

The redistribution of global power resulting from the rise of India and China has increased the strategic importance of the Indian Ocean. Its sea lanes supply both countries with the majority of their imported natural resources and, as a consequence, determine their energy security. While maritime security for these sea lanes therefore serves as an overlapping interest, the scarcity of energy resources, especially for energy consumers, is driving intense global economic competition between the two powers for long-term energy supplies. This in turn introduces great complexity into projections of the nature of their long-term relationship. The result is a full spectrum of analyses, ranging from deep coordination on one end to full-scale confrontation on the other. Since systemic factors strongly disincentive the extremes, the future of the relationship almost certainly lies somewhere in the range of limited cooperation to limited confrontation. However, the erosion of American unipolarity has made this calculation difficult at best. In such a complex environment, a survey of the full spectrum of possibilities proves especially useful as aspects of each likely will influence the evolution of the rising powers' engagement.

## **Revisionist collaboration**

Intensive cooperation between India and China could be realized through the coordination of state actions to promote their shared interests. This coordination likely would be the result of formal contract and enforcement through international treaties and organizations or new norms and conventions that provide informal guides for state conduct specifically in regions that affect the actors' energy security.

As China remains uncomfortable with international energy markets and institutions, it is unlikely that this coordination would arise within the status quo. Instead, new institutions or norms almost certainly would be the result of revisionist action by both actors to reshape a regional system that fails to properly accommodate their rising power interests.

The revision of the regional system could assume a global context through coordination with other BRIC states. This likely would be the result of an anticipated decline in American power, which in turn would "reduce the structural constraints that incentivize the BRICs not to challenge the United States" and empower those states to move to formally unite to challenge the weakened United States.

While the possibility of intensive bilateral or multilateral cooperation exists, four main factors reduce the probability that the two actors would seek to undertake aggressive revisionist action in the absence of an existential threat to their core interests:

- The era of American unipolarity - or the perception thereof - has yet to fully expire. Even in concert with one another, the two actors almost inevitably would face significant challenges by the United States and other Western countries should they seek to aggressively reorder the international system in their favor.
  
- The region has demonstrated a rejection of autarky and revisionism which together have yielded a region of wealthier and stronger states that remain powerfully invested in the current international order, including a growing security relationship between India and the United

States.

- The two states demonstrate a reactive relationship that is the result of an unshakable and largely unprofitable preoccupation with the past on the Indian side and an equally intense preoccupation with domestic consolidation on the Chinese side. Intensive cooperation therefore cannot proceed without the resolution of extremely difficult issues that undermine mutual trust and break the action-reaction cycle including historical conflicts, ongoing border disputes, and regional security concerns, as well as increased transparency, especially on the part of China.

- A sustained campaign to revise the international order to accommodate the energy interests of China and other BRIC countries would be undermined by the deep mistrust between BRIC countries, which likely limits how close the grouping could become.

## **Peaceful rise**

The rising powers of Asia could pursue a constructive arrangement based upon limited cooperation and limited competition. Under this less intensive relationship, regional powers could prioritize addressing systemic challenges of shared interest, including protection of the regional commons, over zero-sum calculations of national interests by supporting an informal great power condominium - embodying the spirit of accommodation. While this could have revisionist elements, it largely would be status quo in nature, thereby ensuring acceptance of the arrangement by other great powers.

The narrative that India and China have a shared interest in energy security, maritime security, and humanitarian operations in the Asian strategic lines of communications is supported by a number of key points:

- Both actors bear significant costs from exclusive bidding wars over energy supplies that artificially raise prices, imparting profit for a third side and imposing foreign currency transaction costs.

- Many Western analysts contend that the regime legitimacy of the Chinese government is largely dependent upon the continuation of strong economic growth, providing a strong disincentive for China to undertake actions that undermine regional peace and stability.

- Both actors share concerns that, as trade volumes and energy consumption soar, their security is vulnerable to any disruption of sea travel.

