Engaging With The Indian Ocean

Opportunities and Challenges for Germany

By GARIMA MOHAN

The Indian Ocean is of immense economic and strategic importance to Europe and Germany. It is the primary gateway for German exports to the Asia-Pacific markets. With increasing regional integration, growing demand for maritime technologies, and the emergence of a “Blue Economy”, the Indian Ocean offers several economic opportunities for Germany. To capitalize on these opportunities, however, it is necessary to secure the critical Indian Ocean sea-lanes carrying a significant percentage of German trade and energy sources. Recent developments, particularly geopolitical rivalries and growing geoeconomic competition between states, have the potential to disrupt these sea-lanes and endanger the stability of the region. This study analyzes these key trends in the Indian Ocean, focusing specifically on the implications of China’s entry — from the increased presence of the PLAN to the maritime route of the Belt and Road Initiative. Moreover, it investigates the impact of these developments for Germany, and outlines the opportunities and challenges for greater German engagement in the region.
Acknowledgements and Disclaimer

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Executive Summary

The Indian Ocean, despite its geographical distance, has significant economic and strategic importance for Germany and Europe. A majority of European sea trade transits through the Ocean, along with half of Germany’s sea-borne supply and two-thirds of all containers carrying German exports.1 The Indian Ocean is also Germany’s primary gateway to the Asia-Pacific markets, which receive the second largest share of German exports after Europe, constituting 18.5 percent of all exports.2 In addition to being a conduit for trade, the Indian Ocean Region (IOR) is a driver of growth itself, which has recalibrated the region’s economic importance for Germany and Europe. With their high growth rates, emerging markets in South Asia and East Africa are important investment destinations. Increasing regional integration, demand for maritime technologies and infrastructure, emerging ‘Blue Economy’, and untapped mineral and energy reserves in the Ocean offer several economic opportunities.

**Related to its economic importance, maritime security in the Indian Ocean is of vital interest to Germany as well.** As an exporting nation, it is highly dependent on unimpeded maritime trade routes in the Indian Ocean. In addition, the Indian Ocean contains strategic chokepoints including the Straits of Hormuz and Malacca through which 34 million barrels of crude oil and petroleum are transported per day towards Europe and Asia – constituting 61 percent of the global maritime oil trade.3 Germany’s dependence on these trade and energy sea-lines of communication (SLOCs) makes securing them necessary.

However, both economic opportunities in the region and the security of sea-lanes will be impacted significantly by changing dynamics in the Indian Ocean – particularly the increasing geopolitical and geo-economic competition. This study will analyze the most important developments in the IOR focusing on changing security dynamics, economic shifts, and emerging multilateral arrangements. It will investigate the opportunities and challenges these create for Germany and Europe, and outline what German engagement in the Indian Ocean could look like.

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Key Security Developments

The major security trend visible in the Indian Ocean is increasing competition and strategic rivalries among states. This can be seen through:

1. A sharp increase in the number of actors and ‘blue water’ navies, which are capable of prolonged and sustained operations in the open oceans and have the ability to project power even in distant seas;
2. Growing rivalry amongst states triggered by China’s entry in the region – visible in India-China as well as US-China competition, and increasing Japanese and Australian naval engagement as a response to the Chinese presence.

At least 10 states in the IOR have large, standing naval forces including India, Australia, Indonesia, Pakistan, Malaysia, Egypt, Iran, Israel, Thailand, and Singapore. All of them have discernable strategic interests in the IOR and their navies have deployed submarines, major surface combatants, and a high number of coastal patrol vessels in the region. Additionally, there are regional navies and substantial extra-regional navies including the US, China, and European states.

India-China rivalry and naval deployments is one of the most important developments in maritime security in the IOR. Although the probability of military conflict between India and China remains low, escalated activities and rhetoric do endanger the stability of a critical region for global trade flows. For example, increased Chinese ‘dual-use’ port development projects in Pakistan and Sri Lanka, along with expanded submarine docking in neighboring countries also benefiting from Chinese arms sales (Pakistan, Bangladesh, and Myanmar), have heightened fears that China’s regional economic initiatives will be accompanied by an expanding Chinese military footprint in the region. Alarmed by this development, India now views maritime security in the Indian Ocean as a major foreign policy priority, along with ambitions of becoming a ‘leading’ regional power. This rivalry over maritime assets or areas has the potential of spilling over – especially as US-China competition interlocks with India-China competition in the Indian Ocean. The emergence of security quadrilaterals like the potential India-US-Japan-Australia naval arrangement to check China’s presence demonstrates that military posturing will continue to remain an important challenge in the region.

