

# Workshop Report

23 May 2011

## China's Strategic Objectives in the Indian Ocean Region

### *Summary*

China's strategic objectives in the Indian Ocean region undoubtedly reflect its broader foreign policy outlook. In turn, this outlook is influenced by its core interests, Beijing's perception of what might be threatening those core interests and how it will seek to remove or reduce those threats.

In the context of its foreign policy, as it relates to the Indian Ocean region, and especially with regard to India and the United States, China's core interests can be summarised in the following manner:

### *Paramount National Objective*

- Maintaining the supremacy of the Chinese Communist Party (CCP)

### *Core Domestic Objectives*

- Ensuring continued popular support for the CCP government via the continued security and prosperity of the Chinese people
- Maintaining China's internal stability
- Maintaining China's territorial integrity
- Developing China's economic base and thus maintaining the implicit trade-off between greater economic freedom and restricted political freedoms
- Preparing for China's future domestic challenges including: food, water and energy security; an ageing population; coping with environmental pressures; and a sustainable and balanced economic growth that ensures high employment, distribution of wealth and low inflation

### ***Primary Foreign Policy Objectives***

- Ensuring the legitimacy of the Chinese Communist Party as the only government of greater China and thus the acceptance of the “One China” policy
- Ensuring that China achieves international status as a major power, concentrating on its economic influence and development
- Reducing foreign support for internal dissident groups or individuals
- Ensuring availability of, and access to, resources and markets
- Ensuring China’s territorial integrity and the security of its borders

### ***Indian Ocean Objectives:***

- Preventing the development of dissident groups in neighbouring Indian Ocean littoral states that might challenge China’s internal security
- Ensuring that China’s national image is supported by a network of diplomatic relations with which to secure trade relations and influence
- Ensuring that China’s objectives are not jeopardised by India or the United States
- Ensuring unimpeded access to markets, energy supplies, raw materials and technology
- Ensuring secure maritime and land transport corridors

### ***Specific Foreign Policy Objectives for Key Indian Ocean States***

#### ***India***

- Pursuing a balancing act between containing a possible rival and competitor for influence and resources, and encouraging an increasingly important trading partner
- Ensuring that the US and India do not develop an anti-China relationship
- Developing relationships that encourage India to adopt pro-China policies
- Preventing conflict over potential border disputes and encouraging India to downplay support for Chinese dissident groups, especially those related to Tibet
- Ensuring that India understands, if not supports, China’s intention to be recognised as an emerging world power, especially in the economic sector.

#### ***Pakistan***

- Ensuring a stable Pakistan with a pro-China outlook
- Developing Pakistan as a transport corridor and conduit for energy supplies
- Using Pakistan as a entry point into the markets and energy resources of the wider Islamic world
- Ensuring the non-emergence of anti-Chinese Islamic groups and preventing them from establishing themselves in China

### ***Iran***

- Continuing reliable access to energy supplies
- Using Iran as a means of pressuring the US, but not to the extent of compromising China's energy imports
- Encouraging Iran not to develop a military nuclear capability

### ***Middle East and Egypt***

- Maintaining an unimpeded flow of the region's energy exports
- Ensuring that Chinese exports can pass unhindered through waterways such as the Gulf of Aden

### ***Australia***

- Maintaining access to Australian raw materials and markets
- Ensuring that Australia adopts China-friendly policies, particularly in regard to the US alliance and foreign investments

### ***Indonesia***

- Securing and ensuring access to Indonesian markets and energy resources
- Using Indonesia's increasing role as a regional leader to secure influence among the ASEAN states and as a possible moderator in the South China Sea territorial disputes
- Securing the sea lines of communication through the Indonesian archipelago

## ***Domestic Considerations***

This is not an easy analysis. The Chinese Government, for instance, has yet to make any statement that comprehensively describes its strategic goals and ways of achieving them. Nor is the situation helped by the lack of a common approach by a number of Chinese agencies whose differing statements confuse foreigners as well as the Chinese people themselves.

