

Senate Standing Committee on Foreign Affairs, Defence and Trade
Submission to Inquiry into the IOR and Australia's foreign, trade and defence policy

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Introduction

On 24 November 2011, the Senate referred the following matter to the Senate Foreign Affairs, Defence and Trade References Committee for inquiry and report by 1 November 2012:

"The importance of the Indian Ocean Rim for Australia's foreign, trade and defence policy, with particular reference to:

- (a) trade and tourism opportunities for Australia, including the role of free trade agreements;*
 - (b) Australian mineral exports, including competition and synergies in the region;*
 - (c) strategic developments in the Indian Ocean, including growing naval influences and defence postures, and their implications for Australia and the region more generally;*
 - (d) the Indian Ocean Rim Association and any other relevant bodies and their future directions;*
- and*
- (e) other relevant matters."*

This submission will specifically address the matters referred to in paragraph (c), that is, *“strategic developments in the Indian Ocean, including growing naval influences and defence postures, and their implications for Australia and the region more generally.”*

This submission will consider the shifting balance of power in the Indian Ocean and its implications for Australia. In recent years there have been some significant developments in the relationships between the major powers in the region that could result in considerable strategic instability. While the United States is likely to retain strategic predominance in the Indian Ocean for some years to come, its relative position will decline as India emerges as a major regional power. China also has a growing interest in the security of the region. This submission will consider some options available to Australia in adapting to shifts in the balance of power and the implications for Australia’s strategic stance in the Indian and Pacific Oceans.

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Executive Summary

The rise of India as a major Indian Ocean power....

- Maritime security is playing a more prominent role in Indian strategic thinking, as part of India's aspirations to be perceived as a major regional power.
- India is expanding its area of strategic influence in the Indian Ocean and extending its maritime security relationships throughout the region.
- India has embarked on a major naval modernisation program which, if implemented, could make India the predominant regional naval power.
- India has long-term aspirations towards attaining naval predominance throughout much of the Indian Ocean.
- India is highly sensitive to any Chinese security presence in the Indian Ocean region.

China's strategic imperatives in the Indian Ocean....

- China's overwhelming strategic imperative is to protect its sea lines of communication across the Indian Ocean. The so-called "Malacca Dilemma" represents a major strategic vulnerability for China.
- China is seeking to reduce its vulnerability through:
 - improved capabilities to project power into the Indian Ocean region.
 - developing new transport options.
 - developing strategic relationships in the IOR.

- demonstrating China's ability to act as a responsible stakeholder in the region.
- The mutual threat perceptions of India and China in the Indian Ocean have created a security dilemma between them.

The US response to the shifting balance of power in the Indian Ocean....

- The United States has recognised India as a major regional power and potentially a global power and wishes to facilitate its rise in a manner consistent with US interests.
- The US wishes to assist India to expand its power projection capabilities to act as a regional counterbalance to China and assume some of the burden of security in the IOR.
- The US is beginning to see the Indian Ocean and Pacific Oceans as strategically interdependent and is changing its regional strategies accordingly.

Strategic implications of these developments for Australia....

- The rise of India as a major power in the Indian Ocean, together with an increased presence of China, means that Australia can no longer simply rely on the US alliance for its security needs in the Indian Ocean.
- Shifts in the regional balance of power have caused Australia to draw closer to the United States as a security partner in the Indian and Pacific Oceans. In turn, the United States has greater need for Australia as a security partner across the Indo-Pacific.
- India is a key future strategic partner for Australia in the IOR. Despite Australia's enthusiasm for a closer security relationship with India, the development of the security relationship is likely to be slow and may possibly be limited in scope for some years.

- Australia must decide how to best navigate its relations with both India and China in the Indian Ocean. Australia may need to choose whether it should work with its security partners to limit any Chinese naval presence in the IOR or, alternatively, to facilitate the role of China as a responsible stakeholder in Indian Ocean security.
- Australia's strategic choices in the Indian Ocean will have a significant impact on its interests in the Pacific. It may be in Australia's interests to encourage all major powers to reach a *modus vivendi* involving both the Indian and Pacific Oceans.

Section 1. The rise of India as a major Indian Ocean power

The emergence of India as a major regional power is forcing Australia to rethink many of its longstanding strategic assumptions about the Indian Ocean. We are only just beginning to discern how India may alter our economic and strategic landscape. This section will consider the following:

- Developments in Indian strategic thinking about maritime power and the Indian Ocean
- India's naval modernisation program
- The expansion of India's area of strategic interest in the Indian Ocean
- India's perspectives on the United States and China in the Indian Ocean

India as a maritime power

Indian strategic thinking has traditionally had an overwhelmingly “continental” outlook. For thousands of years military threats to India have been perceived as coming primarily from India's north-west. This was reinforced by India's experience in the twentieth century, when any direct military threats to India—from Japan, Pakistan and China—were land-based. This has led to the Indian Army holding an undisputedly dominant position within the armed forces. As a result, until recently, India did not have the capability to project significant power over long distances in the Indian Ocean.

In recent years there has been a partial reorientation in India's strategic outlook towards the maritime dimension. There is a developing vision among Indian strategists of India as a major *maritime* power – and perhaps even that India's geographic position gives the Indian Ocean a preponderant influence over India's destiny. Some Indian leaders have drawn a close connection between India's maritime ambitions and its destiny as a great power. As former Indian Foreign Minister, Pranab Mukherjee, commented,

“after nearly a millennia of inward and landward focus, we are once again turning our gaze outwards and seawards, which is the natural direction of view for a nation seeking to re-establish itself, not simply as a continental power, but even more so as a maritime power, *and consequently as one that is of significance on the world stage* (emphasis added).”¹

India’s standing as the most populous state in the Indian Ocean region (IOR) and its central position in the northern Indian Ocean have also contributed to beliefs about India’s destiny to become the dominant power in its eponymous ocean. Even before India’s independence, K. M. Panikkar, India’s most famous maritime strategist, argued that the Indian Ocean must remain “truly Indian”, advocating the creation of a “steel ring” around India through the establishment of forward naval bases throughout the Indian Ocean.² Many in the Indian Navy see India as destined to become the predominant maritime security provider in a region stretching from the Red Sea to Singapore and having a significant security role in areas beyond.³ Some commentators even claim that there is a “well established tradition” among the Indian strategic community that the Indian Ocean is, or should one day be, “India’s Ocean”.⁴ According to a senior US naval analyst:

“New Delhi regards the Indian Ocean as its backyard and deems it both natural and desirable that India function as, eventually, the leader and the predominant influence in this region—the world’s only region and ocean named after a single state. This is what the United States set out to do in North America and the Western Hemisphere at an early stage in America’s ‘rise to power’.”⁵

India’s naval modernisation program

Increased enthusiasm for maritime power has been accompanied by a considerable expansion in India’s naval capabilities. During the Cold War, India’s ability to pursue its maritime ambitions was severely constrained and the Indian Navy was known as the “Cinderella” of the Indian armed forces. However, in recent years India has embarked on a

major program to develop a “Blue Water” navy involving significant increases in naval expenditure.

