a vibrant, thriving Indo-Pacific that remains both politically and economically free.” During the hearing, Harris noted that the current naval modernization program of the People’s Liberation Army Navy (PLA Navy) has China on track to surpass Russia and become the world’s second largest navy by 2020.29

U.S Perspectives on China’s Rise30

How U.S. policymakers view China-India rivalry in the IOR will in part be shaped by U.S. perspectives on China’s rise, which one source has described as falling into one of three broad perspectives:

• China’s rise is a direct threat to U.S. national interests. Beijing seeks to weaken the U.S. alliance system in the Asia Pacific.
• China has no strategic plan to supplant the United States in the region. Beijing’s assertiveness arises from insecurity and opportunism as a consequence of the perceived U.S. threat.
• It is too early to know China’s endgame objectives. Nevertheless, the United States needs to prepare for all eventualities.31

Former Principal Deputy Assistant Secretary of Defense for Asian and Pacific Affairs Kelly Magsamen described U.S.-China competition as the United States’ most consequential challenge and India as the United States’ biggest strategic opportunity during an April 2017 Senate Armed Services Committee hearing on Policy and Strategy in the Asia-Pacific.32 Many analysts and policymakers increasingly view China as a rising competitor seeking to challenge the West and the existing rules-based order. Within this context, many U.S. strategic analysts view India’s rise as a positive development for economic and strategic reasons. One observer states

Only a strong confident India can take a more prominent diplomatic and, if necessary, military role in the world. A strong India can help moderate China’s more extreme international behavior, for example, by pushing back on China’s encroachment into the Indian Ocean and over the two countries’ Himalayan border.33

29 Statement of Admiral Harry Harris, Commander, U.S. Pacific Command, Before the House Armed Services Committee on U.S. Pacific Command Posture, February 14, 2018.
30 See CRS In Focus IF10119, U.S.-China Relations, by Susan V. Lawrence and Wayne M. Morrison, and CRS In Focus IF10273, China’s “One Belt, One Road”, by Susan V. Lawrence and Gabriel M. Nelson.
31 International Institute of Strategic Studies, Asia Pacific Regional Security Assessment 2016, 2016.
33 Anja Manuel, This Brave New World: India, China, and the United States (New York: Simon and Schuster Publisher, 2016), p. 106.
Growing U.S. Energy Independence

The United States energy dynamic has been fundamentally altered by new U.S. domestic sources of energy derived from new extractive technologies such as hydraulic fracturing or “fracking.” As a result, the United States surpassed Russia and Saudi Arabia to become the world’s largest energy producer in 2013. The United States’ reliance on imported oil peaked in 2005 at 60% of supply. \(^{34}\) Natural gas production in the United States is projected by some analysts to grow by 6% a year from 2017 to 2020. \(^ {35}\) In 2016, U.S. net imports of petroleum equaled 25% of U.S. petroleum consumption. “This percentage was up slightly from 24% in 2015, which was the lowest level since 1970.” \(^ {36}\) Despite growing U.S. energy independence, the IOR may remain of key strategic significance to the United States. While the United States is now considerably less dependent on imported energy than in the past, it will likely import energy for years to come. Some assert that “the strategic arguments that rationalized the Carter Doctrine (see below) remain valid today,” even as the Soviet Union is no longer. \(^ {37}\) Many U.S. friends and allies, as well as China, rely on energy and trade that transits the Indian Ocean.

In 2013 testimony before the House Energy and Commerce Committee’s Subcommittee on Energy and Power Daniel Yergin, author of *The Quest: Energy, Security and the Remaking of the Modern World*, observed that despite the rapid increases in U.S. energy production the United States would remain an energy importer for some time even as the Western Hemisphere and North America are headed towards energy self-sufficiency. \(^ {38}\) A February 2018 projection had the United States becoming a net energy exporter by 2022. That said, it is also expected that the United States will continue to import 6.5 million to 8 million barrels of crude oil per day through 2050. \(^ {39}\)

The United States’ geostrategic focus on the Persian Gulf and IOR can be traced to the Carter Doctrine articulated by President Jimmy Carter in his 1980 State of the Union Address. This response to the 1979 Soviet invasion of Afghanistan stated, “an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States.” The key aim of the Doctrine was to warn the Soviets away from any plans to seek to control the energy resources of the Persian Gulf region and thereby maintain regional stability and U.S. access to the region’s energy resources. \(^ {40}\) During the 1970s, the United States experienced energy shortages as the result of supply restrictions imposed by the Organization of the Petroleum Exporting Countries (OPEC). This highlighted U.S. vulnerability created by dependence on external sources of energy and, as a result, the strategic need to secure these

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resources. As noted above, key U.S. allies such as Japan and South Korea remain to a large degree dependent on Persian Gulf energy.\(^{41}\)

### The “Quad” Group

The Quad has been defined as “a loose geostrategic alignment of states concerned with China’s potential challenge to their interests.”\(^{42}\) As such, some observers view it as one of the key strategic responses to China’s rise in the Indo-Pacific. The Quad was first convened on the sidelines of the ASEAN Regional Forum in May 2007. Following this, Australia’s then-Prime Minister Kevin Rudd reconsidered Australia’s commitment to the Quad, leading to a ten-year hiatus of Australian government interest in participation.\(^{43}\) Australia, India, Japan, and the United States held senior official consultations on the Indo-Pacific in November 2017 in Manila.\(^{44}\) India’s motivation for participation in efforts to revive the Quadilateral group with the United States, Japan, and Australia appears to stem, at least in part, from the perception of a need for increased coordination on maritime security issues in the Indo-Pacific.\(^{45}\)

The Quad raises the role of values, as well as interests, in regional security groups. In October 2017, U.S. Acting Assistant Secretary for South and Central Asian Affairs Alice Wells stated, “I think the idea is how do we bring together countries that share these same values to reinforce these values in the global architecture.” Wells went on to describe the Quad as “providing an alternative to countries in the region who are seeking needed investment in their infrastructure” so that they have “alternatives that don’t include predatory financing or unsustainable debt.”\(^{46}\) Former Indian Secretary Anil Wadhwa reportedly believes reviving the four-way security dialogue is a necessary part of managing China.\(^{47}\) In 2018, United States Pacific Commander Admiral Harris stated at a meeting in Delhi, India, that China is a “disruptive transitional force in the Indo-Pacific” and that “We must be willing to take the tough decisions to ensure the Indo-Pacific region and the Indian Ocean remain free, open and prosperous....This requires like-minded nations to develop capacities, leverage each other’s capabilities.”\(^{48}\) Other observers are less certain of the efficacy of such a Quadrilateral group.\(^{49}\)

### China-India Strategic Rivalry in Indian Ocean Region

#### Overview

China’s economic and military power has been growing significantly and China’s military modernization efforts have greatly augmented China’s capability. China’s growing naval

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\(^{41}\) George Friedman, “There Are 2 Choke Points That Threaten Oil Trade Between the Persian Gulf and East Asia,” *Business Insider*, April 18, 2017.


capability, including “capabilities against submarines—its rapidly maturing capabilities in fields such as anti-ship missiles, modern surface combatants, submarines operations and longer range deployments,” has significant implications for India. For some time, the United States has sought to “assist the growth of Indian power. On the assumption that New Delhi and Washington share a common interest in preventing Chinese hegemony in Asia, the United States has sought to bolster India as a counter weight to China.”

There is a growing perception among many analysts that China is asserting itself to expand its influence and challenge the West, India, and a rules-based international order, particularly in the Indo-Pacific region. One means for doing so is China’s use of its geo-economic leverage, which is largely gained through its trade and investment relationships currently being developed through its Belt and Road Initiative (BRI). According to one analyst:

The heavily promoted One Belt, One Road initiative is, in part, an attempt to develop new markets for China across Eurasia—with infrastructure links across central and south Asia towards Europe and Africa. China’s developing interest in Eurasia has significant strategic consequences. The Indian government is concerned that China is encircling it with infrastructure projects that have clear military implications. The ultimate ambition of the Belt and Road initiative is to turn the Eurasian landmass into an economic and strategic region that will rival—and finally surpass—the Euro-Atlantic region.

China-India strategic rivalry in the IOR is shaped by a number factors, including the following:

- China’s further development of its strategic partnership with Indian rival Pakistan through the China-Pakistan Economic Corridor (CPEC), a key project in China’s BRI;
- China’s strategic, trade, investment and diplomatic advances in Bangladesh, Burma (Myanmar), Nepal, and Sri Lanka;
- China’s expanding naval and military presence in the IOR including the new military base at Djibouti (and potentially another in Pakistan) as well as increased naval presence in the Indian Ocean;
- India’s decision not to join China’s BRI over sovereignty concerns related to CPEC projects in Kashmir;
- Border disputes including China’s claim to the Indian state of Arunachal Pradesh and China and India’s border standoff at Doklam in Bhutan;
- China’s opposition to India joining the Nuclear Suppliers Group and to it becoming a permanent member of the United Nations Security Council;
- India’s hosting the Dalai Lama and nearly 100,000 exiled Tibetans;
- India’s Act East Policy including developing relations with Vietnam;

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52 The Silk Road Economic Belt and the 21st Century Maritime Silk Road concepts, collectively known as the Belt and Road Initiative have evolved over time. See “Chronology of China’s Belt and Road Initiative,” Xinhua, June 24, 2016.
55 See Appendix B for more information on border tensions.
• China’s role in blocking the designation of certain anti-India terrorists at the United Nations;\(^{56}\)
• India’s trade deficit with China; and
• the two nations’ starkly different political systems (India is the world’s largest democracy and China is presenting its authoritarian system as a model for the world).

India and China’s Growing Presence in IOR\(^{57}\)

Many analysts view the emergence of a Sino-centric Asian system as not in India’s interest, particularly since India has its own aspirations to great power status in Asia.\(^{58}\) India has generally welcomed the United States’ strategic overtures under the previous Bush and Obama Administrations, but has also sought to maintain its independence and avoid provoking China. Prime Minister Modi’s call for India to become a leading power, or a great power, marks a change for India. For some

Whether India becomes a great power depends on its ability to achieve multidimensional success in terms of improving its economic performance and wider regional integration, acquiring effective military capabilities for power projection coupled with wise policies for their use, and sustaining its democracy successfully by accommodating the diverse ambitions of its peoples.\(^{59}\)

India’s aspirations to great power status are longstanding. Several developments—including India’s economic growth (which may soon make India’s economy larger than either France’s or Britain’s), the modernization of its defense force, Prime Minister Modi’s more active foreign policy and conceptualization of India as a “leading power,” India’s increasing economic interdependence (with 40% of its GDP linked to global trade), an increasingly multi-polar world, and India’s ambitions to assert influence in South Asia and the Indian Ocean—contribute to India’s growing status as one of the world’s leading powers.\(^{60}\) In 2016, India had the world’s fifth largest defense expenditure after the U.S., China, Russia and Saudi Arabia.\(^{61}\)

Speaking in 2015, Indian Foreign Secretary S. Jaishankar discussed India’s efforts to develop greater connectivity with neighbors and the development of an integrated Indian Ocean strategy and the need for India to pursue a

more energetic diplomacy that seeks a larger and deeper footprint in the world.... The transition in India is an expression of greater self-confidence. Its foreign policy dimension is to aspire to be a leading power, rather than just a balancing power. Consequently, there is also a willingness to shoulder greater global responsibilities.\(^{62}\)

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\(^{61}\) “A New Military Order?” The Times of India, February 14, 2018.