This lack of clarity is reinforced by a widespread perception that China's foreign policy has become more assertive over the last two years. This is at odds with the perception of a fairly consistent policy that emerged in the 1980s when Deng Xiaoping reasoned that a non-confrontational posture would attract foreign investment to China and boost trade. There is even a perception that as China emerged better positioned than most from the Global Financial Crisis that China's model of governance could be preferred over that of Western economies.

China's foreign policy was also considered by many analysts to have been more creative and proactive in the two years leading up to the global financial crisis. Certainly Beijing appeared to accept more constructive policies towards North Korea, Sudan and Somali piracy. China appeared to be more co-operative in attempting to ensure stability in north-east Asia, the Persian Gulf and Africa.

Last year, however, saw a marked rise in tensions between the United States and China over a number of issues, ranging from Internet hacking to US arms sales to Taiwan. The increasingly negative diplomacy appears to be a mix of confidence on the international stage – at least in an economic sense – and insecurity at home. There is also a perception that Chinese commentators have exaggerated China’s rise and influence, as well as the level of decline of the US, and have understated the two countries’ increasing interdependence.

Nor is the Chinese domestic situation helped by an increasing number of bureaucracies entering the foreign policy making process: the People’s Liberation Army, energy companies, major manufacturers of exported goods, regional party elites and provincial governments. The growth of media outlets and the use of websites and blogs have also led to a considerable increase in popular nationalism, undoubtedly leading to a heightened sensitivity by the government to public opinion.

Two very different foreign policy proponents appear to have emerged.

The first considers the US to be a major threat to China’s continued development. This approach suggests that the US, along with other Western powers and Japan, wants to contain China. Taiwan, sympathy for the Dalai Lama, Uighur separatism, currency and trade issues and military alliances that appear to encircle China are all part of a containment process.

Advocates of this approach suggest that China’s present approach to the US is too soft. They believe that China should champion those nations that appear to be defiant towards the US: North Korea, Iran and possibly Russia. Rising nationalism may well be fuelling this issue. The upcoming “season” of leadership changes beginning in late-2012 is very likely also playing part as contenders jockey for position within the hierarchies of the government, Communist Party and military.

Related to that is a sense of restoring China to its rightful place in the world and putting to rights the humiliations suffered at the hands of Japan and the Western powers. The legacy of that “century of humiliations” is a lingering distrust among many Chinese of Japan and the West which still colours China’s foreign policy. Although speaking of China’s wish for peaceful development, Jia Qinglin, Chairman of the National Committee of the Chinese People’s Political Consultative Conference, underscored just that point when, writing in the *West Australian* of 5 April 2011, he said that China had ‘... suffered long from the bullying of foreign powers in the past’.

Others contend that the approach espoused by Deng twenty years ago may no longer be relevant. There is also the perception that Beijing has to contend with a more complex world with climate change and food and energy security being but a taste of what is to come.

But others do not support this more assertive approach. They reason, for instance, that few countries would want to join China in an anti-US alliance. Such an approach would undoubtedly hold back China’s economic development and antagonise its largest trading partner. Instead, those who advocate “keeping a low profile” believe China should

concentrate on economic development. To quote Premier Wen Jiabao, 'our common interests far outweigh our differences.'

The "strategic security" track, unveiled at the US-China Strategic and Economic Dialogue summit of 10 May 2011, together with the planned series of bilateral consultations on the Asia-Pacific region, could be indicative of a change in Sino-US relations.

The often bellicose rhetoric coming out of Beijing over the last year may now be giving way to a more moderate, collaborative tone which recognises that antagonising the US and its allies is not in China's best interests. It also indicates that Washington may now more willing to allow China to play a greater role, seeing it as a way of anchoring China in the existing regional architecture and holding it more accountable for regional security. To what degree China would actually wish to be held accountable is debatable, however, but at this early stage it nonetheless accords with Beijing's desire to be seen as a responsible global citizen and peaceful rising power.

