

# Associate Paper

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## Sino-Indian Relations in the Indian Ocean: Conflict or Convergence?

**Raj Mittal**  
*FDI Associate*

### Key Points

- The twenty-first century has been referred to as the Asian Century because of the dominant role that is expected to be played by Asian countries.
- The two main actors in the Asian Century are, predictably, the two most populous countries: China and India.
- Both China and India are already among the world's largest economies.
- Their economic development is dependent on foreign sources of energy, which is imported mostly from the Persian Gulf and East Africa, via the Indian Ocean.
- Similarly, a large proportion of their external trade is transacted through the Indian Ocean.

### Summary

In view of the enormous stakes that both countries have in the Indian Ocean Region, it is natural for China and India to safeguard their interests in the area. This has manifested itself in the growth and modernisation of their respective navies. The expansion and deployment of their navies has led to the perception of the Indian Ocean as a region contested by the two states.

In the twenty-first century, economic interests are dominant factors that dictate a state's relationships. China and India actually have numerous points of convergence in the maritime and economic spheres, and a harmonious relationship between them could be a win-win

situation for both countries. The continued progress of their economies and trade relations warrants good relations between them in the Indian Ocean and beyond.

### Analysis

The Indian Ocean is the third-largest ocean. A large percentage of the world's shipping transits the Indian Ocean, mostly through chokepoints such as the Strait of Hormuz, Bab-el-Mandeb, the Malacca Strait, the Six-Degree Channel and the Nine-Degree Channel, to name a few. The huge resources of the Middle East, East Africa and Western Australia lend enormous weight to the geopolitical significance of the Indian Ocean Region.

Although China and India have land border disputes in the Kashmir and Arunachal sectors, the two countries have no contesting claims in the Indian Ocean. There is, however, unease and distrust in India about the presence and intentions of China's People's Liberation Army Navy (PLAN) in the Indian Ocean.

China's economic development is heavily dependent on energy products that are sourced from the Persian Gulf and East Africa that are transported across the Indian Ocean. Oil imported from the Persian Gulf States and Africa comprises 70 per cent of China's total oil imports. China is the world's largest oil importer and consumer. Transporting oil from the Persian Gulf and East Africa via the Indian Ocean will remain its primary mode of energy import for the foreseeable future. Energy security is China's stated reason for its anti-piracy efforts off the Coast of Somalia.

All of India's seaborne trade transits through the Indian Ocean. India's geographic location at the very centre of the Indian Ocean influences the country's strategic thought. It also accords India distinct advantages by rendering most chokepoints almost equidistant from India. This facilitates the [reach, sustenance and mobility](#) of its maritime forces. India's presence in the Indian Ocean, however, is not at the expense of other countries that have a legitimate interest in the Indian Ocean area. While may be the only one ocean in the world that is named after a country, it is presumptuous, nevertheless, to assume that the Indian Ocean is India's Ocean.

There are no maritime disputes or contesting claims in the Indian Ocean between China and India. The unease and distrust about the PLAN's presence and intentions needs to be addressed. The decision at the China-India Mamallapuram summit in October 2019 to develop military-to-military relations to enhance trust should be used to address this issue. Both China and India have legitimate interests in the Indian Ocean Region. To safeguard China's commercial interests and energy security, it is necessary for the PLAN to be present in the Indian Ocean Region. Equally, for India's commercial interests, it is necessary for the Indian Navy (IN) to deploy in the Indian Ocean. These measures are not adversarial and should not be perceived as being so.