Tensions related to ongoing Indian border disputes with China and concern over China’s increased presence in its neighborhood as well as the welcoming of a stronger India in world affairs by the United States, contributes to a level of agreement by some in India that the presence of the United States in the region generally supports Indian interests. That said, India’s continuing attachment to policies of strategic autonomy and its reluctance to take actions that could antagonize China, have placed limits on its relationship with Washington.63

While mounting tensions characterized bilateral relations between New Delhi and Beijing for much of 2017, more recent events point to efforts to improve bilateral ties between them. India is reportedly seeking a “reset” of its relationship with China in the lead up to the Prime Minister’s visit to the Shanghai Cooperation Organization (SCO) summit in Qingdao in June 2018.64 In the view of one analyst, “Both sides seem to be conscious of the need to do something to arrest the decline in their ties.”65 Another report states, “Post-Doklam, India and China are trying to put the pieces together.”66 Prime Minister Modi and President Xi met on the sidelines of the BRICS summit in Xiamen in September 2017 and opened a “forward looking” round of engagement, apparently including border confidence building measures aimed at preventing future border incidents from occurring. Foreign Secretary S. Jaishankar emphasized that the two leaders had “laid out a very positive view of the relationship” and stated

I think one of the important points which were made in the meeting was that peace and tranquility in the border areas was a prerequisite for the further development of the bilateral relationship and there should be more effort to really enhance and strengthen the mutual level of trust between the two sides.67

In December 2017, the Foreign Ministers of China, India, and Russia held their 15th meeting in New Delhi to discuss issues of common concern. Among other provisions in their joint communique, they reiterated the importance that they attach to the trilateral platform, and the Foreign Ministers of Russia and China welcomed the accession of India as a member of the SCO in June 2017.68

Indian analyst Raja Mohan has observed that “India might be quite open to a substantive dialogue with China on the Belt and Road Initiative if Xi is prepared to address New Delhi’s concerns on sovereignty and sustainability” and that “Delhi has said it is open to consultations with China on the development of regional trans-border infrastructure.”69

65 Manoj Joshi, “Fresh Overtures Hint at a Thaw in India-China Relations,” Asia Times, March 9, 2018.
66 “India, China Try to Reset Ties Ahead of Modi’s SCO Trip,” The Times of India, March 4, 2018.
Some Emerging Implications of China-India Rivalry

Emerging implications of Sino-Indian rivalry in the IOR include the following:

- This rivalry is no longer mainly limited to the Sino-India border in the Himalayan geographic area, though that area, too, has seen an increase in tensions as demonstrated by the stand-off at Doklam. China-India competition is expanding into the Indian Ocean region and as a result is more maritime-focused than in the past. This has the potential to spur further development of naval assets on both sides that could have implications for U.S. naval procurement and regional posture.
- The geographic expansion of strategic competition between China and India is increasing strategic linkages between East Asia and South Asia and the Indian Ocean, making the broader Indo-Pacific region increasingly linked.
- Both India and China have an expanding vision of their place in the world.
- There may be increasing competition for energy and other resources across the IOR which could have an impact on global markets.
- Increasing competition with China may add impetus in India to further develop its relationship with the United States and other regional partners in the Indo-Pacific, such as Australia, Japan, and others.
- The competition may offer increasing opportunities to Indian Ocean littoral states to play China and India off against each other to extract foreign aid, military assistance, expanded trade and investment, and other advantages.
- The expansion of India's and China's naval capabilities and presence and increased engagement with regional states may relatively diminish the strategic posture of the United States in the IOR.

For additional background information bearing on Sino-Indian rivalry in the IOR, see Appendix B through Appendix F.

Potential Issues for Congress

Sino-Indian strategic rivalry in the IOR poses a number of potential policy and oversight issues for Congress, including the following:

- **Administration strategy.** Where does the Indo-Pacific lie in the Administration’s list of priorities? Does the Trump Administration have a fully developed, whole-of-government strategy for responding to Sino-Indian rivalry in the IOR, for achieving a free and open Indo-Pacific, and for implementing the Quad concept? If so, what are the elements of that strategy, and what programs and funding in the Administration’s proposed FY2019 budget are intended to begin implementing that strategy? If not, when does the Trump Administration anticipate completing its development of such a strategy? Should Congress require the Trump Administration to submit a report or reports to Congress on the development and implementation of its strategy for responding to Sino-Indian rivalry in the IOR?

- **Economic architecture.** Is the evolving strategy towards the Indo-Pacific overly reliant on military tools following the United States’ withdrawal from the Trans-Pacific Partnership (TPP)? Should the Trump Administration seek to further
develop or engage with an economic architecture for the Indo-Pacific that could promote peace and stability and enhance U.S. interests through enhanced economic interdependencies between regional states including China?

- **State Department staffing.** Numerous senior State Department positions, including positions relating to Asia, are currently unfilled due to nominees for those positions not having been named or confirmed, or to resignations of career State Department staff. What impact, if any, does the current staffing situation at the State Department have on the U.S. ability to develop and implement a whole-of-government strategy for responding to Sino-Asia rivalry in the IOR?

- **Time and attention devoted to issue.** Given the need for the United States to monitor and respond to other regions, is the Trump Administration devoting adequate time and resources to tracking and responding to developments in the IOR, including Sino-Indian rivalry in the IOR?

- **U.S. relations with other countries.** What implications does Sino-Indian rivalry in the IOR have for U.S. relations with India, China, and other countries in the IOR, such as Pakistan, Sri Lanka, Australia, and countries in Southeast Asia?

- **U.S. defense programs and spending levels.** What implications does Sino-Indian rivalry in the IOR have for U.S. defense programs and spending levels? How, for example, might it affect requirements for maintaining forward-deployed U.S. military forces in the region, or for modernizing U.S. military forces, particularly naval and air forces? To what degree can or should the United States rely on Indian military forces (or the military forces of other U.S. allies or partner countries) to counter China’s military presence in the IOR?

- **U.S. arms sales.** What implications does Sino-Indian rivalry in the IOR have for U.S. arms sales to India or other countries in the region? In light of Sino-Indian rivalry in the IOR, what kinds of arms should the United States sell to India, in what quantities, and on what schedule?

- **U.S. foreign assistance.** What implications does Sino-Indian rivalry in the IOR have for the scale or allocation of U.S. foreign assistance funding to the region? Is the IOR receiving too large a share, too little a share, or about the right share of total U.S. foreign assistance funding? Is the allocation of U.S. foreign assistance funding to individual countries in the region appropriate, or should it be changed in some way?

- **Trade policy.** What implications, if any, does Sino-Indian rivalry in the IOR have for U.S. trade policy? For example, does Sino-Indian rivalry in the IOR have any implications for whether the United States should pursue bilateral trade agreements as opposed to regional or multilateral trade agreements?

- **Energy policy.** What implications, if any, does Sino-Indian rivalry in the IOR have for U.S. energy policy? For example, what impact might it have on the role that Persian Gulf oil supplies have in the formulation of U.S. foreign and defense policy?

- **Congressional organization and staffing.** What implications, if any, does Sino-Indian rivalry in the IOR have for congressional organization and staffing? For example, are congressional subcommittees optimally organized and staffed (in terms of both number and experience levels of staffers) for addressing the issue of Sino-Indian rivalry in the IOR and its potential implications for the United States?
Appendix A. Geopolitical and Geoeconomic Framework

Geopolitics, and its related concept of geoéconomics, is a conceptual framework that may assist Congressional decisionmakers as they grapple with policy questions related to China-India rivalry in the IOR, particularly related to the strategic considerations behind China’s Belt and Road Initiative (BRI). While Beijing is selling the promise of economic development throughout the region, its main focus is on the benefits that it hopes BRI will bring to China, not simply in the realm of economics but most importantly in the geopolitical domain. More robust engagement of the entire Eurasian continent through BRI is intended to enable China to better use its growing economic clout to achieve its ultimate political aims. BRI is thus not merely a list of revamped construction projects but a grand strategy that serves China’s vision for itself as the uncontested leading power in the region.

There are other conceptual frameworks, such as the security dilemma, which could also be applied.

Geopolitics

Geopolitical competition on the Indian Subcontinent was captured by the concept of the “Great Game,” popularly articulated by Rudyard Kipling in his novel *Kim*. This Great Game was a competition for influence between the British East India Company in colonial India and Czarist Russia. Some analysts view today’s conditions as an evolving new Great Game in the Indo-Pacific, focused primarily on trade, investment and infrastructure development, between China, on the one hand, and India, the United States, Japan, and Australia on the other. While the competition is primarily economic at present, this new Great Game is increasingly developing strategic and military aspects.

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70 “The term geopolitics is often used as a synonym for international politics or for strategy relating to international politics. More specifically, it refers to the influence of basic geographic features on international relations, and to the analysis of international relations from a perspective that places a strong emphasis on the influence of such geographic features. Basic geographic features involved in geopolitical analysis include things such as the relative sizes and locations of countries or land masses; the locations of key resources such as oil or water; geographic barriers such as oceans, deserts, and mountain ranges; and key transportation links such as roads, railways, and waterways.” From CRS Report R44891, *U.S. Role in the World: Background and Issues for Congress*, by Ronald O'Rourke and Michael Moodie.


Current American geopolitical thinking is to a large extent built on a tradition formed through a debate between United States Navy Captain Alfred Thayer Mahan, who wrote the seminal 1890 work *The Influence of Sea Power on History,* which argued that control of the seas and littorals determines strategic decisions on land, and Britain’s Halford J. MacKinder who, in his 1904 work *The Geographical Pivot of History,* argued instead that the Eurasian heartland was central to strategic control. In Mahan’s view, the control of sea lanes of communication and maritime choke points with the selective projection of power inland was key to a winning strategy. MacKinder’s focus lay in the Eurasian interior rather than with maritime theaters of operation. This debate was expanded during and after World War II by Nicholas Spykman, who argued in *America’s Strategy in World Politics* and *The Geography of the Peace,* that the “rimland” region of Eurasia, stretching in a crescent from Europe through the Indian Ocean to East Asia “had a tendency to unite in the hands of one state and that the country that controlled it would likely dominate the world.”

Such discussions of heartland, rimland, and grand geopolitics are once again part of strategic commentary about Eurasia and the Indo-Pacific region and growing great power competition.

In his prepared statement for the Senate Armed Services Committee’s January 2018 hearing on Global Challenges and U.S. National Security, former Secretary of State Henry Kissinger spoke of the “systemic failure of world order” and the trend toward the “international system’s erosion.” Kissinger pointed to negative trends with respect to sovereignty, geoeconomic coercion, and territorial acquisition by force and stated “traditional patterns of great power rivalry are returning.” Kissinger also observed, “In a world of admitted rivalry and competition, a balance of power is necessary but not sufficient. The underlying question is whether a renewed rivalry between major powers can be kept from culminating in conflict.”

House Foreign Affairs Subcommittee on Asia and the Pacific Chairman Representative Ted Yoho stated “For a long time, the world’s center of gravity has been shifting to the East, and the Indian Ocean region is a major part of this trend.” When he chaired the subcommittee, Representative Steve Chabot stated:

As the center of the Indian Ocean Rim-land that extends from the Middle East to India and south to Indonesia, South Asia is a subregion in need of strategic stability. The scene of a power struggle for energy and security, the Indian Ocean maritime region holds the world’s most important shipping and trade routes ... it is in the recognition of this region’s importance that the rivalry between China and India is interlocked with a rivalry between the United States and China.