Given the often fractious nature of Sino-American relations, the lasting success of initiatives such as the above cannot be assumed but, within limits, they do at least indicate a greater willingness from each side to accommodate the other's interests than has been seen for some time.

Recent comments by China's leaders suggest an increased concern over a number of domestic issues: the need to promote fast economic growth in order to reduce the disparity between the increasingly wealthy coastal elite and the largely impoverished rural majority, improving governance and reducing corruption, protecting the environment and stimulating domestic consumption.

To meet these challenges, China's leaders appear to have decided to try to sustain high growth by increasing domestic consumption and by reducing over the long-term – although not replacing – the country's dependence on exports and foreign investment.

China is also confronting a major inflation problem and a labour shortage that will only become worse as China's population ages. A likely outcome is that interest rates will rise. Together with rising wages, the cost of capital could increase, leading to a lowering of capital spending and a reduced growth rate.

One outcome from all of this is that China is increasingly seeking to acquire natural resources from lesser developed countries where such resources will be less expensive and China will exert greater control over their acquisition. This will be particularly notable in parts of Africa.

China may also be shifting its geo-strategic focus. Where previously much of its focus was towards north-east and south-east Asia and across the Pacific, followed by an intense engagement in South America and Africa, China increasingly is beginning to focus its attention to the west. Its Grand Western Development Programme in many western provinces was the start to this process.

It is now actively initiating and participating in new development projects – the so-called “New Silk Road” featuring resource extraction projects and transport corridors – in Afghanistan, Pakistan and Central Asia.

Key constraints to China’s ambitions in this area over the next ten years will be the high degree of political instability across the region, and Beijing’s wariness of Islamism spreading to Muslim-majority provinces, particularly Xinjiang.

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### ***China’s Indian Ocean Region Interests***

China’s foreign policy suggests that, for the Communist Party leadership, maintaining the Party’s supremacy, ensuring internal stability and the maintenance of sovereignty are the top concerns. Achieving the status of a major global economic power is probably next and serves to underpin the other all-important objectives. In China, as elsewhere, foreign and domestic policies are interlinked.

To achieve those objectives within the context of the Indian Ocean region, China seeks to counter what it perceives as regional US interference and remains concerned by US-Japan, US-South Korea and, increasingly, US-India developments. Beijing perhaps now realises that the more aggressive foreign policy stance of 2010 was counterproductive, in that it pushed many of its neighbours closer to the US. Deeper US security arrangements with the likes of Indonesia and Vietnam potentially contribute another layer to the strategic encirclement so feared by China and reduce its ability to operate beyond its coastal waters.

In terms of its own immediate region, China remains overwhelmingly concerned with north-east, eastern and south-east Asia. In particular, it remains concerned that Taiwan does not seek a separate identity or that the mainland is encircled by other powers. Increasingly, however, China is seeking to ensure access to markets and to sources of raw material and energy. It is also actively seeking ways to ensure its future food security. In so doing, it is increasingly engaging Central Asia, the Middle East, Africa, Australia and, further afield, South America.

China also recognises that, should the US withdraw from its global commitments, the ensuing vacuum may not be in China’s interests. China is in the fortunate position of being able to “free-ride” on the regional security architecture and stabilisation work that is underpinned by the US. Given the financial commitments required and that it would compete with domestic concerns, China may actually be quite unwilling to undertake such a role in the future.

With regard to the Indian Ocean region, China may not have a clear policy as such. But there is little doubt that China increasingly is aware of the Indian Ocean and the protection of its sea lines of communication.

To date, however, Beijing has been prepared to use soft power, especially diplomacy, investments, loans and aid, rather than overt military force. In part this may be an attempt

to convince India that it does not need to invest heavily in military capabilities, especially naval forces. But China's soft power may also be a means to develop and deploy military forces in the region quickly should this be considered necessary.

Another view, however, is that China is deliberately using soft power to extend the US and India to expend more resources in confronting China. Beijing may also be using such a strategy to isolate India. If this is the case, then there is considerable risk involved as the US may counter such moves by seeking to arm Japan and possibly South Korea with a nuclear capability.