The Indian Navy now has an acquisition program involving the expenditure of up to US\$60 billion over the next 15 years, expanding its fleet from 132 major ships to 150 by 2017. The great majority of new ships are being constructed in India. There are plans for five locally produced nuclear-power ballistic missile submarines by 2025. India’s sole aging aircraft carrier is being replaced by 3 new aircraft carriers (including two constructed locally) which will require the acquisition of up to 400 new naval aircraft over the next decade. The recent delivery of two new fleet tankers will significantly increase the Indian Navy’s capabilities to conduct long-range operations.⁶ According to Admiral Arun Prakash, the former Indian Chief of Naval Staff, India aims to exercise selective sea control of the Indian Ocean through task forces built around three aircraft carriers that will form the core of separate fleets in the Bay of Bengal, the Indian Ocean and the Arabian Sea.⁷

The expansion of India’s area of strategic interest

As part of its rise as a major regional power, India has expanded what it considers to be its area of strategic interest. From the turn of this century the Indian Ministry of Defence began describing India’s *security environment* as extending from the Persian Gulf in the west, to the Straits of Malacca in the east,⁸ an area which former Foreign Minister Jaswant Singh called India’s *sphere of influence*⁹ and the current Prime Minister Manmohan Singh has called India’s *strategic footprint*.¹⁰ This could be seen as part of a desire to move beyond India’s strategic preoccupations in South Asia and re-engage with its extended neighbourhood. Some claim that any significant geographic expansion of Indian influence can only take place in the maritime domain. As Rajiv Sikri, a former Secretary in India’s Foreign Ministry, commented: “If India aspires to be a great power, then the only direction in which India’s strategic influence can spread is across the seas. In every other direction there are formidable constraints.”¹¹

In conjunction with an expansion in naval capabilities, over the last couple of decades India has been quietly expanding its influence throughout the Indian Ocean. The Indian Navy has

been active in developing security relationships that are intended to enhance India's ability to project power and restrict China's ability to develop security relationships in the region (discussed in Section 2). As Admiral Prakash commented: "The appropriate counter to China's encirclement of India is to build our own relations, particularly in our neighbourhood, on the basis of our national interests and magnanimity towards smaller neighbours".¹²

The Indian Navy has taken a highly cooperative approach in developing security relationships in the region. India's caution in projecting military power beyond the limits of South Asia during the Cold War has generally placed it in good stead in much of the IOR. India has a noticeable lack of historical baggage in many of its dealings in the region (with the obvious exception of the Islamic factor arising from its relationship with Pakistan). India is often perceived as essentially a benign power and not a would-be hegemon. The current approach of the Indian Navy emphasises its role as a provider of public goods, such as maritime policing, anti-piracy and anti-terrorism functions.

The Indian Navy has given particular focus to developing capacity and relationships near the "choke points" at entrances to the Indian Ocean around southern Africa, the Arabian peninsula (including the Strait of Hormuz and Bab-el-Mandeb) and the straits connecting the Indian and Pacific Oceans through the Indonesian archipelago (the Malacca, Sunda and Lombok straits). According to the Indian Navy's 2004 Maritime Doctrine, "Control of the choke points could be useful as a bargaining chip in the international power game, where the currency of military power remains a stark reality."¹³ In accordance with this strategy India has developed security relationships, often with smaller states, around the choke points or near the key Indian Ocean trade routes. These include with:

- Mauritius and Seychelles, in the southwest Indian Ocean,
- Oman in the northwest Indian Ocean and
- Maldives in the central Indian Ocean

India has given particular priority to expanding its security presence in the northeast Indian Ocean, an area of considerable importance to Australia.

India's security presence in the northeast Indian Ocean

Over the last two decades or so, India has expanded its military presence in the northeast Indian Ocean through development of its naval and air capabilities on India's east coast and in India's Andaman and Nicobar Islands. These islands, which run north-south through the Andaman Sea, form a natural base for projecting power into the Malacca Strait and potentially beyond into the South China Sea. The Andaman Islands have particular significance for the security of the Malacca Strait and have been described by one Chinese naval writer as constituting a "metal chain" that could lock the western end of the Strait tight.¹⁴ India's naval presence in the Andamans and in the Bay of Bengal/Andaman Sea will be supported by a major new naval base being built near Visakhapatnam on the east coast of India.

India's bilateral security relationships in the region are anchored by Singapore which acts as India's primary economic, political and security partner in Southeast Asia. Singapore sees India as having an important security role in the region, acting as a balance to other extra-regional powers, particularly China.¹⁵ India and Singapore have developed a broad-based security relationship, including regular security dialogues, joint exercises, intelligence sharing and cooperation in defence technology. In a first for India, Singapore has been granted long term use of Indian facilities to conduct air and army training. India is a frequent user of logistical facilities at Singapore's Changi Naval Base which will assist the Indian Navy to project power into the South China Sea. Indonesia has also supported the development of India's political and economic links with ASEAN states over the last two decades, and in recent years the relationship has developed a security element.¹⁶ A Defence Cooperation Agreement was signed in 2001 and since 2002 there have been biannual "coordinated" naval patrols between the Indian and Indonesian navies in the Six-Degree Channel at the northern entrance to the Malacca Strait. While the India-Indonesia relationship has developed slowly, there is considerable potential for a strategic partnership between them that addresses mutual security concerns in both the Indian and Pacific Oceans.

The Strait of Malacca, which represents the key choke point between the Indian and Pacific Oceans, forms a focus of India's regional security ambitions. Some observers place the Strait

as the mid-point in an “arc of rivalry” between India and China stretching from the Persian Gulf to the Sea of Japan.¹⁷ US naval analysts have compared India’s interests in the Strait to the importance of the Panama Canal to the United States in the Western Hemisphere in terms of India’s ability to secure a dominant strategic position in the northeast Indian Ocean.¹⁸ The Malacca Strait is one of the world’s busiest waterways, with an estimated 80,000 ship movements in 2008, which some believe will increase to some 140,000 movements per annum by 2020. It is the key trade route between East Asia and the Middle East/Africa/Europe, carrying an estimated one third of global trade and the bulk of energy supplies from the Middle East to East Asia (including an estimated 70-80% of China’s energy imports and 90% of Japan’s).¹⁹ The Strait is considered to be particularly prone to piracy and terrorist attacks. A decade or so ago there were widely-held concerns about the level of sea-robbery of ships transiting the Strait, although reported cases of sea robbery in and around the Strait have fallen significantly in recent years. The Strait is largely within the territorial waters of Singapore, Indonesia and Malaysia, with the latter two states in particular being highly sensitive to the presence of any “external” maritime security providers in the Strait.