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A geopolitical debate inspired by Mahan, Mackinder, and Spykman can also be discerned in current Indian strategic debates over how best to deter any potential threat by China to India’s border. A “continentalist” school of thought has placed relatively more emphasis on the need to develop a mountain strike corps to defend India’s Himalayan border from a repeat of the disastrous [from the Indian perspective] 1962 border war, while others believe developing India’s naval capabilities to be able to interdict China’s shipping in the Indian Ocean is the best way to deter China’s aggression.  

Former Indian Foreign Secretary Shayam Saran has also described how geopolitical concepts infuse China’s strategic thought today:

> The ideas of McKinder and Mahan are as much discernible in Chinese strategic thinking today as are the concepts derived from the writings of the ancient Chinese strategist Sun Zi. The One Belt One Road project is McKinder and Mahan in equal measure; the Belt designed to secure Eurasia which McKinder called the World Island, dominance over which would grant global hegemony; and the Road which straddles the oceans, which would enable maritime ascendancy—the indispensable element in pursuing hegemony according to Mahan.

America’s strategic vision toward Asia has, until recently, generally conceptualized Asia as the Asia Pacific, which generally includes East Asia, Southeast Asia and the Southwest Pacific and a separate South Asia. Many analysts and officials are today referring to the broader region as the Indo-Pacific or Indo-Asia-Pacific:

> The way policy makers define and imagine regions can affect, among other things, the allocation of resources and high level attention. Thus, the increasing use of the term Indo-Pacific carries implications for the way countries approach security competition or cooperation in maritime Asia. The idea of an Indo-Pacific region involves recognizing that the growing economic, geopolitical and security connections between the Western Pacific and the Indian Ocean regions are creating a single “strategic system.”

This view of the Indo-Pacific as an increasingly linked region was reinforced by former Secretary of State Tillerson and Admiral Harris in October 2017. Tillerson highlighted the importance of the IOR and stated, “The Indo-Pacific ... will be the most consequential part of the globe in the 21st century.” Admiral Harris stated, “the Indian and Pacific Oceans are the economic lifeblood that links India, Australia, Southeast Asia, Northeast Asia, Oceania and the United States.”

The Indian Ocean was also linked to U.S. security interests across Asia by former President Obama in his January 2012 strategic guidance document *Sustaining U.S. Leadership: Priorities for the 21st Century* which stated: “U.S. economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia, creating a mix of evolving challenges and opportunities.”

The Obama Administration focused attention on the strategic importance of the Indo-Pacific to the United States through its rebalance to Asia strategy. While placing renewed emphasis on Asia, the strategy also linked United States interests in East Asia with “newly emphasized U.S.

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concerns in Southeast Asia, South Asia, the Indian Ocean, and the Pacific Ocean, creating a region wide initiative of extraordinary breadth.” The Indo-Pacific is also a geostrategic concept that has gained acceptance in various countries in the region.

In the November 2011 *Foreign Policy* article “America’s Pacific Century,” in which she articulated the concept of a United States “pivot” to Asia, former Secretary of State Hillary Clinton described strategic dynamics in the region: “The Asia-Pacific has become a key driver of global politics. Stretching from the Indian subcontinent to the western shores of the Americas, the region spans two oceans – the Pacific and the Indian - that are increasingly linked by shipping and strategy.” In this way, former Secretary Clinton extended the geostrategic definition of the Asia Pacific to include the Indian Ocean Region and South Asia.

**Geoconomics**

Another lens that can aid congressional decision makers as they grapple with policy decisions related to Indo-Pacific strategic dynamics, which is particularly relevant when looking at China’s Belt and Road Initiative, is the concept of geoconomics. One definition of geoconomics is “the use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations’ economic actions on a country’s geopolitical goals.”

The United States has used geoconomics to further its geopolitical interests. Past examples of the United States’ use of geoconomics include the Louisiana Purchase of 1803, the Lend Lease Policy of 1941, the 1944 Breton Woods Agreement, the 1947 Marshall Plan, and the Suez Crisis of 1956. China has more recently also used the tools of geoconomics to promote its interests in numerous ways.

One example of China’s use of geoeconomic power was its 2010 decision to prevent the export of rare earth elements (REE), which are used in the production of products such as hybrid cars, wind turbines, and guided missiles, to Japan. China’s decision to halt shipments of REEs to Japan was apparently aimed at compelling Japan to release the captain of a fishing vessel whom it detained. China mines 93% of the world’s rare earth minerals.

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Figure A-1. Key Indo-Pacific Energy and Trade Routes

Source: Graphic created by CRS. Map and information generated by Hannah Fischer using data from the South China Morning Post (2017); the Department of State (2015); Esri (2016); and DeLorme (2016).

In November 2017 testimony before the House Foreign Affairs, Subcommittee on Asia and the Pacific, Jonathan Stivers, a Commissioner at the U.S.-China Economic and Security Review Commission, stated:

“China is marshalling the full resources of its state and private sector in an attempt to shape the Asia-Pacific region in a way that places China at the center of economic and security activity in the region. I believe that the U.S. needs a new strong, coordinated economic and development policy for Asia in order to effectively compete with China’s growing investment and influence in the Asia-Pacific region.”

In his testimony, Stivers emphasized development financing, foreign assistance, and coordination with allies and partners, as well as trade, as key components of a new strategy.

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Appendix B. Geography, Historical Background and Border Tensions

Strategic Choke Points

The Atlantic and the Pacific Oceans are relatively open oceans when compared with the Indian Ocean, which in many ways is defined by its strategic choke points. The U.S. Energy Information Administration (EIA) has identified seven key straits that act as choke points for the world’s primary maritime routes. Of these, the Straits of Hormuz, Malacca, and the Bab el-Mandeb are in the Indo-Pacific region. The EIA has pointed out that even temporary blockage of a choke point “can lead to substantial increases in total energy costs.” It goes on to state that “chokepoints leave oil tankers vulnerable to theft from pirates, terrorist attacks, and political unrest in the form of wars or hostilities.”

The Strait of Hormuz is the world’s most important oil transit choke point with roughly 35% of all seaborne oil passing through the strait. More than 85% of this flow of energy is for Asia. The strait is deep and is 21 miles wide at its narrowest point.

The Strait of Malacca is the key choke point in Asia. Singapore, Malaysia, and Indonesia are located along the strait. Southern Thailand and India’s Andaman and Nicobar Islands are located at the northern entrance to the strait. The contested South China Sea is located to the north east of the strait. Piracy is a threat to shipping in the area. An estimated 41% of pirate attacks between 1995 and 2013 took place in Southeast Asia while 28% took place in the west Indian Ocean. Approximately 120,000 vessels transit the Malacca strait each year. The energy-hungry economies of northeast Asia depend on energy flows that pass through the strait. Any closing of the strait would force costly diversions to alternative routes through the Sunda and Lombok Straits in the Indonesian archipelago.

The Bab el-Mandeb Strait and the Suez Canal are located on either end of the Red Sea. The Bab el-Mandeb is located between Djibouti and Yemen. Houthi rebels have attacked shipping in or near the strait.

The Indian Ocean is the world’s third-largest ocean after the Pacific and Atlantic Oceans and has extensive hydrocarbon reserves offshore Saudi Arabia, Iran, India, and Western Australia. This economic importance is in addition to providing a major energy and trade sea route linking the Middle East, Persian Gulf, Europe, Asia, and the Americas. Offshore oil and gas exploration

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102 Sam LaGrone, “Oil Tanker Hit by 3 RPGs Near Yemen in the Bab el-Mandeb Strait,” USNI, June 6, 2017.
and extraction activity is thought to potentially increase the strategic importance of the east coast of Africa, the Bay of Bengal, the Timor Sea, and Australia’s northwest coast. The United States’ fight against Al Qaeda, the Islamic State, and its related military involvement in Iraq and Afghanistan, has also increased the strategic importance of the region for the United States.

Early Asian and European Presence in the IOR

The Indian Ocean has been a maritime environment of strategic importance for centuries. Throughout this history fleets have been dispatched and bases established, by both Asian and European powers, to secure valuable trade routes and ports throughout the Indo-Pacific region. The south Indian Chola dynasty had extensive trade linkages with Southeast Asia in the 9th century and Imperial China sent fleets under the command of Zheng He into the Indian Ocean in the early 15th century.

European colonial powers’ influence began to extend across the IOR beginning in 1498 when Vasco da Gama reached India. The Portuguese established a series of enclaves and trading posts around both the littoral of the Indian Ocean and the western Pacific in places like Hormuz, Goa, Malacca, Timor-Leste, and Macao. The Dutch East India Company, founded in 1602, centered in Batavia, or present day Jakarta, established its control over much of Indonesia and the lucrative spice trade and had a presence in places such as the Dutch Cape Colony and Ceylon.

The influence of earlier powers in the Indo-Pacific was followed by the French, British, and Japanese. Although the French lost their holdings on the Indian Subcontinent to the British East India Company following Robert Clive’s victory at Plessey in 1757, they continue to have a presence in the Indian Ocean in places such as Djibouti, Abu Dhabi, and Reunion. The British Raj in India was the “Jewel in the Crown” of a truly global empire that spanned the Indo-Pacific with key British bases across the Indian Ocean littoral. Japanese power engulfed the western Pacific during World War II and extended briefly into the northeast quadrant of the Indian Ocean following the fall of Singapore in 1942. Beginning in the 1960s, independence movements across the Indo-Pacific led to the end of the colonial era and began the shift of political, economic, and military power from colonial Europe to the newly independent countries.

Land Border Tensions

While maritime security dynamics between China and India are evolving rapidly, the two nations continue their long-standing dispute over the contested Himalayan land border. China and India fought a month-long border war in late 1962. The war was a humiliating defeat for India and left Indian leaders with a deep sense of betrayal by China. It followed a 1959 Tibetan uprising against Chinese Communist Party rule that sent Tibet’s spiritual leader, the 14th Dalai Lama, into exile in India, strengthening China’s perception of a threat by India to its rule in Tibet. Following the border war, China retained control over an extensive area in the western sector of the border, known as Aksai Chin, which previously was Indian territory. China also claims large swaths of territory in the border’s eastern sector in Arunachal Pradesh, and does not recognize the 1914

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McMahon Line that British and Tibetan authorities recognized as the border between India and Tibet, and that a newly independent India recognized in 1947.

Over time, the buffer states that historically helped separate India and China have come under pressure as China’s and India’s power has expanded. In geopolitical terms Bhutan, like Nepal, can be viewed as a buffer state between India and China. India and Bhutan signed a Treaty of Friendship in 1949 and Bhutan relies on India to a large degree for its defense. Tibet, over which China’s Communist Party gained control in 1951, and Sikkim, annexed by India in 1975, also acted as buffers between the two great powers of Asia.107

More recently, border tensions between China and India escalated in mid-2017 as China extended an unpaved road on the Doklam Plateau on the disputed border between China and Bhutan, high in the Himalayas. China’s road-building activity was first revealed by a Royal Bhutan Army Patrol that sought to dissuade China from continuing. Indian military personnel subsequently moved to the border area. Doklam is located in territory disputed by Bhutan and China to the north of the Siliguri Corridor, also known as the “chicken’s neck,” that links central India with its seven northeastern states. It is approximately 20 miles wide at its narrowest part. China’s control of the corridor would isolate 45 million Indians in an area the size of the United Kingdom.