China is also mindful of what President Hu Jintao has called its "Malacca Dilemma". Chinese involvement in port and pipeline developments in Pakistan, Sri Lanka, Bangladesh and Burma also is aimed at enhancing energy security and reducing China's dependence on the Malacca Strait chokepoint.

Ultimately, however, China's interests in the Indian Ocean region underpin its evolving geo-strategic focus and reliance on domestic growth and consumption to maintain or improve living standards, societal cohesion and internal stability.

While it is difficult to determine China's policies at this time, a balanced assessment suggests that Beijing is aware of the vulnerability of its sea lines of communication as well as access to its markets and sources of raw materials. At best, it is hedging its bets and would prefer that India did not develop a major naval capability.

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The following briefly summarises aspects of Chinese involvement in the Indian Ocean by country/sub-region.

## **India**

China appears content to allow India to play a greater role in the Indian Ocean region but not to the extent that it interferes with or jeopardises China's own objectives. Despite the difficulties, it is in China's best interests to have a good relationship with India. India's rise took China somewhat by surprise, but the deepening of US-India relations has made China take a greater interest in India, although China recognises that India would not wish to be a junior partner to US.

There are a number of tensions in Sino-Indian relations. These include Chinese support for Pakistan; disputes over the 3,500 kilometre border; the implications of climate change; competition for water, food and energy resources, China's reluctance to back India's attempt to obtain a permanent seat on the UN Security Council and even as a future rival for superpower status.

Despite some friction, bilateral trade relations have increased dramatically over the last decade. For example, in 2000, China exported over \$1.5 billion worth of goods to India; in 2008 that figure was \$32 billion. Similarly, in the same period India exported over \$760

million to China in 2001, and by 2008, this had increased to over \$20 billion. China and India have recently declared their intention to further increase trade to US\$100 billion by 2015.

Both China and India (and their populations) see themselves as retaking their rightful places in the world order. Rising nationalism, suspicion of each other's motives and a lingering distrust will continue to contribute to the tension in Sino-Indian relations. Ineffective dispute resolution mechanisms, Chinese apprehension at the US-India relationship and negative Indian perceptions of infrastructure developments in the border regions are also contributing factors.

While the media, militaries and commentariat in both countries may talk up the prospects of competition and conflict, the leadership of both countries recognise the importance of economic ties and the need for a peaceful rise for both countries. Economic links such as the above will contribute to attitudes of coexistence.

### **Pakistan**

Pakistan is vitally important to China's strategic calculations, not only in counterbalancing India, but in using Pakistan's strategic position as an energy corridor to China's western borders. China is keen to develop access to the Middle East and West Asia in this way. Bilateral trade between the two countries has now increased to US\$7 billion in 2010 and there further plans to increase this to US\$15 billion in 2011. There are now more than 60 Chinese companies operating in Pakistan on 122 projects employing an estimated 11,000 Chinese businesspeople, engineers, technicians and workers.

For Islamabad, the China relationship provides Pakistan with a counterbalance to the US and leverage against India.

Over the next ten years, China's relationship with Pakistan is likely to continue along its current trajectory, serving the same purposes. A note of caution is warranted, however. China and Pakistan are not natural allies, having as they do widely differing cultures and languages. Beijing will also be very mindful of the possibility of Islamist extremists using Pakistan as a gateway to Muslim-majority provinces such as Xinjiang (although Central Asia is perhaps a more likely conduit were that to happen).

### **Iran**

The focus of China's relations with Iran chiefly encompasses energy and development of infrastructure. The continuity of energy supplies is at the forefront of Chinese policy in this sub-region. China sees Iran as a critical ally in its quest to access the energy reserves of the Middle East and Central Asia. China has moved aggressively to position itself as a key player in the Iranian energy market because Iran has the second-largest reserves of natural gas in the world. Since 1998, trade between Iran and China has grown markedly from US\$1.2 billion to over US\$10 billion. More than 100 Chinese state companies are operating in Iran. Iran is now the largest importer of Chinese military hardware.