### ***Convergence of Maritime and Economic Activities***

There are numerous points of convergence between China and India in the maritime sphere and economic activities. In the maritime sphere, the security of sea lines of communication (SLOCs) against piracy and terrorism threats, freedom and safety of navigation for seaborne commerce and preservation of the marine environment are major points of convergence. The PLAN and IN have operated jointly against piracy in the Gulf of Aden and off Somalia since 2008. On 5 May 2011, after a merchant ship, Motor Vessel (MV) *Full City* operated by a Chinese state-owned shipping company requested assistance against pirates, an IN maritime patrol aircraft located the vessel at sea. The IN aircraft subsequently guided US and Turkish Navy forces to assist the vessel against the pirates. The Government of China expressed its appreciation to India on the successful conclusion of the operations. In October 2013, the PLAN and IN participated in a multilateral drill focusing on anti-piracy and illegal immigration. In April 2017, MV *OS 35*, a Tuvalu-registered bulk carrier was jointly assisted by the PLAN and IN against a piracy attack off the coast of Somalia. Anti-piracy operations have served as a platform of co-operation and confidence building and have led to intensified contact between the two navies.

The PLAN has provided humanitarian assistance to stranded Indian citizens in Yemen. In an evacuation operation carried out in Yemen in 2015 by the PLAN, their ships evacuated several Indian citizens stranded there. IN ships have regularly called at Chinese ports and, in April 2019, two IN ships participated in the International Fleet Review at Qingdao, China. China holds an observer status at the Indian Ocean Naval Symposium, which was initiated by India. It is a platform for the member states to increase maritime security co-operation and to promote friendly relations among them. Both are members of the Regional Co-operation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (RECAAP). China is a dialogue partner of the Indian Ocean Rim Association (IORA). There was an agreement to develop a mechanism to co-ordinate Chinese, Indian, and Japanese navy ships for escorting cargo vessels through the Gulf of Aden in 2012.<sup>1</sup>

China and India co-operate in the oil industry in Sudan. Crude oil in South Sudan is pumped by the Chinese National Petroleum Corporation and India's Oil and Natural Gas Corporation Videsh.<sup>2</sup> Both China and India are adopting a common strategy of integration with the global economy to re-emerge as great powers. Global warming remains a common challenge for the two countries. Melting glaciers are likely to threaten about one-sixth of the world's population, predominantly in the Indian sub-continent and parts of China. China and India also have a common interest in developing a long-term global regime for preserving fish stocks, a crucial aspect of their food security. Both China and India feel the same deep sense of injustice over the fact that the West is trying to pass on to both a greater share of the economic burden in dealing with global warming. Both China and India have the need for open access to natural resources, such as oil and gas, iron, coal, bauxite and aluminium. New Delhi is a member of the Beijing-based Asian Infrastructure Investment Bank as well as the

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<sup>1</sup> German Institute of Global and Area Studies, Vol. 45, № 3, (2016).

<sup>2</sup> Mahbubani, K., *The Great Convergence: Asia, The West and the Logic of One World*, Public Affairs: New York, 2013, p. 179.

Shanghai-based New Development Bank. Both countries therefore need to continue co-operating with each other in addressing their common challenges.

### ***Economic Co-operation***

Economic co-operation is the main pillar of India-China relations. According to the liberal school of thought, industrialised countries prefer economic development and foreign trade as a means of achieving prominence and prosperity. The cost of using force to achieve that goal has increased, and its benefits have declined. Beijing and New Delhi are no doubt aware that high military expenditure and an economy that was not integrated with the rest of the world were among the main reasons for the breakup of the Soviet Union. Geo-economics is a term that is finding frequent use in international relations. It is the 'use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results.'<sup>3</sup> Recent cases of geo-economics, such as the US sanctions against Iran, indicate that economic means have become critical to how states exert power.

China is India's largest trading partner. According to the Indian Ministry of Commerce and Industry, the total China-India trade (the sum of imports and exports) was US\$84.4 billion in 2017-18. A large trade deficit in China's favour is, however, a major irritant.

In 2017, the Gross Domestic Product of China, in nominal terms, was second in the world, at US\$12.01 trillion. The country had the largest economy, with a GDP purchasing power parity of US\$23.15 trillion.<sup>4</sup> The Chinese economy is officially predicted to grow 6.1% in 2019-20, albeit there is strong evidence that that figure is exaggerated. As mentioned above, India-China bilateral trade was US\$84.44 billion in the 2017-18 fiscal year, a historic high.