Bhutan does not have diplomatic relations with China but does have a “special” relationship with India based on a 1949 Treaty of Friendship, which gives India a guiding influence over Bhutan’s defense and foreign affairs. The treaty was revised in 2007 to give Bhutan a greater level of autonomy. With a population of less than 1 million, Bhutan is dwarfed by India (1.3 billion) and China (1.3 billion).

The Doklam border tensions mounted while Prime Minister Modi traveled to Washington, DC, to meet with President Trump. China may have been motivated to signal displeasure over developing ties between India and the United States. Another interpretation of border tensions at Doklam is that the move was part of an effort by China to open diplomatic relations with Bhutan as part of an effort to increase its influence there.108 Another view speculates that Doklam might be China’s way of signaling its displeasure over India’s decision not to join the BRI.109

While India and China agreed to deescalate their border standoff at Doklam in late August 2017, it appears that neither side is inclined to back down over the issue. India is reportedly raising 15 new battalions to bolster defenses on the Pakistan and China borders while China is reportedly upgrading air defense capabilities in its Western Theater Command which is responsible for mountain warfare at the border with India.110

In 2006, China expanded previous claims to include all of Arunachal Pradesh in India’s northeast.111 China protested both when Prime Minister Modi visited Tawang in Arunachal Pradesh in 2015 and when the U.S. Ambassador to India Richard Verma visited Tawang in 2016. China also protested the Dalai Lama’s April 2017 visit to Tawang. While China claims 90,000

square kilometers of Arunachal Pradesh, the area around Tawang is of particular concern to China because of its religious and cultural connections to Tibet and also because of the strategic Bum La pass north of Tawang. China used this pass to invade India during the 1962 war. The 6th Dalai Lama was also from Tawang and the Tawang Monastery is an important center of Tibetan Buddhism. Differences between India and China on how to resolve the border appear to be growing rather than diminishing with time. It now appears that China is pressing its border demands in a more extensive way than previously.

**Figure B-1. China-India Border Region**

![China-India Border Region Map](image-url)

Source: Graphic created by CRS. Map and information generated by Hannah Fischer using data from the Economist (2017); the Department of State (2015); Esri (2016); and DeLorme (2016), correspondence with Department of State (2017).

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113 Mohan Guruswamy, “China’s Outrageous Offer to India for Settling the Border Dispute: Give Us All the Territory,” Quartz India, March 21, 2017.
Appendix C. China’s Strategic Posture in the IOR

Energy and Trade

The rise of China has led it to depend on sea routes that cross the Indian Ocean for imported energy and trade. Much of China’s energy must be imported by sea. (See below.) This creates a strategic vulnerability for China:

For China, the primary concern is securing extensive sea lines of communication (SLOC) that traverse the Indian Ocean and western Pacific, linking the Persian Gulf crude exporters and China’s main oil terminals and coastal refineries. Beijing is in the midst of several ambitious projects to expand its naval power projection capabilities well beyond its littoral.... Aside from the clear worry to India and other Asian states, the evolution of China’s maritime power—or what China has labeled its “far sea defense”—is also of increasing concern to the U.S.¹¹⁴

China’s vulnerability to the potential interdiction of its trade and energy supplies at the Strait of Malacca has led it to seek to develop alternative trade and energy routes. For example, it is developing overland energy routes linking the Xinjiang Uyghur Autonomous Region in its west with the Arabian Sea Port of Gwadar in Pakistan. It has also sought to lessen its strategic vulnerability at the Strait of Malacca by exploring alternative routes from the Indian Ocean overland through Burma to China’s Province of Yunnan. (These projects, and other port and infrastructure investments in the IOR, are discussed in more detail in the country sections below.) While outside the geographic focus of this report, China is also developing and exploring routes through Central Asia,¹¹⁵ Russia,¹¹⁶ and the Arctic Sea.¹¹⁷

China’s energy demand and oil imports have grown dramatically in recent years. China became the world’s largest energy consumer in 2011 and is the world’s second largest oil consumer after the United States. China’s total primary energy consumption is 66% coal, 20% petroleum and other liquids, 8% hydroelectric, 5% natural gas, 1% renewables, and 1% nuclear. China’s oil import dependency has grown from 30% in 2000 to 57% in 2014 and it has diversified its sources of oil imports as its demand has grown. China is also the world’s top producer, consumer and importer of coal, accounting for approximately half of world coal consumption. China is seeking to increase imports of natural gas through pipelines and LNG through overseas imports. Natural gas imports met 32% of demand in 2013.¹¹⁸ China’s dependence on imported energy, much of which must transit the Indiana Ocean and the Strait of Malacca, is a key strategic vulnerability for China and is a key driver for China’s increasing engagement with the IOR.

Over the longer term, some observers anticipate the further development of overland energy linkages, particularly with Russia and/or Iran, as a means of significantly lessening China’s strategic vulnerability to interdiction of sea-borne energy routes. According to one analyst, “Once the new overland pipelines for black gold are fully operational, the United States no longer will

have the ability to sever Beijing’s energy lifeline. And China may no longer be deterred from resorting to military action in support of its proclaimed core interests.”

Table C-1. China Investment and Construction Activity

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Notes: Data on levels of China’s investment and construction activity varies by source.

China’s Belt and Road Initiative

China’s foreign policy outlook is being shaped in new ways by General Secretary of the Communist Party of China Xi Jinping who stated at the 19th party conference in October 2017 that, “Socialism with Chinese characteristics has crossed the threshold into a new era. It offers a new option for other countries and nations who want to speed up their development while preserving their independence.” This “new option” under Xi is viewed by many as “increasingly autocratic and illiberal.” As a result, China has become an ideological rival, as well as a geopolitical rival, to those states, such as India and the United States, that value liberal democratic values.

China’s One Belt, One Road, or Belt and Road Initiative, first articulated by President Xi in 2013, is a conceptual tool that has given policy coherence to a wide range of China’s trade and investment activities across the Indo-Pacific and beyond. The BRI concept builds on China’s historical trade links to the West through the caravan routes of the ancient Silk Road. The BRI has been described as being a comprehensive vision for regional, political, economic and financial integration under Beijing’s helm ... BRI is the Chinese leadership’s answer to China’s most pressing economic and strategic challenges ... it’s about securing China’s continental periphery, it’s about energy security, as well as broader political influence and strategic expansion. The objective is an unrivaled Chinese influence over a key region of the world.

120 See CRS In Focus IF10273, China’s “One Belt, One Road”, by Susan V. Lawrence and Gabriel M. Nelson.
China’s Belt and Road Initiative is, according to the U.S.-China Economic and Security Review Commission’s Jonathan Stivers, aimed at achieving a number of key objectives for China including the following:

- relieving China’s domestic overcapacity in industrial and construction sectors;
- expanding China’s access to strategically important maritime and overland trade routes;
- enhancing China’s energy security strategy;
- gaining influence and leverage over other countries and countering U.S. influence; and
- placing China at the center of future economic and trade activity in Asia.123

The BRI is also serving to act as a catalyst to deepen linkages and build integration between the Indian and Pacific Ocean littoral regions.124 While some view China’s Belt and Road Initiative largely as a vehicle for trade and investment, others see its importance as also, or more importantly, strategic in nature. From this perspective

the expanding scale of Beijing’s efforts suggest that BRI is nothing less than an attempt to reshape the economic, geopolitical, and energy landscape of the Eurasian continent and Asian maritime environment with China at its center.125

The BRI has six proposed main overland corridors, several of which are key trade and energy routes that connect China with South Asia, Southeast Asia, and the Indian Ocean, potentially having a significant impact on China’s relationship with India. The six proposed corridors are

- China-Mongolia-Russia Economic Corridor;
- New Eurasian Land Bridge Economic Corridor;
- China-Central Asia-West Asia Economic Corridor;
- China Pakistan Economic Corridor (CPEC);
- Bangladesh-China-India-Myanmar Economic (BCIM) Corridor; and
- China-Indochina Peninsula Economic Corridor.

In a South Asia/Indian Ocean context, the two most important of these overland routes are CPEC and BCIM. The BCIM corridor may not include India because “progress has been slow, especially because of India’s misgivings about China’s real intentions.”126 As a result, the BCIM corridor at present appears to be more focused on infrastructure and investment activity along a route from Kunming to Kyaukphyu. Other key maritime silk road routes cross the Indian Ocean and link China with the Persian Gulf, Africa, and Europe. These, as well as CPEC and the Kunming to Kyaukphu corridor, are discussed in more detail in the country sections below.

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China was reportedly interested in having India join its BRI and warned India that it risks being isolated by remaining outside. For India, sovereignty issues related to the fact that the BRI crosses Pakistan-occupied Kashmir are a key stumbling block to participation.\textsuperscript{127} There is also reportedly a perception in India that “the BRI initiative is nothing but an attempt by China to unsettle the established regional order and replace it with a China-centric system that would marginalise other major Asian powers such as India and Japan.”\textsuperscript{128}

China held its first BRI summit in 2017 and has scheduled another in 2019. Reportedly, 68 nations and international organizations have signed cooperation agreements with China related to the BRI in 2017, and 29 heads of state attended the inaugural Belt and Road Forum for International Cooperation in May 2017.\textsuperscript{129} India’s decision not to attend the summit was criticized by some observers in India who viewed the decision as “the grandest failure of Indian foreign policy” that could “quarantine [India] into splendid isolation.”\textsuperscript{130}

**China’s Strategy and the Indian Ocean**

China’s influence and presence in the Indian Ocean region are spreading. This presence is not limited to trade and investment but now also includes a military component. While the pace and extent of China’s plans to develop its strategic posture in the region are unclear, some regional analysts see China’s presence as developing faster than previously anticipated.

China is now moving faster than many expected to build a military role in the Indian Ocean. This includes the development of a network of naval and military bases around the Indian Ocean littoral, starting with Djibouti (opened last year) and a new base likely to be built at or near Gwadar in Pakistan. Further Chinese bases are likely in East Africa and perhaps in the central/eastern Indian Ocean. A network of bases—of varying types and size—will help maximize China’s options in responding to contingencies affecting its interests, including support for anti-piracy operations, noncombatant evacuations, protection of Chinese nationals and property, and potentially, interventions into Indian Ocean littoral states or other regional countries. It is unlikely that China will be in a position to challenge U.S. dominance in the Indian Ocean for some years to come. But it will be poised to take advantage of strategic opportunities or step into any perceived power vacuums.\textsuperscript{131}

China’s “Far Sea Defense” strategy is an extension of past naval strategy which was more focused on Taiwan and China’s coastal regions. The strategy reflects China’s emerging power and increased confidence on the world stage and seeks to develop a capability to protect its shipping interests which are of critical importance to China’s economy.\textsuperscript{132} China’s Premier Li Keqiang has pointed to the need for China to continue to expand its air and naval defense capabilities because “China’s national security is undergoing deep changes.”\textsuperscript{133} Among other key missions, China’s naval modernization is aimed at “defending China’s Sea Lines of Communication (SLOC), particularly those linking China to the Persian Gulf” and “asserting China’s status as a leading

\textsuperscript{127} Jayadeva Ranade, “China Anxious for India to Endorse the OBOR Initiative,” Hindustan Times, May 12, 2017.