The need for uninterrupted energy supplies complements China's support for nuclear non-proliferation, as a nuclear-armed Iran could destabilise the region and jeopardise Chinese

energy imports. While China may be willing for Iran to threaten to develop a military nuclear capability, it would be less than keen to see it come to fruition.

China may be willing to act as a mediator if any future regional conflict were to threaten the security of its energy supplies. China has, however, looked to exploit United Nations sanctions against Iran by offering itself as an alternative market.

Although Iran is an important ally for China and has attained Observer status at the Shanghai Co-operation Organisation, its bid to attain full SCO membership has remained inconclusive as there are indications both China and Russia are wary of unnecessarily aggravating relations with the United States.

### **Middle East and Egypt**

The Middle East has been a key focus of China's increasing energy demands, with around half of China's oil imports coming from this sub-region. Agreements covering energy supplies and investments are common. For Middle Eastern nations, China's growth has offered an alternative to Western markets. Providing advice and assistance to Chinese Muslims for the *hajj* pilgrimage to Mecca offers Beijing a valuable soft power opportunity.

Reciprocal visits by high-ranking military have taken place with countries such as Bahrain and Egypt. China will be keen to see stability maintained around the Strait of Hormuz so that energy flows are not disrupted and the Bab el-Mandeb and Suez Canal so that Chinese exports can pass unhindered to European markets.

China's anti-piracy patrols in the Gulf of Aden, in which its forces liaise with their counterparts from the US and other countries, have given it an opportunity to demonstrate its credentials as a responsible international citizen.

### **Australia**

China will continue to ensure that it has access to Australia's mineral and energy resources, delivered at favourable prices. It will seek to invest in the agricultural and pastoral sectors and take advantage of educational opportunities.

China will also seek to ensure that Australia continues its "One China" policy. Should rivalry between Washington and Beijing increase, China will attempt to weaken the US-Australia alliance by offering an assured market for Australian exports.

China's policies towards Australia are unlikely to change significantly over the next ten years. The acquisition of agricultural land for food production could, however, become increasingly important aspect of the relationship and may require deft management if it is to be of maximum mutual benefit.

### **Indonesia**

China has been active in infrastructure projects in Indonesia, constructing bridges and coal-fired power plants. Although Indonesia views an expanding Chinese military with some caution, high-level visits have taken place. Indonesia's growing role as a regional leader

offers China scope for increased influence among the ASEAN members and Indonesia may be called upon to act as a moderator among the states involved the South China Sea territorial disputes.

For Jakarta, engagement with ASEAN, the United States and Australia offers a means of counterbalancing China. Like Australia, Indonesia may find itself caught between its economic links with China and its security interests which require a continuing US presence in South-East Asia.

### **Eastern and Southern Africa**

China has ambitious plans for Africa. Despite some dissatisfaction at the local level, African leaders will continue to embrace Chinese involvement as their countries or, in some cases, they themselves, can stand to benefit significantly from them. A key message that China uses is that of a shared underdog or oppressed status with Africa. Beijing is likely to continue to capitalise on the anti-colonial sentiment that can still be prevalent in Africa. Other than four exceptions,<sup>1</sup> support for the “One China” policy is now uniform across the continent.

Across Africa, more than 1,600 Chinese businesses are currently investing in the mining, processing, commercial, agricultural, construction and manufacturing sectors. China will provide US\$10 billion of preferential loans to African countries and support Chinese financial institutions in granting special loans to small and medium-sized African businesses. Beijing will phase in zero-tariff treatments to 95 per cent of the products from the least developed African countries. China also aims to further enhance agricultural co-operation with Africa, to provide medical equipment, school construction and training for school principals, teachers and medical personnel.

Sudan is China’s third-largest African trade partner and a vitally important source of oil. Nearly 70 per cent of Sudan’s oil production goes to China. Following the South Sudan independence vote of January 2011, it is reasonable to expect that China will be heavily involved in the new country’s future oil industry.