In the wake of September 2001, Indian warships escorted high value commercial traffic transiting the Strait, as part of the US-led Operation *Enduring Freedom*. Since then, India has been careful to position itself as a “non-intrusive, cooperative and benign” maritime security provider to the South East Asian region.²⁰ Over the last decade India has on several occasions proposed taking an active security role in the Strait, although this has been resisted by some littoral states. It remains to be seen whether there are circumstances in which all the littoral states would agree to India’s requests for a direct security role in the Strait. Such a role would have significant strategic implications for the whole region, and particularly for India’s relationship with China.

Indian perspectives on the United States and China in the Indian Ocean

India has long opposed the presence of extra-regional powers that were considered as a threat to India’s strategic aspirations in the Indian Ocean. During the latter half of the Cold War, India frequently perceived the US naval presence in the Indian Ocean as a threat. Indian concerns were crystallised by the “incursion” of a US naval task force headed by the USS

Enterprise into the Bay of Bengal in the closing days of the 1971 Bangladesh War, which was taken by India as a major threat to India's special role in South Asian security. This perception was reinforced by the development of the US base at Diego Garcia, which was vociferously (although unsuccessfully) opposed by India. However, as will be discussed in Section 3, India's opposition to the US naval presence has softened significantly in recent years and India has come to accept the continuing security role of the United States in the region.

China has now become a major focus of India's threat perceptions in the Indian Ocean. Francine Frankel, a leading US observer of the Sino-Indian strategic relationship, believes that there has been a material deterioration in the relationship in recent years, "propelling bilateral relations towards a deep and wide strategic rivalry."²¹ There are also important points of cooperation, particularly with a booming trade relationship. The security relationship between India and China in the Indian Ocean is a subset of the broader strategic relationship which includes the Sino-Indian border dispute, the strategic alliance between China and Pakistan and nascent strategic competition in Southeast Asia. While the Indian Navy's immediate security concerns in the Indian Ocean include countering a conventional security threat from Pakistan and unconventional threats from piracy and terrorism, the potential for China to project naval power into the Indian Ocean has probably become its principal long term source of concern. There is certainly a wide gulf between mutual perceptions of China and India over their respective roles and intentions in the region. Many Indian strategists see China's political and security relationships in South Asia and its putative "String of Pearls" strategy (which will be discussed in Section 2 below) as part of a cohesive policy of "encirclement" or "containment" of India that justifies the development of a "defensive" sphere of influence by India.

Conclusion: the rise of India as a major Indian Ocean power

There are a number of reasons to believe that in coming years India will assume a major role in Indian Ocean security:

- Maritime security is playing a more prominent role in Indian strategic thinking as part of India's aspirations to be perceived as a major regional power. This is likely to continue to grow in future years.
- India is increasingly turning to the Indian Ocean as a means to expand its area of strategic influence.
- India has embarked on a major naval modernisation program which, if implemented, would make India the predominant regional naval power and in some decades possibly comparable with the US power projection capabilities in the region.
- India has long-term aspirations towards attaining naval predominance throughout much of the Indian Ocean.
- There has been a significant extension of India's maritime security relationships throughout the region. Much of the emphasis has been in developing relationships with states at or near the key points of entry into the Indian Ocean, including the Malacca Strait.
- India is highly sensitive to any Chinese security presence in the Indian Ocean region.

However there are some real questions as to whether all of India's strategic aspirations in the Indian Ocean will be achieved because, among other things:

- India has a long history of its strategic ambitions surpassing its capabilities and of strategic goals and military expansion plans going unfulfilled.
- The planned expansion of India's naval capabilities is highly contingent on continued growth of India's economy.

- There are several states in the IOR that may resist India asserting a predominant security role in the region.
- The United States would be expected to maintain a major long term regional security presence, particularly in the northwest Indian Ocean.

Section 2. China's strategic imperatives in the Indian Ocean

China also has the potential to significantly affect the balance of power in the Indian Ocean.

China's key maritime strategic imperative in the Indian Ocean is to ensure the security of its trade routes across the Indian Ocean, particularly those SLOCs used for transporting energy between the Persian Gulf, through the Malacca Strait to China's Pacific coast. China is keenly aware of the vulnerability of its trading routes to threats from both state and non-state actors. Yoshihara and Holmes, analysts with the US Naval War College, believe that the maintenance of the SLOCs from the Persian Gulf and Africa to China has now become a matter of "surpassing importance" to China's communist regime.²² In particular, approximately 80% of China's oil imports pass through the Strait of Malacca which is particularly susceptible to blockade. This strategic vulnerability has been described by Chinese President Hu Jiantao as China's "Malacca Dilemma". That is, the great majority of China's energy supplies are subject to potential interdiction in circumstances where China has no direct ability to provide security.

China has sought to address these concerns in several ways, which will be considered below:

- The development of its "blue water" naval capabilities that could allow it to project power into the Indian Ocean.
- The mitigation of China's Malacca Dilemma through development of alternative transportation routes.
- The development of strategic partnerships in the region – sometimes called China's "String of Pearls" strategy.
- The gradual development of a security role as a "responsible stakeholder" in the region.

The development of China's "blue water" naval capabilities

China is currently undertaking a significant naval modernisation and expansion program.²³ Although overwhelmingly directed at enhancing China's capabilities in the Western Pacific, it may also enhance China's ability to project limited naval and air power into the IOR. The capabilities of the Chinese navy (PLAN) now exceed India's by a considerable margin in both quantitative and qualitative terms. Nevertheless, China's long range power projection capabilities are severely limited and will be for many years to come. China's ability to project power into the Indian Ocean will also severely limited by geographic factors including the distance from ports in southern China, lack of guaranteed logistical support in the IOR, and the need to deploy to the IOR through choke points, principally the Strait of Malacca.