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The 2004 and 2010 Asian tsunamis and other systemic events demonstrate that 'no nation has the resources required' to counter the vast amount of emerging threats. A number of recent developments also can be interpreted as indicating a possible shift toward increased cooperation, including partnering on certain energy projects, conducting joint military exercises, supporting international piracy operations, and claiming 'shared visions' for the future. China also has made considerable efforts to improve domestic energy efficiency, to build strategic reserves, to promote alternative energy, and to diversify their traditional energy supplies outside of shared strategic lines of communications (SLOCs) in the Indian Ocean. (Examples of the latter include Chinese pipelines from Central Asia and Chinese energy investments in Latin America.) In the view of some analysts, such efforts will reduce the pressure to compete, thereby improving energy security in the region.

Even when the actors' actions devolve into competition (where shared interests are not strong), it can be argued that the overwhelming benefit of sustaining the constructive arrangement will ensure economic competition based upon market mechanisms and non-confrontation. These shared interests can even provide the basis for a new Asian maritime strategy - a Great White Fleet - that undermines the escalation of competition outside the bounds of strategic accommodation and provides a constructive - rather than coercive - role for the actors' navies.

While there is ample evidence that India and China are cooperating on a number of issues of mutual interest, these are counterbalanced by an equal (if not larger) number of counterpoints that challenge this argument:

- In the absence of prolonged confidence building exercises with India and the emergence of revisionist treaties, institutions, and norms that better accommodate Chinese national interests, it is unlikely that China will seek to maintain the status quo as it suffers the fear that adversaries, including a rising India, could blockade sea lanes and strategic bottlenecks ... thereby devastating China's economy.

- Despite bilateral trade growing rapidly to USD 51.78 billion in 2008, a flurry of diplomatic spats and an upsurge in Chinese incursions along the disputed Sino-Indian border in 2009 indicates a possible growing Chinese intolerance for the status quo to some Indian security strategists. Regardless of whether this perception serves as an indicator of future action, it illustrates that the simmering border dispute presents a possible core issue that may not be able to be accommodated despite opportunities for broader cooperation.

- Rather than pursue joint acquisition, China largely continues to use its economic advantage to outbid India, including at least USD 12.5 billion of contracts between 2009 and 2010.

- There is a general perception that each actor is pursuing limited maritime encirclement of the other - India in concert with other powers and China unilaterally - illustrating that the rising

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powers' naval buildup may be centered on achieving long-term power projection, sea control, deterrence, and naval presence in each other's territorial seas.

- Given long-term projections for increased regional demand and decreased global supply for key energy resources, it is unlikely that China will be able to ensure energy security through energy efficiency measures, energy diversification, and alternative energy development in the foreseeable future.

### **Violent confrontation**

The increased demand for energy by India and China could result in limited confrontation between the two rising powers as each takes defensive (and possibly offensive) measures to ensure strategic access to energy supplies. From this perspective, energy competition could evolve into the most likely cause of serious tension and possibly conflict between the two emerging Asian giants in the eyes of some analysts. This narrative centers on India and China as classic adversaries whose aspirations for strategic primacy remain supreme over other issues, no matter how intractable or how ominous:

- The threat of energy scarcity is viewed as a compelling driver of Indian naval military modernization as geopolitical tensions between the two uneasy neighbors and rivals easily could intensify as they vie for hegemony over territory, influence, natural resources, and markets in the coming decades.

- Whereas India is driven by the growth of China's presence in its backyard, securing sea lanes against hostile powers has become perhaps the chief preoccupation for Chinese naval military modernization.

Against the backdrop of one of the most heavily armed and heavily imported oil-dependent regions of the world, it can be argued that there is an air of inevitability that energy-driven rivalry between China and India will intensify rather than abate. Reasons given include increased regional demand coupled with decreased global supply, the importance of energy security to regime legitimacy in China, the winner take all approach of Chinese national oil companies to strategic competition, and China's intolerance over expansion of India's presence in key shipping routes along the Indian Ocean. In the long-term, the real possibility that there will be insufficient oil to satisfy global needs once India and China establish themselves as the second and fourth largest economies in the world also can be said to reinforce the argument for competition over cooperation.