\textsuperscript{128} Pradeep Taneja, “Why India Missed China’s Belt and Road Summit,” The Lowy Institute Interpreter, May 15, 2017.

\textsuperscript{129} “Five Things to Watch as China’s Belt and Road Plan Unfolds,” SCMP, May 17, 2017.

\textsuperscript{130} Manish Tewari, “OBOR is the Grandest Failure of Indian Foreign Policy,” The Indian Express, May 17, 2017.


\textsuperscript{133} “Key Takaways from Chinese Premier Li Keqiang’s Opening Speech for the National People’s Congress 2018,” South China Morning Post, March 5, 2018.
China and India have become regional and major world powers.\textsuperscript{134} The Chinese navy deployed in the Indian Ocean in 2009 as part of international anti-piracy operations.\textsuperscript{135} Such deployments have helped China’s navy develop its long-range capabilities. China reportedly increased its naval presence in the Indian Ocean from its more typical deployment of seven or eight ships to 14 warships in December 2017.\textsuperscript{136}

The commissioning of China’s first aircraft carrier in September 2012, the 50,000-ton \textit{Liaoning}, can be viewed as part of an ongoing effort to develop China’s power projection capabilities.\textsuperscript{137} China launched its second carrier in April 2017. It is expected to have a slightly larger air wing than the \textit{Liaoning} and “represents an important step in China’s developing aircraft carrier program.”\textsuperscript{138} China began building its third aircraft carrier in Shanghai in 2017, and it reportedly plans to have four aircraft carrier battle groups in service by 2030.\textsuperscript{139} The Secretary of Defense’s Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2017 discusses China’s evolving overseas posture in the following terms.

As China’s global footprint and international interests have grown, its military modernization program has become more focused on supporting missions beyond China’s periphery, including power projection, sea lane security,... China will likely seek to establish additional military bases in countries with which it has longstanding, friendly relationships.\textsuperscript{140}

The 2017 report also stated that

China’s maritime emphasis and attention to missions guarding its overseas interests have increasingly propelled the PLA beyond China’s borders and its immediate periphery. The PLAN’s evolving focus—from “offshore waters defense” to a mix of “offshore waters defense” and “far seas protection”—reflects the high command’s expanding interest in a wider operational reach.\textsuperscript{141}

The U.S.-China Economic and Security Review Commission 2016 Report to Congress examined the impact of China’s rise in South Asia and concluded the following:

China’s willingness to reshape the economic, geopolitical, and security order to accommodate its interests are of great concern as China’s global influence grows. This influence has been manifesting most recently with China’s “One Belt, One Road” initiative aimed at connecting China with great portions of the rest of the world via a wide range of investments and infrastructure projects.... China’s emergence as a major

\textsuperscript{134} CRS Report RL33153, \textit{China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress}, by Ronald O’Rourke.


\textsuperscript{138} “What We Know (So Far) About China’s Second Aircraft Carrier,” China Power, CSIS, https://chinapower.csis.org/china-aircraft-carrier-type-001a/.


player in South Asia is affecting the geopolitics of the region, and is causing the region’s traditional major power, India, to grow increasingly concerned about the prospect of Chinese encirclement.\(^{142}\)

The report also makes the following observations:

China’s support for Pakistan—coupled with Chinese military superiority along the disputed China-India land border and the growing Chinese naval presence in the Indian Ocean—is indicative of a Chinese strategy to encircle or contain India.... China has been seeking a greater presence and more influence there, primarily to protect the sea lines of communication upon which its economy depends.... As both countries [China and India] grow their maritime presence and capabilities, the Indian Ocean is likely to become an area of increasing competition between them.\(^{143}\)

China’s expanding naval capabilities and its will to use them to promote China’s objectives was demonstrated in the December 2016 deployment of China’s first aircraft carrier to the South China Sea and to the Taiwan Strait in January 2017.\(^{144}\) China ranks as the world’s third-largest arms exporter and is a key source of arms for several Indian Ocean countries. Between 2012 and 2016, an estimated 60% of China’s arms transfers went to Pakistan, Bangladesh, and Myanmar with a further 22% going to African states.\(^{145}\)


\(^{144}\) Ankit Panda, “Taiwan Scrambles Fighters as China’s Aircraft Carrier Enters Taiwan Strait,” The Diplomat, January 11, 2017.

Appendix D. India’s Strategic Posture in the IOR

Overview

Through much of its history India focused on land power and invasions across its northwest frontier. India’s, as well as China’s, shift to focus on its maritime security environment in addition to its land borders marks a significant shift in its geopolitical orientation. The extension of China’s and India’s rivalry into the maritime domain clearly involves the interests of states across the IOR as well as those of the United States and other states with significant interests in the region.146

India’s size, military power, economic growth, estimated to be 7.3%-7.5% between 2018 and 2020, and position near the key sea lanes running from the Strait of Hormuz to the Strait of Malacca point to India’s strategic importance in the emerging geopolitics of the broader Indo-Pacific.147 A possible transformation of India’s external worldview, from old notions of non-alignment and strategic autonomy to a new emphasis on developing strategic partnerships with the United States, Japan, and others, may facilitate India’s increasing role as a major power in South Asia and the Indo-Pacific. India’s objective of playing a more active role beyond South Asia and the Indian Ocean was demonstrated by External Affairs Minister Sushma Swaraj in 2014, when she called on India to “Act East.”148

Popular perceptions also play a role in the bilateral relationship between India and China. A November 2017 Pew Research poll indicates that Indians are increasingly upbeat and have a declining view of China. Of those polled, 88% had a “favorable view of Narendra Modi” while 83% felt “the current state of the economy is good,” and 70% were “satisfied with direction of country.”149 Of those Indians polled by Pew Research in 2017 only 26% had a “favorable view of China.” This marked a decline from 31% in 2016 and 41% in 2015.” In the same poll, 49% of Indians had a “favorable view of the United States” as compared with 56% in 2016 and 70% in 2015.150 Pew also found in an October 2017 poll that 51% of Indians felt China’s growing economy was a bad thing for India while only 20% felt it was a good thing for India’s economy. Similarly, 56% of Indians polled by Pew felt that “China’s growing military power is a bad thing” with only 16% viewing it as a good thing for India. Moreover, 65% percent of Indians polled in 2017 responded that “China’s power and influence is a threat.”151

Under Prime Minister Modi’s leadership, India may be seeking to evolve from its position as the preeminent power in South Asia to become one of Asia’s and the world’s leading powers. This evolution has the potential to transform past, now outdated, external relations paradigms into a new more assertive strategic posture for India. According to one observer, Modi’s

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147 By comparison, China’s economy is expected to slow slightly from 6.4% to 6.2% over the same period. S.Iyer, “India to Be the World’s Fastest Growing Major Economy for the Next Three Years,” Quartz, India, January 10, 2018.
call for India to become a leading power represents a change in how the country’s top political leadership conceives of its role in international politics. In Modi’s vision, a leading power is essentially a great power. China’s rise, and its attendant increasingly active role in the Indian Ocean region, is of concern to some strategic thinkers in New Delhi. Key observers have noted that “India remains deeply suspicious of any actions it views as designed to supplant Indian influence among its neighbors.” Former Indian Foreign Secretary Saran has stated that There is little doubt in my mind that the most significant challenge to India comes from the rise of China. There is also no doubt in my mind that China will seek to narrow India’s strategic space by penetrating India’s own neighbourhood and this is what we see happening in each of our subcontinental neighbours. Unless India is able to confront this penetration and restore its primacy in its own periphery, it would be unable to play the larger game of countervailing Chinese power.

India has undertaken or participated in a number of initiatives in recent years that may serve to counter China’s expanding presence in South Asia and the broader Indian Ocean region. Such initiatives include India’s Act East policy, its efforts to develop its own trade route to Central Asia through Chabahar in Iran, the Asia-Africa Growth Corridor, and the Quadrilateral initiative with the U.S., Japan and Australia.

The United States has worked with India in an effort to enhance India, Bangladesh, and Burma’s engagement and integration with Southeast Asia and the Asia-Pacific through the Indo-Pacific Economic Corridor (IPEC) project. The IPEC also seeks to promote regional stability and economic prosperity. It was observed in February 2017 that the conception of the IPEC is “at a very nascent stage.”

**Act East**

During the 2014 East Asia Summit, Prime Minister Modi revamped India’s “Look East” policy—which dated to the early 1990s—to be an “Act East” policy, clearly signaling India’s strategic interest in Southeast Asia and the broader Asia-Pacific region. Modi’s “Act East” policy is driven by both strategic and economic factors. These include

- a strategic interest in countering China’s rising influence in South Asia and the Indian Ocean, and
- an economic interest in promoting Indian exports and developing India’s underdeveloped northeast.

Economic interests are leading India to seek to develop overland trade connectivity with Southeast Asia through infrastructure projects linking India with Southeast Asia through Burma.

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The India-Myanmar-Thailand Trilateral Highway and the Kaladan Multi-Modal Transport project are two key initiatives.  

Chabahar

India is seeking to develop a new trade route through the Iranian port of Chabahar, which is located on Iran's Gulf of Oman coast near Iran's border with Pakistan and to the east of the Strait of Hormuz. Indian Prime Minister Modi signed a transport corridor deal with Iran in 2016 to provide $500 million to develop a port in Chabahar and pledged to invest $16 billion in a nearby free-trade zone and in new road and railroad links from Chabahar to the border with Afghanistan. The route, which bypasses Pakistan, would likely provide India with better access to Central Asian and Iranian natural gas and thereby provide India with greater energy security. It is reported that a $1.6 billion railroad is being built from Chabahar to Zahedan on the Iran/Afghanistan border and that Zahedan has rail linkages with Turkmenistan. India is also exploring the North-South Transport Corridor (NSTC) through the Iranian port of Bandar Abbas, located near the Strait of Hormuz, that would improve trade and transport linkages between India, Iran, Russia, the Caucasuses, and Central Asia.

Asia-Africa Growth Corridor

Prime Minister Modi and Japanese Prime Minister Shinzo Abe announced plans for an Asia-Africa Growth Corridor (AAGC) in a joint declaration in November 2016. The AAGC is based on four pillars:

1. enhancing capacity and skills;
2. quality infrastructure and institutional connectivity;
3. development and cooperation projects; and
4. people-to-people partnership.

Some media reports view the AAGC as a counter to China's Belt and Road Initiative and "an attempt to create a free and open Indo-Pacific region by rediscovering ancient sea-routes and creating new sea corridors that will link the African continent with India and countries in South-Asia and South-East Asia." Observers have noted an increasing convergence of India's and Japan's strategic and economic interests in the Indo-Pacific Region and see China's Belt and Road Initiative as a key factor in this convergence. Some view the AAGC, in tandem with the Quadrilateral Group, as linking India’s Act East Policy with Japan’s Free and Open Indo-Pacific

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158 “India’s New Afghan Trade Route Via Iran,” Voice of America, October 30, 2017.
Strategy.\textsuperscript{165} China reportedly has sought to persuade India to go slow on the AAGC and to keep Japan out of it.\textsuperscript{166}

Malabar

The annual Malabar naval exercises among India, the United States, and Japan promote maritime interoperability and provide a link between the Indo-Pacific’s three most powerful democracies.\textsuperscript{167} Malabar began in 1992 as a bilateral naval exercise between India and the United States with Japan participating in 2007 and then joining as a permanent member in 2014. India blocked Australian participation in Malabar 2017, although India and Australia did hold bilateral naval exercises.\textsuperscript{168} India-Australia relations were improved by the 2014 nuclear cooperation agreement which provides for the export of uranium from Australia to India.\textsuperscript{169} An article in China Daily suggests that “India should do good to not become a simple piece of the U.S.-Japan chessboard.”\textsuperscript{170}

\begin{itemize}
\item \textsuperscript{166} “China Wants India to Go Slow on Asia-Africa Growth Corridor,” \textit{The Times of India}, September 2, 2017.
\item \textsuperscript{167} Jeff Smith, “Why Is India Excluding Australia from Naval Drills?” \textit{The Diplomat}, June 1, 2017.
\item \textsuperscript{169} S. Haidar, “India, Australia Seal Civil Nuclear Deal,” \textit{The Hindu}, September 5, 2014.
\end{itemize}
Appendix E. China’s and India’s Relations with IOR States

China-India geopolitical rivalry is manifesting itself in many states across the IOR. To gain a better understanding of this dynamic the following section will examine how this rivalry is unfolding in selected regional states.