The development of alternative transportation routes

China is seeking to partly mitigate its Malacca Dilemma through diversification of its Indian Ocean energy and freight transport options. Measures taken or being considered include:

- improved transport connectivity between China's southern Yunnan province and the Bay of Bengal and through Burma. The so-called Yunnan-Yangon Irrawaddy road/rail/river corridor has been operational for around a decade and has allowed significant improvements in freight transportation times to southern China. Oil and gas pipelines are also under construction which would transport Burmese-sourced gas and transshipped oil to southern China.
- improved transport connectivity between China's western Xinjian province and the Arabian Sea through Pakistan. This includes improved road/rail links to Karachi and a proposed oil pipeline and road/rail links to the port of Gwadar. These links would traverse regions of Pakistan where there are significant security issues. In August 2010 some 7,000 - 11,000 Chinese troops were reportedly deployed in Pakistan-administered Kashmir

to provide security for Chinese construction workers from attacks from Islamic and tribal groups.²⁴

- proposals to build a canal across Thailand's Kra Isthmus between the Andaman Sea and the Gulf of Thailand. This would allow shipping to avoid the Strait of Malacca and significantly shorten shipping transit times. The cost of this project has been reported at around US\$20-25 billion.

It should be noted that while such projects would expand China's energy transport options, they would also be highly vulnerable to disruption by both conventional and non-conventional military means.

The development of strategic partnerships in the region – the so-called “String of Pearls” strategy

By far the most contentious of China's responses to its security concerns in the region has been the development of strategic relationships with several states in the IOR. Some call this China's “String of Pearls” strategy.²⁵

Until recently there has been virtually no Chinese naval presence in the IOR. However, over the last decade or so, China has been developing political relationships and commercial interests throughout the IOR which have included the development of port facilities in several Indian Ocean states. According to some reports, China has been involved in the development or upgrading of some naval facilities in the region, including in Burma and at Gwadar in Pakistan. Chinese companies have also been involved in the funding and construction of a number of commercial port facilities in the region, including in Pakistan (Gwadar), Sri Lanka (Hambantota), Burma (Kyaukpyu) and Bangladesh (Sonadia) and it is sometimes claimed that China has secretly negotiated naval access rights as part of these developments.²⁶ Some of these ports are at highly strategic locations, such as Gwadar (which sits near the Strait of Hormuz) and Hambantota (which sits midway between the Strait of Hormuz and the Strait of Malacca). However, China has been careful to avoid any overt military presence or even any

explicit commercial role in their operation. For example, in 2011 China publicly rebuffed suggestions made by the Pakistan government that Chinese companies take over the operation of the port of Gwadar.

The so-called “String of Pearls” theory has a strong following among the Indian security community. Although the Indian government and the Indian Navy emphasise that China currently has no military bases in the IOR,²⁷ many in the Indian security community firmly believe that China aims to establish a string of military facilities across the Indian Ocean as a coordinated strategy aimed at India. China’s relationships in the IOR are commonly assumed to be military in nature and as being directed against India: either as a plan of maritime ‘encirclement’ of India or otherwise intended to keep India strategically preoccupied in South Asia. Many also believe that there is a significant risk that India and China will, as Admiral Arun Prakash put it, “compete and even clash in the same strategic space.”²⁸ As Admiral Suresh Mehta, a former Indian Chief of Naval Staff, claimed on Indian television:

“[China] is shaping the maritime battlefield in the region. It is making friends in the right places. It you don’t have the capability to operate in these waters, for a length of time, then you need friends who will support your cause, when the time comes, so definitely China is doing that, as there are Pakistan, Bangladesh, Myanmar, Sri Lanka and down below Africa. (sic) So it is a known fact that we are ringed by states which may have a favourable disposition towards China.”²⁹

Others in New Delhi who might acknowledge China’s interests in SLOC security argue that China is overstepping the mark in developing influence in the IOR, thereby creating a security dilemma for India. According to Commander Gurpreet Khurana (joint director of the Indian Navy’s Maritime Doctrine and Concept Centre and author of the 2004 Indian Maritime Doctrine), China and India’s vital security interests have been dilating from their immediate peripheries to regional extremities and beyond, leading them both to stretch their maritime strategic footprint across the entire Asian region.³⁰

Other observers are skeptical about the so-called “String of Pearls” theory, seeing claims about Chinese ports or military bases in the IOR as exaggerated or groundless. While China

has been involved in the construction of the Pakistani commercial and naval port of Gwadar and in the upgrading of Burmese naval facilities, other allegations about “Chinese bases” appear to be merely based on Chinese involvement in the development of commercial port infrastructure. Robert Kaplan, a noted US journalist and strategic thinker, sees the development of regional relationships by China in grand strategic rather than military terms, commenting that, “China’s move into the Indian Ocean constitutes less an aggressive example of empire building than a subtle grand-strategy to take advantage of legitimate commercial opportunities wherever they may arise in places that matter to its military and economic interests.”³¹ Kaplan nevertheless foresees the long-term development of the PLAN from a one-ocean power to a two-ocean navy as part of the transformation of China from a regional power to a great power, able to project force around the whole navigable Eurasian rimland.³²

Daniel J. Kostecka, a senior China analyst with the US Department of Navy, strongly rejects the suggestion that China is actively planning to develop naval facilities at locations such as Gwadar and Hambantota.³³ Converting these facilities into the naval bases would require billions of dollars worth of military equipment and infrastructure in order to ensure their viability in wartime. Even then, the exposed position of these facilities makes their wartime utility dubious against an enemy equipped with long-range precision strike capability. According to Kostecka, the PLAN is instead pursuing a policy similar to the US military of “places not bases,” where PLAN vessels can receive logistical support at ports where China has friendly and stable relationships. Kostecka believes it likely that China will enter into formal logistical support arrangements as a “natural outgrowth” of PLAN’s expanding presence in the region, particularly its counter-piracy patrols off the Horn of Africa. In the northwestern Indian Ocean this is likely to include Salalah, Oman, as well as Aden, Djibouti and Karachi. Elsewhere in the Indian Ocean, Kostecka believes that PLAN is likely to use Colombo and Singapore for logistical support (although not under a formal agreement along the lines of Singapore’s access agreement with the US Navy). Kostecka dismisses claims about China’s plans for base facilities in Bangladesh, Sri Lanka and Maldives, commenting that a PLAN presence in these states would undermine their security while doing very little to enhance China’s.³⁴