China has demonstrated an interest in mining operations in Djibouti and there are concerns that its rising influence could threaten Western interests in the strategically located country, which is currently an important base for French, US and Japanese forces operating in the Horn of Africa and the Red and Arabian Seas. In the event that Chinese vessels were offered basing facilities in Djibouti, it is open to conjecture as to whether it would be a source of Sino-Western contention or co-operation.

Chinese investment in Zambia exceeded \$1 billion in 2010, creating more than 15,000 local jobs. A recently signed Investment Promotion and Protection Agreement with Hong Kong-based Zhonghui Mining Group has pledged \$5 billion for the mining of Zambia’s substantial copper reserves, while China has earmarked US\$250 million for a new copper smelter.

China’s involvement in Mozambique is centred on agricultural products. Unlike many other African countries, its trade is not focussed on the resources sector but is dominated by

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<sup>1</sup> Burkina Faso, Gambia, São Tomé and Príncipe, Swaziland.

agricultural goods, fisheries, forest products and investment in the services sector. In turn, Mozambique imports cheap manufactured goods and machinery from China.

### **South Africa**

The August 2010 Beijing Declaration set the scene for future co-operation between South Africa and China. Beijing has agreed to assist in the development of railways, power generation and transmission (including nuclear), construction, mining, insurance, agriculture and telecommunications. China will also play a role in other construction projects involving airports and housing. Beijing is already South Africa's largest trading partner. An alignment of the two countries' economic and security interests will be a significant feature of future co-operation. South Africa is a large importer of military hardware and also has a substantial defence industry. China will be keen to utilise and capitalise on this expertise through reverse-engineering or joint ventures.

### **Indian Ocean Islands**

Excluding the French *départments* of La Réunion and Mayotte, the Indian Ocean islands of Madagascar, Comoros, Mauritius and Seychelles are important to China due to their location astride the sea lanes that pass through the Mozambique Channel and the south-western Indian Ocean. Other attractions for China are fishery resources and, particularly in the case of Madagascar – large areas of which are believed to have huge untapped reserves of oil and natural gas – the energy and mining sectors. China could also be seeking to counter Indian influence in the area. In addition to its cultural links, India has reportedly constructed listening stations in Madagascar and the Seychelles.

Soft power activities have been a key component of China's approach in this sub-region. Projects such as the funding and construction of key government buildings, a water-supply project, an anti-malarial treatment campaign and the expansion of the Mauritius international airport have secured considerable goodwill for it to build upon in the future.

### **Sri Lanka**

For Sri Lanka, Chinese involvement serves as a counterweight to its giant neighbour, enabling it to adroitly balance the two. From the perspective of checking India's expanding Indian Ocean influence, China's interest in Sri Lanka derives from the island's strategic position astride the major east-west shipping arterial. Its mega-development projects such as the Hambantota port are designed to harness Sri Lanka's position as a convenient stop-over point for oil and gas tankers.

Indeed, the rise of China as the largest investor and donor in Sri Lanka is most notable in terms of projects such as the Hambantota Port Development Project (valued at US\$1 billion); the Colombo-Katunayake Expressway (US\$248.2 million), the National Performing Arts Theatre (US\$21.2 million) and many other smaller projects. From 2006 to 2008, Chinese investment in Sri Lanka grew fivefold, replacing Japan as Sri Lanka's largest donor. Sri Lanka's growing relations with China have been further strengthened by its acceptance as a dialogue partner in the Shanghai Co-operation Organisation.

## **Bangladesh**

Bangladesh is reportedly China's third-largest trading partner in South Asia. Bangladesh relies heavily upon China to meet its defence requirements and is also seeking China's support to counterbalance India and Burma (the two countries share a porous border along the Chittagong Hill Tracts). Bangladesh also needs to keep good relations with China due to the major river systems that emanate from the Chinese side of the Himalayas and which pass through Bangladesh.