Djibouti

Djibouti’s strategic importance as a base of operations for extra-regional powers has increased in recent years. The explicit military aspect of China’s involvement in Djibouti makes this relationship different from the rest of China’s bilateral relationships across the IOR. Djibouti, a former French Territory, is located on the strategic Bab-el-Mandeb Strait, which separates the Red Sea from the Gulf of Aden and the Indian Ocean. The United States, France, Japan, and most recently China have established military facilities there. China’s first overseas military base was opened in Djibouti in August 2017. China’s Navy began counter piracy operations off Somalia and in the Gulf of Aden in 2008.171 Djibouti announced that it was granting China a 10-year lease for the base in 2016. Under the agreement, China may station up to 10,000 troops in Djibouti,172 and China is reportedly investing significantly in Djibouti.173 Observers have concerns about Djibouti’s ability to pay back loans to China that are estimated to amount to 60% of the country’s annual GDP.174 U.S. Pacific Commander Admiral Harry Harris’ statement for the House Armed Services Committee hearing on U.S. Pacific Command Posture pointed out that China’s base at Djibouti “could support Chinese force projection through the Indian Ocean and into the Mediterranean and Africa.”175 Some believe that China may seek to develop its second overseas base in Pakistan. (See below.)

Pakistan

Shared enmity with India is at the core of the strategic partnership between Pakistan and China, which has been a strong partnership for decades and which has complicated India’s own relations with both nations.176 This partnership is military, economic, and strategic in nature. Pakistan is a key aspect of Beijing’s plans to develop its Belt and Road Initiative and extend its influence across South Asia and the Indo-Pacific. For Pakistan, China’s “all weather friendship” offers the prospect of much-needed investment and development and acts as a strategic balancer in Pakistan’s fraught relationship with India. Pakistan receives 30% of China’s arms exports.177

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172 Francois Dube, “China’s Experiment in Djibouti,” The Diplomat, October 5, 2016.
175 Statement of Admiral Harry Harris, for the House Armed Service Committee Hearing on U.S Pacific Command Posture, April 26, 2017.
The China-Pakistan Economic Corridor (CPEC) is a flagship of China’s Belt and Road initiative and was launched in 2015. China’s announced investments in CPEC projects were estimated by some to be approximately $46 billion in 2016.\footnote{One analyst has argued that, “Rather than opposing the spread of Chinese influence in South Asia at every turn, Washington and New Delhi should instead objectively study the details of China-Pakistan engagement and consider how these ties, for the most part, actually benefit global security.”} Many experts are skeptical of such large estimates and have noted that many announced projects in the past have fallen short of expectations. As such, there is a high level of uncertainty over the exact amount of investment involved, which may be significantly less than announced. According to one source, an estimated $19 billion of Pakistan’s debt is owed to China.\footnote{A Pakistani newspaper reported that firms from China may be considering constructing a $500 million housing project for up to 500,000 Chinese citizens.} Observers point out that CPEC energy projects could alleviate some of Pakistan’s energy shortfalls. Work on a Gwadar-Kashgar oil pipeline that is planned to carry up to one million barrels of oil per day to China is reportedly to be completed by 2021. Upon completion the pipeline could reduce China’s dependence on seaborne imported oil by an estimated 17%, further reducing its strategic vulnerability at the Strait of Malacca.\footnote{CPEC plans call for the Karakorum Highway to be upgraded from Rawalpindi to the border with China and for railway lines across Pakistan to be upgraded and expanded. A new 1,100 km highway from Karachi to Lahore is also planned.} The two countries also plan to develop Gwadar as a deep-water Arabian Sea port capable of handling 300-400 million tons of cargo per year. A Pakistani newspaper reported that firms from China may be considering constructing a $500 million housing project for up to 500,000 Chinese citizens.\footnote{Pakistan raised an Army division of 15,000 personnel to provide security for Chinese workers and CPEC projects.}

CPEC is a collection of road, rail, and energy projects that link Kashgar in China’s far western Xinjiang Uyghur Autonomous Region with the Arabian Sea port of Gwadar in Baluchistan, Pakistan, while developing much needed energy and transportation infrastructure in Pakistan.\footnote{The China Pak Investment Corporation describes CPEC in the following way:}

CPEC aims to improve Pakistani infrastructure and to deepen the economic and political ties between China and Pakistan.... CPEC will prove to be a strong knitting-factor between China and Pakistan who share a history of congenial strategic relations, over versatile canvass of mutual interest, extending over six decades.... CPEC is China’s biggest splurge on economic development in another country to date. It aims over 15 years to create a 2000-mile economic corridor between Gwadar Port to China’s North Western region of Xinjiang through 2,700 km long highway from Kashgar to Gwadar, railway links for freight trains, oil and gas pipelines and an optical fibre link. The actualisation of this project will create over 700,000 new jobs and will add up to 2.5% to Pakistan’s annual growth rate.\footnote{The two countries also plan to develop Gwadar as a deep-water Arabian Sea port capable of handling 300-400 million tons of cargo per year. A Pakistani newspaper reported that firms from China may be considering constructing a $500 million housing project for up to 500,000 Chinese citizens.}

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\item Pakistan raised an Army division of 15,000 personnel to provide security for Chinese workers and CPEC projects.
\end{itemize}

China appears to be gaining economic leverage over Pakistan as a result of CPEC/BRI projects. By one estimate, “Pakistan is now expected to repay China $90 billion for CPEC investments over the next three decades.” Repaying such sums will be increasingly difficult for Pakistan as its trade deficit with China had grown to reach $12 billion in 2017.\(^{187}\)

China is a key security partner and a major arms supplier to Pakistan. China has transferred technology, expertise, and equipment to aid Pakistan’s nuclear weapons and missile programs. China has also supplied Pakistan with tanks, aircraft, and small arms. In 1992, China supplied Pakistan with 34 short-range M-11 missiles. China is reported to be helping Pakistan build two Hualong One nuclear reactors and the two nations are reported to have signed a deal in November 2017 to build a third reactor in Pakistan.\(^{188}\) China’s submarines, including a submarine capable of carrying nuclear weapons, have also reportedly docked in Karachi.\(^{189}\) China and Pakistan held the 12\(^{th}\) round of defense and security talks in Beijing in June 2017. Biannual Aman naval exercises between the two nations were held in February 2017 and their air forces completed the Shaheen-VI air training exercise in Xinjiang in September 2017.\(^{190}\) In October 2017, it was reported that Pakistan would buy eight stealth attack submarines from China for an estimated $4 to $5 billion. It was also announced that Pakistan would also purchase frigates from China.\(^{191}\) While it is unclear, media reports suggest that “there is a possibility that Beijing might set-up a maritime logistics facility on the Makran coast ... [and that] the PLA navy may eventually establish a dual-use commercial military facility at Gwadar.”\(^{192}\) “China [reportedly] is about to start construction of a naval base and airfield at Jiwani, some 60 kilometers west of Gwadar.”\(^{193}\) The scale and commitment of the CPEC, and other aspects of the two nations’ relationship, indicates China’s continuing support for Pakistan, a nation with which India has fought several wars.\(^{194}\)

India and Pakistan fought wars in 1947, 1965, 1971, and 1999 as well as several serious skirmishes along their contested border in Kashmir. Pakistan is widely believed to support cross-border terrorist infiltrations that have destabilized India and made peace difficult to achieve. While the history of inter-communal tensions on the subcontinent is long, many analysts believe India has demonstrated considerable restraint in the wake of past terrorist attacks. These attacks have included the 2001 attack against the Indian parliament and the Mumbai terrorist attacks of 2008 which killed 164, including 6 Americans, and wounded over 300. As a result, this border remains one of the most volatile in the world and a source of concern for U.S. policymakers. India-Pakistan tensions also complicate U.S. efforts to stabilize Afghanistan.\(^{195}\)


\(^{191}\) Charlotte Gao, “Pakistan Navy to Purchase Frigates from China,” The Diplomat, October 9, 2017.


Sri Lanka

Sri Lanka’s strategically important location near sea lanes that link the energy-rich Persian Gulf with the economies of Asia apparently have led to China’s growing interest in the nation. Its proximity to India, and historical, ethnic, and religious ties, also make Sri Lanka of particular interest to India.

China has increased both security and economic assistance to Sri Lanka. According to some observers, China’s assistance played a key role in enabling former Prime Minister Mahinda Rajapaksa to win the civil war against the Liberation Tigers of Tamil Eelam (LTTE).\footnote{Niel Smith, “Understanding Sri Lanka’s Defeat of the Tamil Tigers,” \textit{Joint Forces Quarterly}, National Defense University Press, No.59, 2010.} Sri Lanka is seeking to leverage its strategic geography and make itself an increasingly important economic hub in the Indian Ocean region.\footnote{S. Dasgupta, “In Beijing, Lanka PM Says Will Use Maritime Silk Road,” \textit{The Times of India}, April 10, 2016.}

Sri Lanka has attracted much interest as part of China’s Belt and Road trade and investment initiative. Under former President Mahinda Rajapaksa, China’s naval ships including a submarine visited Sri Lanka. Total investment from China in Sri Lanka from 2005 to October 2017 has been estimated by one source at approximately $14.87 billion.\footnote{Russell Blinch, “Growing Chinese Presence on Island Creates Palpable Sense of Disquiet, Unsettles Neighbouring} Rajapaksa’s successor, President
Maithripala Sirisena, initially sought to reset Sri Lanka’s relations with China and India to be more balanced by revisiting China’s investments in Sri Lanka including the Colombo Port City project. It was estimated by some in September 2016 that Sri Lanka owed $8 billion to China. Economic considerations led the Sirisena government to go forward with a 99-year lease of Hambantota port for payments that will help Sri Lanka pay down some of its $65 billion estimated debt to financiers. In February 2018, India’s Defence Minister Nirmala Sitharaman raised doubts about China’s activities in Sri Lanka: “Whether China will use the port only for port activities is a question mark.”

India has many current ties with Sri Lanka and has sought to develop its relationship with Colombo at the same time that China’s engagement with Sri Lanka has grown. India became entangled in a counter-insurgency war against the LTTE following the signing of the Indo-Sri Lanka Agreement of 1987. Between 1987 and 1990 India lost over 1,200 soldiers in this conflict. Prime Minister Rajiv Gandhi was later killed by an LTTE suicide bomber in 1991. The Sri Lanka-India relationship was strengthened by President Maithripala Sirisena’s February 2015 visit to India, his first foreign visit as president, and also by Indian Prime Minister Narendra Modi’s March 2015 return visit to Colombo, the first by an Indian prime minister in 29 years. India’s native Tamil populations feel kinship with Sri Lanka’s Tamil minority. India, along with the United States, has been an active voice for reconciliation.