This writer believes that claims that China's very small presence in the IOR represents even the beginnings of a two ocean navy are overstated. Borrowing from the terminology of nuclear deterrence, China's naval capabilities in the Indian Ocean might at the very most be described as "recessed."³⁵ Arguably, even despite significant future increases in the PLAN's capabilities, the geographic constraints that China faces in the Indian Ocean will for the foreseeable future place significant limitations on its ability to unilaterally protect its SLOCs against other major powers (and particularly India). As one Chinese analyst commented, given the distances separating any Chinese interests in the Indian Ocean, they look more like "sitting ducks" than a "string of pearls".³⁶

Becoming a responsible stakeholder?: China's anti-piracy deployments in the northwest Indian Ocean

A relatively new development, and one that might be seen as demonstrating China's willingness to take responsibility for SLOC security in the Indian Ocean, is China's response to the piracy crisis in the Gulf of Aden. Since the hijacking of two Chinese-flagged vessels in early 2009, PLAN has deployed two to three warships and one replenishment vessel in the Gulf of Aden area to protect Chinese ships from Somali pirates. The PLAN flotillas have received logistical support primarily out of Oman and Yemen. The PLAN operates in parallel (and barely in coordination) with the US-sponsored Combined Task Force 151. In March 2010, PLAN ships involved in China's anti-piracy operations entered the Persian Gulf and have since made additional visits to the Persian Gulf.

According to Yoshihara and Holmes, both official and non-official Chinese commentators have made much of China's anti-piracy deployments in the Gulf of Aden as a demonstration or even "breakthrough point" for China's image as a "great responsible power." The view that narrow self-interest no longer exclusively animates Chinese foreign policy enjoys substantial weight in Chinese policy and academic circles.³⁷

Conclusion: China's strategic imperatives in the Indian Ocean

- China's overwhelming strategic imperative in the Indian Ocean is to protect its SLOCs from the Middle East and Africa to East Asia. China is keenly aware that the "Malacca Dilemma" represents a major strategic vulnerability.
- China is seeking to reduce its vulnerability through:
 - improved capabilities to project power into the IOR.
 - developing new transport options.
 - developing strategic relationships in the IOR.
 - anti-piracy deployments that demonstrate China's ability to act as a responsible stakeholder in the region.
- China's actions in the IOR are seen by many in India in potentially threatening terms, justifying increased Indian capabilities and expanded security relationships in the region. In turn, an enhancement of India's capabilities could further increase China's strategic vulnerability.
- The mutual threat perceptions of India and China in the Indian Ocean and their responses to those perceptions create a security dilemma between them. This could have adverse implications for Australia's interests in both the Indian and Pacific Oceans.

Section 3. The US response to the shifting balance of power in the Indian Ocean

The United States holds a predominant strategic position in the IOR and there is reason to believe that it will continue to hold a dominant position for many years to come. Nevertheless, its relative position is in long-term decline, particularly in face of the growth of capabilities of the Indian Navy. The United States is also keenly aware of the shifting balance of power in the Asia Pacific, particularly with the modernisation of China's military forces. Although the United States closely monitors Chinese activities in the IOR, the small presence of the PLAN in the Indian Ocean currently represents little threat to US interests in that region.

This section will discuss the US response to the shifting balance of power in the IOR, with particularly focus on the development of US-India military cooperation. It will then discuss the reconceptualisation of the strategic interaction of the Indian and Pacific Oceans and its possible implications for US strategy in those regions.

US perspectives on India as a strategic partner

Over the last decade or more the United States has actively encouraged India's strategic ambitions in the IOR and beyond. In March 2005, the Bush administration announced that it would "help India become a major world power in the 21st century", adding that "We understand fully the implications, including the military implications, of that statement."³⁸ The United States has focused on assisting in the expansion of India's power projection capabilities and its role as a security provider in the Indian Ocean. As US Secretary of the Navy, Donald Winter, commented in 2008, the United States welcomed India "taking up the responsibility to ensure security in this part of the world".³⁹ This policy has been continued under the Obama administration, although there are perceptions in New Delhi of a somewhat lesser commitment to the relationship as compared with the previous administration.

To a significant extent US policies are motivated by a desire to see India grow as a regional balancing factor against China, particularly in the Indian Ocean, but also in the Pacific. This

strategy has been compared with Britain's strategy in the late nineteenth and early twentieth century, when Britain found itself challenged by the growth of German naval power. Britain then forged partnerships with emerging naval powers, the United States in the western hemisphere and Japan in the Pacific, encouraging them to take regional security responsibilities and allowing them a measure of regional hegemony while Britain concentrated its resources in the North Atlantic against Germany.⁴⁰ This analogy, while far from perfect, does capture some of the factors present in US thinking in the Indian Ocean, particularly its perceptions of the need to husband its resources in responding to a growing maritime threat presented by China in the Pacific region.

US-Indian military cooperation

Over the last decade or more the US-Indian relationship has had a strong focus on military-to-military cooperation, which has reached a level described by Admiral Michael Mullen, Chairman of the US Joint Chiefs of Staff, as "stunning".⁴¹ The US focus has been on assisting in a build-up of India's conventional naval and air capabilities to complement the US presence in the Indian Ocean region.

The United States and India began conducting bilateral military exercises in 1992, which have since increased significantly in frequency, scale, complexity and jointedness. India conducted more than 60 major military exercises with the United States since 2003, significantly more than with any other country. According to the US Department of Defence, in the year to April 2011 there was some 56 cooperative events among US and Indian military services.⁴² The annual *Malabar* naval exercises have particularly increased in scale and complexity, including the controversial Exercise *Malabar 2007* in the Bay of Bengal which involved three carrier battle groups and other ships from India, the United States, Japan, Australia and Singapore. The presence of two US carrier task forces in the Bay of Bengal was particularly symbolic for New Delhi where the "intrusion" of the *USS Enterprise* into the area during the closing days of the 1971 Bangladesh war is still remembered darkly. Exercise *Malabar 2007* was also seen by some analysts as having particular strategic significance, involving US allies and friends in a possible maritime *entente* aimed at containing China.

In addition to regular military exercises, the United States has entered into, or is negotiating various agreements with India to facilitate cooperation and interoperability of their armed forces. Although the United States has signed similar agreements with many of its allies, some of these agreements are highly controversial in India due to their implications for the integration of India into the US global military network. The United States has also made significant efforts to improve defence trade with India. However, progress in this area has been slow, reflecting US legal hurdles and the ponderous nature of the Indian defence acquisitions process. The United States has the objectives of improving India's power projection capabilities, particularly in the maritime sphere, and supplanting Russia as India's primary defence supplier. Only a few acquisitions of significant size have been finalised to date, although some large acquisitions are in process or have been proposed.