Indian analysts believe that growing Bangladesh-China relations make the Siliguri corridor, which connects mainland India to its north-eastern provinces, more strategically vulnerable and therefore a possible point of contention between India and China. Military co-operation between China and Bangladesh is increasing, as is the purchase of Chinese military hardware by Bangladesh. This is only likely to continue in the future as Bangladesh seeks to balance a rising India.

## **Burma**

China views Burma as an energy source and, perhaps even more importantly, as a means of bypassing the Strait of Malacca chokepoint. Port facilities and pipelines into south-western China enable Beijing to escape its "Malacca Dilemma" and aid in the development of those provinces.

China is increasingly facing competition from India in Burma, but Beijing's wealth and long-standing warm relations with the Burmese authorities should see it maintain its advantage over New Delhi. Burma has the potential to serve as a conduit for China into South-East Asia, possibly to the extent of establishing a sub-regional trading bloc incorporating Thailand, Cambodia, Laos and Vietnam.

## **East Timor**

China's strategic interests in East Timor relate to the securing of energy supplies and influence. Despite its small size, East Timor is an attractive proposition for China, given its unrealised agricultural potential and sizeable oil and natural gas deposits. East Timor is a member of the Community of Portuguese Language (CPLP) countries, several of which are energy-rich. Since the mid-2000s, Beijing has been actively engaging with the CPLP countries in order to diversify its energy and food sources, export markets and trading opportunities. In light of the Portuguese and Brazilian involvement in East Timor, and its business and linguistic links with Macao, East Timor offers China an additional avenue into the CPLP.

Beijing has increased its involvement in East Timor via development aid, military links, high profile construction projects and soft power initiatives such as the donation of farm machinery. Increased Chinese influence and Timorese acceptance of the "One China" policy could also serve to reduce the future influence of Australia and the US.

China's growing presence in East Timor may raise concerns in Jakarta if it extended to the opening of a Chinese naval base in what it, like Canberra, sees as its own backyard. Being

well-endowed with natural resources of its own, East Timor's resources will be of greater interest to China than they are to Indonesia.

### **Other South-East Asia**

Strategically located along the eastern side of the Strait of Malacca, China's relationship with Malaysia, Singapore and Thailand centres on trade and maritime security. China is acutely conscious of the vulnerability of its energy imports as they pass through the Malacca chokepoint. In the future, China may be willing to deploy naval forces to protect its interests in the waterway as it has in the Gulf of Aden. China has expressed interest in constructing a canal across the Isthmus of Kra and into the Gulf of Thailand.

Although economic relations with China are of great importance to the three countries, they use their relationships with the US to hedge against China. Malaysia, in particular, strives to maintain a non-aligned foreign policy but a stable trading environment is of paramount importance to all three. For Singapore, the US is viewed as an essential security guarantor, while China has ever-increasing importance as a cultural and economic partner. For Thailand, Chinese activities on the upper reaches of the Mekong River will likely continue to be an irritant to relations and reinforce support for the US as a hedge.

China's territorial disputes in the South China Sea are a source of continuing unease among South-East Asian countries, including fellow claimant Malaysia.

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China's interests and activities across the Indian Ocean region are many and varied. While the formation of Chinese foreign policy is opaque and is increasingly challenged and informed by a greater number of interest groups, several core themes can be identified.

The overarching aim – China's paramount national objective – is to ensure the continued supremacy of the Chinese Communist Party.

Below that, the objective is to ensure that China's internal stability and sovereignty are not compromised.

A further objective is to support the economic growth upon which the legitimacy of the Chinese Communist Party government is largely predicated. The security of sea lanes for energy imports and the export of manufactured goods is therefore of great importance. It will continue to be so as the Communist Party grapples with substantial domestic challenges over the coming decades.

Chinese foreign policy in the Indian Ocean region also supports the wider objectives of countering India's growing influence and the United States' ability to act as guarantor of

regional security, in as much as China perceives them as potential threats to its own interests.

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