In 2017, India was the sixth-largest economy with a nominal GDP of US\$2.61 trillion. The country ranked third when GDP is compared in terms of purchasing power parity, at US\$9.45 trillion.<sup>5</sup> The Indian economy is the world's fastest-growing major economy and is [forecast to grow](#) at 7.4% during 2019-20. Over the coming decades, India will become the world's most populous nation, and [will likely have](#) the world's second- or third-largest economy. The key factors behind that economic expansion are the growth in the manufacturing sector because of rising education and engineering skill levels and the sustained growth of the consumer market driven by a rapidly growing middle-class.

Economic development and trade ultimately define the wellbeing of countries. China and India have vibrant trade and economic relations, which are mutually beneficial to both their economies; their continued growth necessitates a secure and stable relationship between the two. Among the more important outcomes of the informal summit at Mamallapuram in October 2019 between President Xi and Prime Minister Modi was the initiation of a high-level economic and trade dialogue mechanism, which would be headed by Indian Finance

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<sup>3</sup> Scholvin, S. and Wigell, M., 'Geo-Economics as Concept and Practice in International Relations: Surveying the State of the Art', FIIA Working Paper 102, Finnish Institute of International Affairs: Helsinki, 2018.

<sup>4</sup> Investopedia: 'Top 20 Economies in the World'.

<sup>5</sup> *Ibid.*

Minister, Nirmala Sitharaman, and China's Vice-Premier, Hu Chunhua. The mechanism would discuss and address the large trade deficit, which is in China's favour.

### ***National Policies***

In the late 1990s, China enunciated a policy called the "New Security Concept". According to this policy, countries can increase their security through diplomatic and economic interaction. The New Security Concept resulted in China developing excellent relations with the Association of South-East Asian Nations (ASEAN) countries, the formation of the Shanghai Co-operation Organisation and the Treaty of Good Neighbourliness and Friendly Co-operation between the People's Republic of China and the Russian Federation. This policy meshes seamlessly with the above-mentioned liberal school of thought, international relations being co-operative for industrialised countries. In 2003, a government foreign policy doctrine called "China's Peaceful Rise" or "China's Peaceful Development" was propagated. The "Peaceful Development" doctrine seeks peace and mutually beneficial trade ties for China with its neighbours. The policy is meant to create an environment that maximises China's economic development.

The Indian Ocean Region is one of the foremost policy priorities of the Indian Government. Prime Minister Modi's vision for the Indian Ocean is that of "Sagar" doctrine. *Sagar* means ocean in Hindi and is an acronym for "Security and Growth for All in the Region". India's goal, according to this doctrine, is to seek a climate of trust and transparency, sensitivity to other's interests, the peaceful resolution of maritime issues, and an increase in maritime co-operation.

The thrust of China's stated policy is peace and mutually beneficial trade ties with its neighbours and an environment to maximise China's economic development. India's policy, which also explicitly includes a maritime dimension, is to seek a similar climate. The policies of the two thus converge in their desired outcome and the seeking of peace and co-operation. China and India are major trading partners. They can be expected to continue their co-operative relations in the Indian Ocean area for the enormous benefits that they accrue to the two countries. The China-India relationship is actually a relationship of forty per cent of the world's population and twenty per cent of the [global economy](#). It is clear that neither side can afford to neglect this relationship. As major and immediate neighbours, China and India have differences. There is consensus at the highest level, however, for proper management of the bilateral relationship that seeks to ensure these differences do not escalate to become disputes. The Wuhan informal summit between President Xi Jinping and Prime Minister Modi established mutual trust between the two leaders and put in place mechanisms for the continued strengthening of the China-India relationship. The visit to India in October 2019 of President Xi Jinping for an informal summit at Mamallapuram, cemented the gains of Wuhan. Among the more important outcomes was setting up of a high-level economic and trade dialogue mechanism, developing of military-to-military relations and to deepen the exchange between the people of the two countries.