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The need for dominant military capabilities to mitigate energy and maritime risks and ensure economic growth can in part explain the steady upgrading of the Chinese military's technological capability, its building of a blue water navy, its fast-developing skills in outer space and cyberspace, and its strategic engagement with other South Asian countries. While China's pursuit of ambitious military, economic, and diplomatic strategies might only be a defensive realist response, it still can lead to other nations misconstruing Chinese action as threats of force and lead them to mirror China's actions in a reciprocal cycle of action and reaction. India's naval build-up in support of the concept of extended neighborhood then can be viewed as a natural reaction to China's defensive response to its energy insecurity - an effort to take adequate (military) security measures to safeguard (Indian) assets and interests and even respond by projecting its own power in areas of strategic concern for China (including recent port calls to the South China Sea).

Energy competition and maritime security also can account for significant changes in military doctrine. In a January 2004 article, a Chinese military expert recommended both defensive and offensive options for a new naval strategy, including military reaction and reciprocal deterrence. China's significant development of asymmetric capabilities (including area-access/area-denial, space warfare, and computer network operations) ensures that these changes in doctrine present a serious threat to any country attempting to undermine China's energy and maritime security. Their offensive capabilities also provide alternative means for China to prosecute limited confrontation with regional actors in advance of its national interests.

It can be concluded that these aforementioned factors that foster increased energy competition likely are making it more difficult to preserve the order that has nurtured the peace in Asia in recent decades. However, this particular narrative is more descriptive than prescriptive, and provides no single consensus on the long-term consequences of high-levels of competition between the two actors. Numerous outcomes are possible, including a balance-of-power system that is effective at preserving the interests of the majority of states within it by preventing any single power from achieving hegemony, and a Concert of Powers that establishes clear understandings about the limits of such competition. Given the risk of system wars, which are often catastrophic, through mismanagement of the balance of powers, some argue that the proposed Concert of Powers may be preferred.

While there are indications that both India and China will continue to modernize their military forces directly in response to the larger security environment created by energy security concerns, these actions likely will not fully displace opportunities for cooperation nor make conflict inevitable:

- The recent record of engagement between India and China on energy security demonstrates that energy continues to serve as a source of both cooperation and competition between China and India in recent years.

- The actions of India and China do not occur in a vacuum, and therefore other actors, particularly the United States, can significantly incentivize both parties to act in the best interest

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of regional peace and stability.

- China's core interests are much broader than just energy security and sovereignty issues related to its border with India. Unresolved conflict in the Taiwan Straits, separatism in Xinjiang, and the potential - real or perceived - for broader domestic unrest all serve to limit China's revisionist ambitions in the Indian Ocean.

- Both China and India are diversifying their energy imports beyond the Middle East and Africa. Significant investment has been made, especially by China, to pursue breakthrough technologies that would minimize energy insecurity. While China has made strategic investments in military capabilities, these appear aimed mainly at deterrence and the containment of Taiwan, rather than to engage in an offensive campaign against another rising power.

### **Strategic Implications**

China's rise probably will be the biggest factor influencing regional security over the next two decades. Should China demonstrate a sincere willingness to increase transparency in its military, resolve extra-territorial disputes through multilateral bodies, deepen regional cooperation on transnational security matters, diversify its energy supplies through market mechanisms, and support the development of a more formal regional dispute resolution mechanism based upon international law, the two rising powers likely will be able to accommodate their overlapping energy security interests in a more cooperative manner. However, should China (or India) embark upon a revisionist path, then a regional balance of power system could take hold which would threaten confrontation over energy interests, especially ones that reinforce maritime and border insecurity.

To date, China has advanced three core interests (i.e. Chinese sovereignty, socioeconomic development, and territorial integrity) that it essentially considers nonnegotiable and is likely willing to use military force to protect. Security analysts therefore should pay careful attention to China's socioeconomic development as a leading indicator for engagement in the Indian Ocean. While China's engagement with India over energy security remains far from certain, one can surmise that energy insecurity ultimately poses a long-term risk to China's economic growth, which in turn threatens regime legitimacy. The likelihood of violent confrontation therefore increases in the event of diminishing economic growth and rising domestic instability as a result of energy insecurity.

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