US-Indian naval cooperation

The US-Indian naval relationship is aimed at encouraging the expansion of India's naval capabilities and engagement throughout much of the Indian Ocean region. The central role of naval cooperation in the security relationship was formalised in the 2006 *Framework for Maritime Security Cooperation* which commits India and the United States to "comprehensive cooperation in ensuring a secure maritime domain." Expanding navy-to-navy ties has also proved to be a politically low cost way of strengthening the overall strategic relationship, particularly in light of the sometimes controversial nature of the US security relationship in India.

A significant factor in US interest in India's naval capabilities has been a desire by the United States to build India as a regional counterweight to China in the IOR and Southeast Asia. India has similar motivations for naval cooperation with the United States. According to a former senior military official on India's Integrated Defence Staff: "India principally wants the [United States] to partner it in shaping the strategic space in the region, which could otherwise be usurped by other regional players."⁴³ Some in the United States may see the potential for Sino-Indian rivalry in the Indian Ocean region as not being contrary to its interests and may, in some cases, even seek to promote such rivalry. On several occasions over the last few years

US officials have actively stoked public concerns in India over China's intentions in the Indian Ocean.

Enhanced US-Indian naval cooperation also fits well with a cooperative model adopted by the US Navy throughout the world. This approach was adopted by the US Navy in its 2007 *Cooperative Strategy* which reiterates the US naval commitment to the Pacific and Indian Oceans, while recognising that the US Navy must establish enduring partnerships in order to leverage its presence. The United States sees India as playing an important role in 'burden sharing' of certain maritime security needs in the Indian Ocean. According to a Pentagon report, the US military sees India as a capable partner that can take on more responsibility for low-end operations in Asia such as peacekeeping, search and rescue, disaster relief and high-value cargo escort, allowing the US to focus on high-end operations. They also perceive a strong security relationship with India as providing training opportunities and the potential for basing to expand US power projection. From the perspective of the US Pacific Command, the Indian military is an ideal partner because of its relatively sophisticated military capability, its proximity to unstable areas and its experience in peacekeeping operations.

There are however important caveats on the extent to which the security relationship may develop in the future:

- India may prove to be an unpredictable security partner to the United States and is unlikely to be willing to consistently and publicly coordinate its operations with the United States. India's nonaligned legacy of so-called 'merit-based' decisions on international issues means that it is likely to take coordinated action only where it sees that its direct interests are involved in that specific circumstance (i.e. with relatively less concern for its long term relationship with the United States).
- India will, if at all possible, seek to avoid joining any international coalition under the operational leadership of the United States. A need to demonstrate that it is acting autonomously at all times seems strongly rooted in the Indian national psyche and may

- The US relationship continues to be politically controversial in India, particularly with those of a leftist or a Nehruvian strategic perspective who often regard Indian relations with the United States in zero sum terms. This creates a political imperative for the Indian Government to keep security cooperation with the United States as non-public as possible.
- There may also be good strategic reasons for India avoiding a perception of having too close a security relationship with the United States. While India derives significant leverage against China from having a good relationship with the United States, arguably that leverage may actually be reduced if the US-India relationship is perceived as moving towards an anti-China alliance.

The “Indo-Pacific” strategic region

Another important consequence of recent shifts in the balance of power in the Indian and Pacific Oceans is the reconceptualisation of those regions by the United States. This has some important implications for Australia.

Whereas the Indian and Pacific Oceans were once considered as largely separate regions in strategic terms, the United States increasingly sees considerable strategic interaction between those regions. There is increasingly discussion within the US security community of an integrated “Indo-Pacific” strategic region encompassing the entire Asian littoral running from northeast Asia to the Middle East and Africa. As a result - and despite reduced security commitments in Iraq and Afghanistan - the US “pivot” to Asia may involve even greater emphasis on security in the IOR. It is likely that the US will increasingly adopt a strategic posture with respect to the Indo-Pacific that seeks to address the security challenges facing the Asian littoral in an integrated manner. US thinking is consistent with increased enthusiasm among Indian strategic thinkers for the idea of the Indo-Pacific as a single

strategic entity as a way of justifying India having a seat at the “top table” with major Asia Pacific powers in discussing East Asian security (although this view of an integrated region is not necessarily consistent with India’s sensitivity towards any Chinese presence in the IOR).⁴⁴

We are only beginning to see the consequences of this reconceptualisation of the Indo-Pacific region. From a US perspective, likely consequences include:

- The gradual shift of US defence resources from the Northwest Pacific (Japan and South Korea) towards the Southwest Pacific area (including Australia, Singapore and the Philippines).
- A greater need for security partners that form a link between the Pacific and Indian Oceans.
- Increased focus on flexibility of the US and its allies to respond to challenges in both the Pacific and Indian Oceans. This includes increased use of Australian territory to “pivot” US defence resources between the Pacific and Indian Oceans, including deployment of US resources in Australia’s north and west.
- Increased importance of both India and Australia as US security partners in the IOR and a desire for India and Australia to take greater responsibility for Indian Ocean security.
- US encouragement of a closer working relationship between India and Australia that covers both the Indian and Pacific theatres.

As will be discussed below, while it may be overstating the case to see the Indo-Pacific as a single strategic region, there are at the least some key interactions between the Indian and Pacific Oceans which have some important implications for Australia and its strategy in the Indian Ocean.

Conclusion: US response to the shifting balance of power

- The United States has recognised India as a major regional power and potentially a global power and wishes to facilitate its rise in a manner consistent with US interests.
- Over the last decade there have been some major developments in US-India security cooperation, particularly in maritime security.
- The US wishes to assist India to expand its power projection capabilities to act as a regional counterbalance to China and assume some of the burden of security in the IOR.
- However, there is a deep-seated reluctance by India to participate in US-led operations or to back US security actions on a consistent basis.
- The US is in the process reconceptualising the Indian Ocean and Pacific Ocean from largely independent regions to the idea of the “Indo-Pacific” as strategically interdependent regions. This has some significant implications for US relations in the IOR and with Australia.

4. Strategic implications of these developments for Australia

The implications for Australia of the shifting balance of power in the Indian Ocean are profound. For much of its history as an independent country, Australia has had the luxury of giving relatively low priority to maritime security in the Indian Ocean. Our two great power allies, first Britain and then the United States have held strategic predominance in the region to Australia's benefit. While the United States still holds strategic predominance in the Indian Ocean and will for some time to come, Australia must now face the reality of the long term rise of India as a major power in the IOR and the potential for strategic instability in the region. There are reasons to believe that Australia and India can in the long term develop a good security relationship; however this will likely require considerable effort and patience on the part of Australia.