In addition to strategic rivalry, the IOR still has diverse security challenges including transnational threats like piracy. The impact of piracy showed how quickly impeded sea-lanes in the Indian Ocean can affect Europe’s access to Asian markets. Thus, both geopolitical competition and transnational threats in the IOR can potentially have a direct economic and security impact on Germany and the EU.
Key Economic Shifts

Another trend visible in the IOR is increasing geo-economic competition, as seen in:

1. The emergence of several competing infrastructure ‘connectivity’ initiatives with China’s Belt and Road Initiative as the most prominent;
2. Increased competition for investments in infrastructure projects.

Infrastructure ‘connectivity’ initiatives led by China and, to a lesser extent, Japan and India are reshaping the IOR. This is an important development for what the World Bank describes as one of the “least economically integrated” regions in the world. Beijing’s regional vision is part of the Belt and Road Initiative (BRI), which is backed by a $40 billion fund and the Asian Infrastructure and Investment Bank (AIIB). India’s plans are driven by its ambition to become the preeminent regional power and a driver of regional growth. While regional integration particularly in South Asia is lucrative for investors like Germany, the overlapping strategic and economic drivers of the BRI also raise concerns. The massive influx of Chinese investment, the country’s acquisition of operational rights of ports, introduction of Chinese technical and manufacturing standards, and possible monopolies are creating stiff competition for German and European businesses in the region.

Ways Forward

Given the increasing geopolitical and geo-economic competition in the IOR, it is in Germany’s immediate interest to ensure a stable, rules-based order in the Indian Ocean underpinned by multilateralism and the freedom of navigation. Despite the growing thicket of institutions in the IOR, none seem equipped to address the growing rivalry and create the type of regional cooperation needed to ensure stability and economic growth. Thus, a good starting point for German engagement will be to strengthen the Indian Ocean Rim Association (IORA), which has the most substantial membership base including 21 of the 32 Indian Ocean countries, is India-backed, includes China as a dialogue partner, and has recently witnessed a sharp increase in buy-in by regional actors. Against this background, ways to increase German political and diplomatic engagement in the Indian Ocean are:

1. Support the development of a stable, rules-based order by promoting effective multilateralism through IORA by (1) increasing German participation in IORA working groups, forums and dialogues where most of the work is actually implemented, (2) using bilateral relationships with leading member states as proxies for pushing through ideas at IORA, and (3) strengthening IORA’s work on regional security cooperation;
2. Include maritime issues in the bilateral partnership with India by (1) institutionalizing engagement and regular dialogue with the IOR division in the Indian Ministry of External Affairs on all maritime issues and especially maritime security, (2) fostering partnership on maritime technologies (including in the HTPG), renewables, and infrastructure development both in India and with
India in third countries, and (3) strengthening regional cooperation building on India’s interest and bid for a leadership role in IORA.

Taking advantage of the new push for regional integration, port development, and the ‘Blue Economy’ trend, Germany should increase its *economic engagement* through:

1. **Investing in large infrastructure projects**, creating a distinct profile/areas of expertise for German products to compete with Chinese and Japanese infrastructure investments, and leveraging instruments for strategic foreign projects for increasing German investment in port digitization and logistics technology;

2. **Capitalizing on the rapidly increasing demand for maritime technologies and sustainable energy**, especially clean energy sources for port projects, which are highly energy intensive;

3. **Improving coordination between different ministries and government agencies**, as well as those business actors already present and active in the IOR, integrating maritime issues in bilateral agreements with IO countries, and increasing participation in the IORA Blue Economy Dialogue;

4. **Creating new partnerships within institutions like AIIB**, especially to influence the standards being used in Belt and Road Initiative projects funded by the bank.

The German navy is limited by its capacities and lack of presence in the region. This makes participation in joint exercises and even port calls impossible until naval capacities are substantially enlarged. However, there is scope for **better naval engagement** through:

1. **Naval diplomacy** and increased engagement of naval staff posted as military attachés, regular participation in forums like IONS, and capacity building of regional navies;

2. **Pushing greater EU engagement in the region**, particularly in the Western Indian Ocean, and creating a strategy post-ATALANTA.

For the above policy recommendations to be successful, it is necessary to create a coordinating position for the Indian Ocean that has a more comprehensive overview of the complex region and its cross-cutting economic, security, and political challenges, and is integrated within the new Asia Directorate-General in the Foreign Ministry.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AIIB</td>
<td>Asia Infrastructure Investment Bank</td>
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<tr>
<td>BBIN</td>
<td>Bangladesh, Bhutan, India, Nepal initiative</td>
</tr>
<tr>
<td>BIMSTEC</td>
<td>Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation</td>
</tr>
<tr>
<td>BRI</td>
<td>Belt and Road Initiative</td>
</tr>
<tr>
<td>CPEC</td>
<td>China-Pakistan Economic Corridor</td>
</tr>
<tr>
<td>HADR</td>
<td>Humanitarian Assistance and Disaster Relief</td>
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<tr>
<td>IONS</td>
<td>Indian Ocean Naval Symposium</td>
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<tr>
<td>IOR</td>
<td>Indian Ocean Region</td>
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<tr>
<td>IORA</td>
<td>Indian Ocean Rim Association</td>
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<tr>
<td>MDA</td>
<td>Maritime Domain Awareness</td>
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<tr>
<td>MEA</td>
<td>Ministry of External Affairs, Government of India</td>
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<tr>
<td>PLAN</td>
<td>People’s Liberation Army Navy</td>
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<tr>
<td>SLOCs</td>
<td>Sea Lines of Communication</td>
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</table>
This study will analyze the most important drivers of change in the IOR. It provides views from the region and is based on in-depth desk research as well as more than 40 interviews conducted with experts, policy makers, and defense staff in New Delhi, Colombo, Singapore, Berlin, and Brussels. These interviews were used to determine the changing priorities of key actors, particularly India, which occupies a geographically and strategically important place in the Indian Ocean. The study also investigates the role regional actors see for Germany in the IOR, and whether these expectations can be matched with existing capacities and interests in Berlin. The study is divided into four sections.