The Maldives

The unfolding of recent events in the Maldives is viewed by some analysts as another example of the rising influence of China in the Indian Ocean. The Maldives, like Sri Lanka, is situated close to the key sea lanes that transit the Indian Ocean. For many years, the Maldives had been seen by many observers as largely within India’s sphere of influence. This was demonstrated in 1988 when India sent troops to avert a coup in the Maldives. China’s President Xi Jinping visited the Maldives in 2014. Maldives President Abdullah Yameen met with China’s President Xi in Beijing in 2017 where the two nations signed agreements on free trade and also signed a Memorandum of Understanding bringing the Maldives into the Maritime Silk Road component of the BRI. China is funding large development projects in the Maldives including a bridge from Malé, the capital, to Hulhule Island. An estimated 70% of the Maldives foreign debt is owed to China and some observers fear that the Maldives could, as a result, fall into a debt trap.

(...continued)


December 2016, a Chinese company obtained a 50-year lease of Feydhoon Finolhu island near Male.206 Media reports in February 2018 speculated that China’s deployment of a naval task force to the Indian Ocean may have been related to a constitutional crisis in the Maldives. President Yameen declared a state of emergency and arrested the Supreme Court Judges who had ordered the government’s release of opposition leaders. The task force reportedly included a Luyang III guided missile destroyer, a Jiangkai Frigate, and an amphibious transport dock ship. According to one observer, “the mere presence of Chinese warships acts as a deterrent to Indian Intervention. It’s also a neon-sign of Beijing’s determination to wield its new-found influence worldwide.”207

**Seychelles**

India is developing its relationship with the Seychelles in part to enhance its Indian Ocean maritime surveillance capabilities.208 India and the Seychelles signed a revised agreement in January 2018 under which India will be allowed to build military infrastructure on Assumption Island in the Seychelles island chain in the western IOR. This agreement extends India’s strategic reach in the Indian Ocean and amends a 2015 agreement between the two nations which builds on previous Indian engagement with the Seychelles. The Seychelles islands are located northeast of Madagascar and southwest of the Maldives. The Seychelles has an exclusive economic zone (EEZ) of 1.3 million square kilometers. According to Indian Foreign Secretary S. Jaishankar’s remarks of January 2018:

> India and Seychelles have drawn up a cooperation agenda that covers within its purview joint efforts in anti-piracy operations, and enhanced EEZ surveillance and monitoring to prevent intrusions by potential economic offenders indulging in illegal fishing, poaching, drug and human trafficking. The cooperation is further exemplified by the operationalisation of the Coastal Surveillance Radar System in March 2016, and our commitment to augment Seychelles’ defence assets and capability.209

According to Captain Gurpreet Khurana with the Indian Navy’s National Maritime Foundation, “India’s geostrategic frontier is expanding in tandem with China’s growing strategic footprint in the Indo-Pacific.”210 The Indian Navy deployed a U.S.-supplied P-8I *Neptune* maritime patrol and anti-submarine warfare plane to the Seychelles in March 2016. The Indian Navy also deploys ships to assist the Seychelles patrol its EEZ.

India conducts joint military exercises with the Seychelles in addition to operating the network of coastal surveillance radars. Prime Minister Modi visited the Seychelles in 2015 to launch the first of a planned constellation of 32 coastal surveillance radars which provide the Indian Navy with enhanced maritime domain awareness.211 According to some observers, “the larger reason behind

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New Delhi’s push is to check China’s growing maritime expansion into the Indian Ocean.”\(^{212}\) India has also deployed P-8I aircraft to its Andaman and Nicobar Islands as a response to China’s submarine deployments into the Indian Ocean.\(^{213}\) The Andaman and Nicobar Islands are located to the northwest of the Strait of Malacca.

In October 2017, the Seychelles and China signed an Economic and Technical Cooperation Agreement. China reportedly is providing a $7.3 million grant for school construction and $15 million grant for the construction of the Seychelles Broadcasting Corporation House.\(^{214}\) China also reportedly financed a $6 million judiciary building in the Seychelles.\(^{215}\)

### Bangladesh

Positioned at a geopolitically important intersection between India, China, and Southeast Asia, Bangladesh is a nation of strategic importance not only to the South Asian sub-region but also to the larger geopolitical context of Asia as a whole. Dhaka’s foreign policy seeks to develop ties with China while continuing positive relations with New Delhi, the United States, and the West.

India provided decisive support during Bangladesh’s war of independence from Pakistan in 1971. Since that time, bilateral relations have been mixed. Relations between India and Bangladesh have tended to be more positive when the Awami League (AL), rather than the Bangladesh National Party (BNP), is in power. Prime Minister Sheikh Hasina, of the AL, emphasized that Bangladesh would not be used as a base for extremism during a meeting with Indian Prime Minister Modi in 2014. Another major irritant in bilateral relations with India was removed during Modi’s June 2015 visit when a Land Boundary Agreement was reached. India also extended a $2 billion line of credit to Bangladesh in 2015.\(^{216}\)

The prospect for political tensions with India remains, however, over illegal immigration to India from Bangladesh, the sharing of cross-border water resources, and Bangladesh’s developing ties with China. By some accounts, there are as many as 10-20 million Bangladeshi immigrants in India illegally. Prime Minister Modi has conveyed his hopes for a solution to the Teesta river dispute. India receives a higher share of the river’s waters than Bangladesh and Bangladesh wants a higher share than it receives.\(^{217}\) Bangladesh’s recent acquisition of two submarines from China has reportedly caused a degree of concern in New Delhi. These are Bangladesh’s first submarines, and their transfer is viewed by some observers as potentially part of China’s strategic encirclement of India.\(^{218}\)

Unlike India, China backed Pakistan and not the Bangladesh independence movement in 1971. Despite this, China and Bangladesh have significantly deepened their bilateral relationship. The two nations upgraded the relationship to a Strategic Partnership through an October 2016 Joint


\(^{214}\) “President of Seychelles Congratulates President of China on Renewed Mandate,” *Seychelles News Agency*, March 19, 2018.


\(^{216}\) P. Kashinath, “To Fend Off China, India Must Galvinize Ties with Bangladesh,” *The Diplomat*, October 29, 2016.


China-India Great Power Competition in the Indian Ocean Region: Issues for Congress

Statement. An estimated $24.4 billion in government investment from China for 34 projects in Bangladesh has been announced. A further $13.6 billion in private investment from China was also announced during China’s President Xi Jinping’s October 2016 visit. China is also the major arms supplier to Bangladesh. In November 2016, China delivered the first of two Type 035G diesel-electric submarines as noted above. Since 2010, China has also delivered five maritime patrol vessels, two corvettes, 44 tanks, and 16 fighter jets to Bangladesh. According to the Stockholm International Peace Research Institute, Bangladesh (20%) is the second-largest destination, after Pakistan (30%), for China’s arms exports.

As noted, the Bangladesh-China-India-Myanmar Economic Corridor (BCIM) was identified as one of seven key pillars of the BRI. India’s reluctance to join the May 2017 BRI summit may shift the emphasis of this corridor to the section between Kunming and the Rakhine coast in Burma. The October 2016 Bangladesh-China Joint Statement welcomed China’s Belt and Road Initiative (BRI) and articulated the importance of the BCIM EC in promoting practical cooperation. Bangladesh’s growing export economy depends on two existing, relatively shallow draft ports at Chittagong and Mongla, with Chittagong being by far the more important of the two. China is upgrading Chittagong port and building road and rail infrastructure linking Chittagong and Kunming. Both of these ports, however, are too shallow for large ships. The volume of goods transiting Chittagong is increasing by 14% to 15% per year and is expected to reach capacity by 2018.

Since 2010, China has been working with Bangladesh to develop a deep-water port at Sonadia. For China, this was to anchor the Bangladesh, China, India, Myanmar Economic Corridor (BCIM EC) that is to link China’s Yunnan Province with the Bay of Bengal. From India’s perspective the Sonadia port, as the Hambantota and Gwadar ports, were deemed to be part of China’s much talked about ‘string of pearls’ strategy to encircle India in its maritime neighbourhood.

In February 2016, the Sonadia port project was canceled by Bangladesh. This was reportedly in response to pressure from India, the United States, and Japan. Japan enabled this decision by offering to loan $3.7 billion of an estimated $4.6 billion cost to construct a new port and related infrastructure at Matarbari. Another new port at Payra, in which China also expressed interest, will reportedly involve $15.5 billion in investment from 10 different countries.

225 “Dhaka Cancels Port to Be Built by China,” The Times of India February 8, 2016.
Burma (Myanmar)

The potential for Burma to offer access to the Bay of Bengal to interior regions of both China and India acts as an impetus for rivalry between China and India. China is developing an energy and trade route from Kunming, China, to Kyaukpyu, in Burma’s Rakhine state. This project is developing into a significant energy and trade outlet to the Indian Ocean for China. China has completed oil and gas pipelines linking Kunming with Kyaukpyu. The oil pipeline, which shortens and diversifies China’s oil supply routes, was opened in April 2017. The gas pipeline became operational in 2014. The oil pipeline is designed to carry 22 million tons of crude per year while the gas pipeline is designed to transport 12 billion cubic meters of natural gas annually. Railroad linkages connecting Kunming and Southeast Asia through Burma are also apparently being explored as part of China’s One Belt, One Road.

China’s influence in Burma experienced setbacks in 2011 when Burma ended decades of isolation with a transition that has led to civilian-military rule and lessened the country’s dependence on China. In that year, anti-Chinese and rising democratic sentiment led the transitional government to suspend the $3.6 billion Myitsone Dam project under which 90% of the energy generated by the China-financed dam would have gone to China. Mining operations by China’s Wanabo Mining Company and the Union of Myanmar Economic Holdings conglomerate at the Letpadaung copper mine have also led to local resentment and protests over land appropriation and inadequate compensation.

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China has sought to reestablish its influence in Burma more recently.\(^{236}\) In May 2017, Burma’s State Counselor Daw Aung San Suu Kyi and China’s President Xi Jinping signed a Memorandum of Understanding on Cooperation within the Framework of the Silk Road Economic Belt and 21st Century Maritime Silk Road Initiative.\(^{237}\) By developing energy and trade connectivity from Yunnan Province to the Bay of Bengal and the Indian Ocean through Burma, China is lessening its dependence on the Strait of Malacca and developing its relationship with Burma. China’s CITIC Group has been awarded contracts to build a deep sea port and Special Economic Zone at Kyaukpyu.\(^{238}\) The port will reportedly cost $7.3 billion while the industrial park will cost $3.2

\(^{236}\) “Where Does Burma Stand on China’s ‘One Belt, One Road,’” *Irrawaddy Online*, May 12, 2017.


China is also investing heavily in Rakhine. A $2.45 billion pipeline from Kyaukpyu to Western China is already operational. The goal of the pipeline (793 km gas and 771 km oil pipeline) is to secure a key route for Beijing to import crude oil from the Middle East, reducing the country’s reliance on oil supplies that pass through the Strait of Malacca. The pipeline can carry up to 22 million tons of oil a year, accounting for about 5%-6% of China’s annual oil imports.