This section will review the implications for Australia of the shifting balance of power in the Indian Ocean and will:

- provide an overview of the development of Australia's strategic perspectives on the Indian Ocean.
- discuss the development of the Australia-India security relationship, including shared interests and likely challenges in developing the relationship.
- consider some of the challenges faced by Australia in navigating its relationships with India and China in the Indian Ocean.

The development of Australia's strategic perspectives on the Indian Ocean

Australia's strategic focus has traditionally been towards East Asia and the Pacific, while the Indian Ocean has often been neglected in its strategic thinking. Although by some measures the majority of Australia's coastline is on the Indian Ocean, many Australians have little awareness of it.⁴⁵ Australia's Indian Ocean strategy has often involved simply encouraging

the continued commitment of its great power friends to the region - the predominant role of the Royal Navy up until the early 1970s and the US ascendancy thereafter.

The relative neglect of the IOR in Australian strategic thinking has to some extent lagged the reality of its military involvement in the region. Since 1973 the great majority of Australia's military deployments have been in and around the Indian Ocean (including Kuwait, Somalia, East Timor, Iraq, Afghanistan and the Gulf of Aden) and not the Asia Pacific. Australian defence planners are increasingly recognising and acting upon this shift. As the 2009 Defence White Paper stated: "Over the period to 2030, the Indian Ocean will join the Pacific Ocean in terms of its centrality to our maritime strategy and defence planning."⁴⁶ The growing recognition of the strategic importance of the IOR to Australia has resulted in a significant movement of Australia's defence resources to the north and west of the country in recent years. This shift is only likely to accelerate as a result of the recent Australian Force Posture Review.

Australia's strategic relationship with India

One of the greatest challenges facing Australia in the Indian Ocean is the need to develop a good security relationship with India.

For much of their modern history, Australia and India have not had a close relationship. Despite a common language and some shared political traditions, Australia and India's strategic perspectives were often very different. During the Cold War, India was a determined advocate of strategic autonomy and nonalignment, while Australia was a loyal ally of the United States. Even after the end of the Cold War, Australia often had little regard for India's strategic perspectives. Australia's strident opposition to India's nuclear tests in 1998 was a good example of Australia's capacity to offend New Delhi, sometimes without fully recognising the full consequences of its actions. Nevertheless, the 1998 nuclear tests also represented a pivot point for the recognition by Australia of the strategic importance of India.

Since the turn of the century, Australia has made considerable efforts to develop a comprehensive strategic relationship with India. There have been numerous visits to India by Australian Prime Ministers and senior ministers. This increased political engagement has led to several bilateral agreements on security-related matters, including a 2003 agreement on terrorism, a 2006 memorandum of understanding on defence cooperation, a 2007 defence information sharing arrangement and 2008 agreements on intelligence dialogue, extradition and terrorism. In November 2009, Australia and India announced a Joint Declaration on Security Cooperation, intended to set out shared strategic perspectives and create a framework for the further development of bilateral security cooperation. At the same time, then Prime Minister Kevin Rudd told an audience in New Delhi that India and Australia were “natural partners” and should become “strategic partners.”⁴⁷ In conjunction with the Security Declaration, Australia and India finalised new cooperation arrangements in intelligence, law enforcement, border security, terrorist financing and money laundering.

Despite its apparent desire for a closer security relationship with India, Australia has missed some important opportunities over the last few years. In early 2007 Japanese Prime Minister Shinzo Abe proposed the so-called “Quadrilateral” initiative, under which India would join a formal security dialogue with Japan, the United States and Australia. Some saw this proposal as extending the existing US-Japan-Australia trilateral security dialogue to include India. However despite some preliminary meetings, Abe’s proposal was never implemented. Chinese official and semi-official sources reacted very negatively to the Quadrilateral initiative and the *Malabar 2007* naval exercises held later that year, criticising the initiatives as resurrecting “a cold-war mentality” and marking “the formation of a small NATO to resist China.”⁴⁸ The Australian government had considerable misgivings over the proposal, which was seen by some as undefined and unduly provocative. Australia’s decision in early 2008 to publicly announce its withdrawal from the initiative while in the presence of the Chinese Foreign Minister, Yang Jiechi, was perceived badly in New Delhi. In December 2011, the United States, India and Japan held their first Trilateral Security Dialogue meeting without the participation of Australia.

Australia’s policy of prohibiting the export of uranium to India has also caused considerable and lasting damage to the relationship. The policy was perceived in New Delhi as symbolising

a lack of trust of India and a lack of respect for India's major power status, especially when seen in light of Australian exports of uranium to China. The policy significantly reduced any enthusiasm by the Indian government for closer relations with Australia and considerably slowed development of the security relationship. Although the prohibition was overturned in December 2011, it will be some years before its negative impact on the relationship is overcome.

Despite some important developments in the relationship, practical security cooperation between India and Australia has been slow to develop. Although there is a cordial relationship between the Indian and Australian armed forces, there is only limited cooperation between them. Australia and India are a long way from having a close working security relationship. There is still little perceived imperative in New Delhi to engage with Australia or any real sense that India should take Australia's opinions into consideration, particularly when making judgments about China or the Indian Ocean. As a result, some believe that the relationship between Australia and India will for many years be largely focused on the economic and to a lesser extent, political, domain – with military and security aspects having less importance.

Despite these missteps and caveats, many analysts see the underlying strategic interests of Australia and India as “essentially congruent”⁴⁹, and believe that there is significant scope for bilateral security cooperation between Australia and India in the Indian Ocean. Commonly cited areas of possible cooperation in the Indian Ocean include in maritime policing (piracy and maritime terrorism, illegal fishing, people trafficking etc) and disaster management. Australia could, for example, sponsor the establishment of disaster relief arrangements in the IOR with India and the US, modeled on the successful FRANZ trilateral disaster relief arrangements conducted in the Pacific by France, Australia and New Zealand.⁵⁰ There are also hopes that India and Australia could jointly mould the Indian Ocean Rim – Association for Regional Cooperation (IOR-ARC) into an effective regional association for the IOR, although some analysts are not optimistic that this largely moribund organisation can be revived.