### ***Demographic Challenges***

China's extraordinary economic heft is based on labour-intensive manufacturing, which depends on the country's huge population. But China also has a ticking demographic time bomb. By 2050, 330 million Chinese will be over age 65. China's population is expected to peak at 1.44 billion in 2029, before entering decline. A smaller population implies a smaller work force as well as reduced domestic consumption, which translates to slower economic growth. The ratio of young to old will be dramatically imbalanced by the rising ranks of the elderly. It is also estimated that approximately 82 million Chinese live below the poverty line. A growing income inequality between the urban, coastal areas and the rural, inland areas, too, remains a cause for worry.

India is the world's second-largest country with a population of 1.28 billion. In contrast to a greying China, India is home to one-fifth of the world's youth. Half of its population of 1.3 billion is below the age of 25, and a quarter are below 14. India's young population is its most valuable asset. It provides India with a unique demographic advantage. There are, however, an estimated 73 million people living in extreme poverty. According to a Food and Agriculture Organisation report of 2015, 15 per cent of the population is undernourished and 30.7% of India's children under the age of five are underweight. India faces enormous social and public health-related challenges, too.

Both China and India face enormous challenges from poverty. In addition, China faces an ageing population and India faces social and public health-related challenges. For them to tackle their respective demographic challenges, they need stability in their mutual relations.

### ***Leadership and Internal Situations***

President Xi Jinping is arguably the most powerful Chinese leader since Mao Zedong. His authoritarian ways, however, have sparked a backlash against him.<sup>6</sup> He must cope with internal party-related [bickering](#) by disgruntled officials and disillusioned technocrats. There are also concerns about [President Xi's health](#), as noted in the television coverage of his foreign state visits in April 2019. Protests have raged in [Hong Kong](#) since March 2019 against a controversial (and now shelved) [extradition Bill](#), which have now evolved into pro-democracy riots. The manner of functioning of the "One Country, Two Systems" policy in Hong Kong makes Taiwan extremely sceptical about striking a similar deal with China regarding the island's future. The restive Xinjiang Province, where the population is predominantly Muslim, also remains a worry for the Chinese Government. A separatist group called the East Turkestan Islamic Movement is attempting to establish an independent East Turkestan in Xingjian. The province is a strategic centre for energy production and has 25 per cent of China's hydrocarbon reserves and 38 per cent of its coal. A territorial dispute with its South-East Asian neighbours over islands in the South China Sea and a dispute with Japan in the East China Sea make China's relations with those neighbours prickly. The ongoing US-China trade war remains another chink in the Chinese armour.

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<sup>6</sup> McGregor, R., *Xi Jinping: The Backlash*, Penguin Specials: Melbourne, 2019.

On the political front, with a comprehensive win for Prime Minister Modi's Bharatiya Janata Party in 2019, a strong government has returned to power. The new government appears to be assertive, progressive and resolute. This is evidenced by ground-breaking initiatives such as the introduction of a Goods and Services Tax, a policy of assured retribution against attacks on Indian targets by militant groups that New Delhi claims are supported by antagonistic governments and amount to proxy war, dismantling of terror funding and entities and the revocation of Article 370 of the Indian Constitution, which removed the special status of the state of Jammu and Kashmir. India's relations with most of her close neighbours are cordial. A seasoned diplomat, who is also an old China hand, is the new Minister for External Affairs. The Minister has deftly engaged with his Chinese counterpart. India, however, continues to battle Maoist-inspired insurgencies, and separatism in Jammu and Kashmir and North-East India. India also has unresolved territorial disputes with China and with Pakistan.