Burma itself is also a hydrocarbon-rich country. Moreover, Beijing has an ambitious infrastructure development plan worth $7.3 billion in the state developing the Kyaukphyu Special Economic Zone and a deep seaport. It is one of the major projects of China’s Belt and Road program in the region.

The humanitarian crisis triggered by the Burmese military’s operations against the Rohingya Muslim ethnic group, in Rakhine state on Burma’s northwest coast on the Bay of Bengal, has led hundreds of thousands of Rohingya to flee to Bangladesh and has raised humanitarian-based concerns in the United States’ and other Western countries. Such humanitarian concerns are largely absent in China’s relations with Burma which are more focused on securing its trade and energy infrastructure investments. China’s Foreign Ministry has voiced support for Burma’s efforts to “uphold peace and stability” in Rakhine state.

India is also focused on developing ties with Burma for economic and strategic reasons as part of its Act East Policy of 2014. India also reportedly seeks to counter China’s influence in Burma. As China’s profile continues to rise in India’s vicinity, New Delhi would like to enhance India’s presence by developing infrastructure and connectivity projects in the country. India is developing a $484 million Kaladan Multimodal Transport Project to connect Sittwe in Rakhine with Mizoram in India. This project includes both port development at Sittwe and road construction that gives northeast India an alternative and more direct route to the sea. This route is also meant to provide India with increased access to other ASEAN states as well as Burma itself. Two agreements were signed between India and Burma in September 2016 to move forward with development of the India-Myanmar-Thailand Highway. Some observers have speculated that India’s, as well as China’s, strategic interests in Burma will mute or moderate both countries’ criticism of Burma on the Rohingya issue.

Malaysia

Malaysia’s is strategically situated next to the Strait of Malacca linking the South China Sea and the Andaman Sea in the Indian Ocean. Like many of its Southeast Asian neighbors, Malaysia has long adopted careful hedging strategies to balance its relations with China and the United States and has not had extensive relations with India. Malaysia’s population of 31 million is approximately 50% Malay, 25% Chinese and 7% Indian by origin. Malaysia and China signed a defense pact in 2005 and began annual military exercises in 2015. Relations between the two improved significantly in December 2015 when China bought $2.3 billion in 1Malaysia Development Berhad (1MDB) assets which helped ease concerns over mounting debt. China and Malaysia reportedly signed investment agreements worth $34 billion during Prime Minister Najib Razak’s visit to Beijing in November 2016 and Malaysia has also announced plans to purchase four littoral mission ships from China. In early 2017, two of China’s submarines visited the Malaysian port of Kota Kinabalu.248 Malaysia’s relations with the United States were strained after the U.S. Department of Justice filed lawsuits related to 1MDB, a Malaysian sovereign wealth fund whose chairman is Prime Minister Najib Razak.249 Some observers view the November 2016 Najib visit to Beijing as diluting U.S. influence in the region and signaling a strategic shift by Malaysia toward China. Some argue that recent diplomatic moves by Malaysia to improve relations with Beijing may be part of a new balance of power in Asia. Others point to a long history of both cooperation and tension between Malaysia and the West which can be traced back to former Prime Minister Mahathir and the East Asia Economic Caucus concept. They note that despite Malaysia’s strategic hedging towards China, U.S. naval ships continue port calls and U.S. surveillance aircraft continue to operate out of Malaysia.

It is important to understand alignments shifts—whether perceived or real—as being the product of a complex range of factors like history, relative capabilities, or domestic politics—rather than advancing convenient but lazy and inaccurate narratives like states succumbing to some kind of domino effect.250

Australia

Australia, a treaty ally of the United States, has in recent years looked to develop additional strategic partnerships in the Indo-Pacific as a hedge against the rise of China and relative decline of U.S. power in the region.251 Australia has sought to develop its partnership with India in this context. A major stumbling block was removed when Australia moved to export uranium to India. This was made possible by the passage of the Civil Nuclear Transfers to India Act by the Australian parliament in December 2016.252 Prime Ministers Turnbull and Modi have reaffirmed their commitment to a peaceful and prosperous Indo-Pacific, based on mutual respect and cooperation. Australia and India share a commitment to democratic values, rule of law, international peace and security, and shared prosperity. The strategic and economic interests of both countries are converging which opens up opportunities for working together in a rapidly changing region.... Both leaders recognised that India and

249 “Malaysia’s Najib Risks Backlash at Home After Deals with China,” Reuters, November 7, 2016.
Australia share common interests in ensuring maritime security and the safety of sea lines of communication.253

Prime Minister Modi and Prime Minister Turnbull have also committed themselves to “deepening the bilateral defence and security partnership” and welcomed progress achieved through the bilateral Framework for Security Cooperation of 2014. They also share a desire “to ensure that Indian Ocean architecture keeps pace with regional issues and addresses emerging threats and challenges in the region.” The two nations’ bilateral naval exercise AUSINDEX was held in 2015 and is scheduled to be held again in 2018. Army-to-army exercises are also scheduled for 2018.254

Australia and India have held a number of high-level visits in recent years. Turnbull and Modi “reaffirmed their commitment” in New Delhi in April 2017 and noted that “India and Australia share common interests in ensuring maritime security and the safety of sea lines of communication.”255 Prime Minister Modi made an official visit to Australia in November 2014, when he addressed a joint sitting of both houses of parliament and met with Turnbull’s predecessor, Prime Minister Tony Abbott. This was the first state visit of an Indian prime minister to Australia in almost three decades. Abbott visited India in September 2014. Australia and India also hold an annual Foreign Ministers Framework Dialogue to further their bilateral agenda.

During her April 2015 visit to New Delhi, Australian Foreign Minister Julie Bishop gave the inaugural Indo-Pacific Oration at the Observer Research Foundation where she stated “our increasingly close cooperation in the Indo-Pacific region, the region in which both Australia’s and India’s core economic and strategic interests converge ... is vital to Australia’s future economic and strategic security.”256 Australia and India also work together through the Indian Ocean Rim Association (IORA) a Ministerial forum focused on the Indian Ocean, with a Secretariat based in Mauritius.257

India is Australia’s fifth largest export market, tenth largest trading partner, and increasingly a destination for Australian investment.258 Bilateral trade between Australia and India grew dramatically from ADS$6.8 billion in FY2003/04 to ADS$14.8 billion in FY2013/14. Australia is seeking an Australia-India Comprehensive Economic Cooperation Agreement with India to facilitate the growth of bilateral trade between the two nations. The two countries also are involved in Regional Comprehensive Economic Partnership (RCEP) trade negotiations, which involve 16 nations in the Indo-Pacific region.259

Australia’s strategic vision is increasingly shaped by its geographic location between the Pacific and Indian Oceans, and many strategic decisionmakers and analysts in Australia are increasingly focused on India and the Indo-Pacific,260 which have historically received less attention relative to

260 The Indo-Pacific generally includes the Asia Pacific as well as the Indian Ocean and its littoral regions.
China and India have established several mechanisms to further their strategic and defense cooperation. A Framework for Security Cooperation was established in November 2014, and is based on “converging political, economic and strategic interests.” Today, this framework is viewed by many analysts in Australia as an important step forward in developing relations between Australia and India.

Bilateral defense relations are based on a 2006 memorandum on Defense Cooperation and a 2009 Joint Declaration on Security Cooperation. Strategic dialogues include annual Defense Policy Talks and an annual Track 1.5 Defense Strategic Dialogue. The first-ever official visit to Australia by an Indian defense minister came in 2013 and, during Prime Minister Modi’s late 2014 visit to Canberra, the two countries agreed to extend defense cooperation to cover research, development, and industry engagement. They also formalized annual defense minister summits and made plans to conduct regular maritime exercises.

A number of issues have caused tensions in Australia’s relationship with China despite the fact that China is Australia’s primary export destination. Among these are China’s political donations in Australia, the sale or lease of farmland and energy and transportation infrastructure to Chinese business interests, and differences over the South China Sea maritime territorial disputes. Chinese corporate donations to Australian political parties have become a focus of attention with respect to concerns over China’s influence in Australia. Senator Sam Dastyari of the Labor Party resigned from the opposition frontbench after media scrutiny of his acceptance of such funds. The Northern Territory granted the company Landbridge Group, which has ties to China, a 99-year lease for port facilities in Darwin. The port, which was attacked by the Japanese in 1942, is strategically located in the north of Australia and former President Obama reportedly registered his displeasure over the lease to Prime Minister Turnbull. Critics of the lease have argued that this gives China an excellent position to observe U.S. and Australian military operations. China became the largest investor in Australia’s agricultural sector in 2014. The Australian government blocked the sale of Kidman and Company agricultural enterprises on national security grounds in 2015. National security concerns were referenced when Australia prevented the A$10 billion sale of Ausgrid to China. Ausgrid supplies power to New South Wales. Australians are also concerned that Chinese buyers are putting upward pressure on real estate prices. Foreign Minister Julie Bishop also urged China to abide by the ruling by an arbitral tribunal under the United Nation Convention on the Law of the Sea (UNCLOS), which ruled largely in favor of the Philippines and against China’s behavior and claims in the South China Sea in July 2016.

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Appendix F. Summary Comparison of India’s and China’s Military Forces

Table F-1 provides a summary comparison of India’s and China’s military forces.

<table>
<thead>
<tr>
<th></th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total active force</td>
<td>1,395,100</td>
<td>2,183,000</td>
</tr>
<tr>
<td>Strategic forces</td>
<td>na</td>
<td>100,000</td>
</tr>
<tr>
<td>Army</td>
<td>1,200,000</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Navy</td>
<td>58,350</td>
<td>235,000</td>
</tr>
<tr>
<td>Air Force</td>
<td>127,200</td>
<td>398,000</td>
</tr>
<tr>
<td>Principal surface combatants</td>
<td>28</td>
<td>79</td>
</tr>
<tr>
<td>Aircraft carriers$^a$</td>
<td>1</td>
<td>1$^b$</td>
</tr>
<tr>
<td>Submarines</td>
<td>14</td>
<td>57</td>
</tr>
<tr>
<td>Naval combat aircraft</td>
<td>73</td>
<td>348</td>
</tr>
<tr>
<td>Air Force combat aircraft</td>
<td>803</td>
<td>2,307</td>
</tr>
<tr>
<td>Nuclear warheads$^c$</td>
<td>130</td>
<td>270</td>
</tr>
<tr>
<td>GDP</td>
<td>$2.515 billion (2017 est.)</td>
<td>$12.284 billion (2017 est.)</td>
</tr>
<tr>
<td>GDP growth</td>
<td>6.7% (2017 est.)</td>
<td>6.9% (2017 est.)</td>
</tr>
</tbody>
</table>


Notes: na = not available.

a. China has one operational aircraft carrier, the Liaoning. Its second carrier is expected to undergo sea trials in 2018. China reportedly began construction of a third carrier in 2017. India’s Vikramaditya aircraft carrier is currently in service. Its second carrier, the Vikrant, is in late development stages. A third Indian aircraft carrier the Vishal is reportedly in mid-design stage. See Franz-Stephan Gady, “Will China’s New Aircraft Carrier Start Sea Trials This Week?” The Diplomat, April 23, 2018, and Abraham Ait, “US and French Fighters Contend for a Place Aboard India’s New Aircraft Carrier,” The Diplomat, February 24, 2018.

b. Includes four SSBN nuclear-armed submarines.

c. Estimates.

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