Australia and India have numerous shared interests beyond the Indian Ocean including, for example, in ensuring that any future Asian regional security and economic architecture

includes both India and Australia, two outliers from the core of East Asia. They have common interests in seeing the development of balanced multilateral economic, political and security institutions in the Asia Pacific. Australia and India also have shared interests in promoting democracy, political stability and secularism in Southeast Asia, and particularly in Indonesia. There may also be considerable scope for cooperation on global issues such as nuclear non-proliferation and disarmament.⁵¹

However, Australia will need to be mindful of a number of important underlying factors in promoting a good working security relationship with India in the Indian Ocean, which can raise some difficult questions. These include:

- The inherent differences in perspectives between an activist middle power such as Australia and an emerging power with great power aspirations such as India. New Delhi is yet to be convinced that engagement with a middle power such as Australia is a high priority relative to other commitments. As an emerging power, India is also particularly sensitive about recognition of its major power status, particularly in the Indian Ocean, and Australia has not been entirely forthcoming in this respect.
- There are also considerable differences in habits of security cooperation. Australia has a deeply embedded habit of collaboration with security partners, which contrasts sharply with India's instinct to oppose multilateral security cooperation except under the clear banner of the United Nations. Australia is a consistent and willing participant in US-sponsored international coalitions, such as the Combined Task Forces 150 and 151 in the northeast Indian Ocean. In contrast, India has conducted its own anti-piracy operations in the Gulf of Aden, which are minimally coordinated with multinational efforts. There may be scope for Australia to find creative ways to bridge this gap, for example, through promoting bilateral operations, perhaps with Australian forces under Indian command.
- Australia also perceives its interests as extending the predominance of US naval power throughout the IOR, while maintaining its position as one of the major naval powers

on the Indian Ocean littoral. India has its own strategic ambitions in the region. To what extent will Australia's relationship with India be captive to the health of the US-India strategic partnership? Despite a desire for the Australia-India security relationship to be separated from mutual relations with the United States, the US will almost inevitably be a central factor in the bilateral relationship.

- Australia will likely seek to ensure that while India expands its role in the Indian Ocean in coming years, it gives appropriate regard to the legitimate security concerns of littoral states and extra-regional powers. To what extent will India expect recognition of its leadership role in Indian Ocean security? How should Australia address the legitimate concerns of other interested states in Indian Ocean security?⁵² Australia will need to address these issues with sensitivity towards India's aspirations.
- There is not yet a shared understanding that Australia and India are each crucial to the other's security. This is compounded by a view in New Delhi that Australia is not an "independent" strategic actor due to its relationship with the United States. Australia has not yet been able to make a compelling case to New Delhi why it should use limited resources in cooperating with Australia. Australia needs to much better articulate how it can really add to India's security.

Navigating Australia's relationships with India and China in the Indian Ocean

Another major challenge that Australia will need to address in the Indian Ocean is how to navigate its important relationships with China and India.

There are some important differences between Australian and Indian perceptions of China's interests in the IOR. As discussed above, India is highly sensitive to any Chinese security presence in the Indian Ocean, often seeing it as aimed at encircling or containing India. In contrast, Australian analysts do not see any Chinese presence in the Indian Ocean as primarily motivated by India, but more as an expression of China's interests in protecting its key trading routes. The mutual threat perceptions of India and China in the IOR create a security

dilemma which could lead to heightened naval rivalry not only in the Indian Ocean, but also in the Pacific. This could easily work to Australia's disadvantage.

Australia's strategy towards China in the IOR will involve some difficult balancing of its interests in the Indian and Pacific Oceans. It is widely known that Australia and its security partners have concerns about China's increasing military power in the Pacific, and particularly over China's assertive stance over territorial claims in the South China Sea. However, it is not clear to what extent - or how - these concerns in the Pacific should drive Australia's strategic policy in the Indian Ocean. Australia's strategic choices in the Indian Ocean could, for example, include the following:

- Australia could work with the United States and India to enhance their collective military capabilities in the Indian Ocean with the effect of limiting China's relative capabilities in the region. This could sustain or even increase China's strategic vulnerability in the IOR. Some may see this vulnerability as potentially restraining China from taking an overly assertive stance in, say, the South China Sea or the Taiwan Strait. However, such strategic vulnerability could also easily lead to instability and strategic rivalry in the IOR.
- Australia could work with the United States, India and China to find ways to accommodate the legitimate interests of all powers in the Indian Ocean. It may be in Australia's interests to facilitate the development of China's role as a legitimate and responsible stakeholder in Indian Ocean security. This may reduce the risk of strategic rivalry in the IOR. Could or should the recognition of China's security interests in the India Ocean be explicitly linked with the development of a multilateral framework relating to the South China Sea?

In short, Australia may need to choose whether it should work with its security partners to limit any Chinese naval presence in the IOR or to facilitate the role of China as a responsible stakeholder in Indian Ocean security. Australia's approach to Sino-Indian rivalry in the IOR is not made any easier by the lack of an effective Indian Ocean multilateral security framework.

Australia proposed the development of an Indian Ocean security dialogue in the mid 1990s, but this was not accepted by India. There have been some more recent proposals for security understandings between the major powers which encompass the IOR. In 2009, Shiv Shankar Menon, now Indian National Security Advisor, unofficially proposed a cooperative security arrangement among major Asian powers (including India and China) and the United States, encompassing the Indian Ocean and the Western Pacific.⁵³ This was a useful recognition of the shared interests of all states in the security and stability of both regions. However, the viability of such an arrangement would depend, among other things, on China's willingness to recognise India's legitimate security interests in the Pacific and for India to recognise China's interests in the Indian Ocean. Such an understanding may be difficult to reach. However, it may well be in Australia's interests if the major powers were able to reach some sort of *modus vivendi* in both the Indian and Pacific Oceans.

Conclusion: strategic implications of the changing balance of power for Australia

- The rise of India as a major power in the Indian Ocean, together with an increased presence of China, means that Australia can no longer simply rely on the US alliance for its security needs in the Indian Ocean.
- Shifts in the regional balance of power have caused Australia to draw closer to the United States as a security partner in the Indian and Pacific Oceans. It also results in the United States having greater need for its security partnership with Australia across the Indo-Pacific.
- India is a key future strategic partner for Australia in the IOR. Despite Australia's enthusiasm for a closer security relationship with India, the development of the security relationship is likely to be slow and may possibly be limited in scope for some years.
- Australia currently ranks low in New Delhi's priorities in terms of security cooperation. This reflects Indian perceptions about Australia and its relationship with the United States – these perceptions are unlikely to change quickly.

- Australia must decide how to best navigate its relations with both India and China in the Indian Ocean. Australia may need to choose whether it should work with its security partners to limit any Chinese naval presence in the IOR or to facilitate the role of China as a responsible stakeholder in Indian Ocean security.
- Australia's strategic choices in the Indian Ocean will have a significant impact on its interests in the Pacific. It may be in Australia's interests to encourage all major powers to reach a *modus vivendi* involving both the Indian and Pacific Oceans.

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