Both countries need to pay more attention to addressing their internal situations. That is aided immeasurably by having a stable bilateral relationship.

### ***Ways Forward***

China and India have numerous points of convergence in their maritime and national policies and in their economic spheres. The continued progress of their economies and trade relations warrant good relations between them in the Indian Ocean and beyond. Between countries, co-operation and competition may co-exist as they further their respective national interests. They may co-operate in one sphere where their interests align, and contest in another. China and India certainly have differences, which they manage through consensus at the highest political level to ensure that those differences do not become disputes.

There are areas where China and India can enhance their relationship in the maritime, national policy and economic spheres.

Given the uncertainties in the Persian Gulf due to the US-Iran feud, the PLAN and Indian Navy have an opportunity to co-operate in ensuring the security of their SLOCs in the Gulf. The PLAN and Indian Navy could co-operate on Humanitarian Assistance and Disaster Relief operations in the Indian Ocean area. Nine bulk carriers have sunk in the Indian Ocean with the loss of 101 lives between 2009 and 2018. The PLAN and Indian Navy could co-operate in enhancing maritime safety in the Indian Ocean, where co-operation remains underdeveloped. They should plan joint annual exercises along the lines of exercise *Hand-in-Hand* between the Peoples Liberation Army and the Indian Army. Beijing and New Delhi should also use the existing mechanisms between the [defence](#) and foreign affairs establishments to monitor the situation in the Indian Ocean. A useful instrument, such as the *Code for Unplanned Encounters at Sea*, could be mutually agreed upon by the PLAN and IN. The code provides a basic communications plan and manoeuvring instructions when naval ships or naval aircraft of one state meet casually or unexpectedly with a naval ship or naval aircraft of another state.

In the economic sphere, the US-China trade wars have caused a huge disruption to China's exports. Owing to its proximity to China and its own huge market, India is uniquely placed as a major prospective partner to help China mitigate the adverse impacts of the trade war. Such factors are conducive for continued India-China co-operation. China is a manufacturing and infrastructure power and India is a major worldwide power in services and information technology. Their economic structures thus are complementary and there is great scope for the two to capitalise on each other's strengths. Both countries face similar problems in domestic economic and social development and can share their experiences and support each other in their approaches to those. The two neighbours must also nurture a more positive image of each other, at both at the government and society levels. As indicated by President Xi Jinping at the Mamallapuram summit, there is need for greater people-to-people contact between China and India. Such measures can include objective media coverage, encouraging exchanges especially among youth, promoting tourism through easier visa regimes and conducting each other's cultural festivals. On the sidelines of the Shanghai Co-operation Organisation summit in April 2017, President Xi Jinping told Prime Minister Modi that he had watched Bollywood film *Dangal* and liked it. *Dangal* is about a father who overcomes patriarchal norms to train his daughters as professional wrestlers. It grossed \$193 million at the Chinese box office, 16 times more than the \$12 million it made in India. Due to several similarities in Chinese and Indian culture, Indian films can resonate deeply with Chinese audiences.

In the words of Mahavir Phogat, the patriarch of the family in *Dangal*, 'winners don't grow on trees; you need to nurture them, with love, with hard work, and with heart'. That is also true of Sino-Indian relations. Through hard work, the management of challenges and the celebration of convergences, both China and India can be winners in the Indian Ocean Region and beyond.

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**About the Author:** Mr Raj Mittal served as an Executive Officer in the Indian Navy for seventeen years on a variety of vessels, including frigates, anti-submarine patrol craft, minesweepers and the aircraft carrier INS *Vikrant*. Mr Mittal holds a Master's degree in Defence and Strategic Studies. He is now a Marine Surveyor and conducts inspections of merchant vessels at Australian and South-East Asian ports.

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Suite 5, 202 Hampden Road, Nedlands WA 6009, Australia.  
Tel: +61 8 6389 0211  
Web: [www.futuredirections.org.au](http://www.futuredirections.org.au)