Section one analyzes security developments, specifically the significant regional and blue power competition in the Indian Ocean and its implications for Germany. It focuses on China’s increasing assertiveness as a maritime power, India’s ambition to become a net security provider, possible US retrenchment, and the limited engagement of the EU.

Section two analyzes the economic shifts in the IOR and their implications for Germany. It focuses on geo-economic competition generated by the Chinese Belt and Road Initiative (BRI), particularly concerns of European business over a lack of transparency, lack of a level playing field, and creation of monopolies for Chinese companies in BRI.

Section three provides an overview of the emerging multilateral frameworks in the Indian Ocean. It critically evaluates two organizations – the Indian Ocean Rim Association (IORA) and the Indian Ocean Naval Symposium (IONS) – and briefly analyzes the other dialogues, conferences, and multilateral naval exercises to assess if they can actually play a role in creating a stable, rules-based regional order and check rivalries between states.

Section four, on the basis of developments mentioned above, analyzes the opportunities and challenges for Germany in the IOR, and makes recommendations for what a German policy for the Indian Ocean should look like.
Section 1: Analyzing Security Developments in the Indian Ocean

This section will analyze the security trends in the IOR, with a focus on some of the significant regional and blue power competition dynamics and their implications for Germany, looking specifically at:

• China's role as an emerging power and the increased security tensions that Chinese economic and naval expansion have caused;
• The potential role of India as a net security provider, changing Indian policy under Modi, and increasing competition with China;
• Whether the US will maintain its position as the de facto security provider;
• Limited EU engagement;
• Implications of these developments for Germany.

China – An Emerging Indian Ocean Power

Chinese engagement in the Indian Ocean is motivated by security concerns and economic investments. Its primary motivation for expanding presence in the Indian Ocean is to secure the extensive sea-lanes (SLOCs) linking the Persian Gulf to China’s main oil terminals and coastal refineries. Approximately 83 percent of China’s oil imports transit through the Strait of Malacca. Even though China is constructing overland pipelines (Russia-China pipeline, Myanmar-China pipeline, pipelines through Pakistan), these will only marginally reduce Chinese dependence on Indian Ocean chokepoints like the Straits of Malacca and Hormuz for its oil supplies. Secondly, increasing Chinese investments in port development and other maritime infrastructure as part of the Maritime Silk Route indicate a much deeper engagement with the Indian Ocean. As these constitute Chinese economic and security interests, PLA Navy (PLAN) deployments along the Maritime Silk Route will continue to increase.

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Increasing Naval Presence

China is in the process of expanding its naval power projection capabilities beyond its immediate shores. Its Defense White Paper (2015) establishes China’s ambition of becoming a major maritime power and expands the navy’s duties from “offshore waters defense” to “open seas protection” for the first time. This indicates China’s interest beyond the South China Sea and explains its growing presence in the Indian Ocean. China’s growing air-sea missile build-up, aircraft carrier development, acquisition of surface/sub-surface combatants, and construction of overseas logistical support bases all point towards its intention to build a blue-water navy which can be deployed in faraway seas. With a budget of approximately $152 billion, China is currently the second-largest military investor globally, and is allocating significant part of these resources towards building naval capabilities. PLAN presence in the Indian Ocean is already established since 2009 with anti-piracy operations in the Gulf of Aden. Some analysts see this naval build-up in the Indian Ocean as consistent with President Xi’s policy of using maritime power to assert Chinese dominance in Asia.

In this context, the construction of China’s first overseas military facility in Djibouti is significant, as it demonstrates the country’s rise as a maritime power in the Indian Ocean as well as its use of naval power to protect overseas interests. China’s base in Djibouti, a small but strategically located country, has ensured its military presence in the region until 2026, with a contingent of up to 10,000 soldiers. Beijing is careful to describe this base as a “support” or “logistics facility” and not a military base, which would be used to support PLAN’s anti-piracy efforts, humanitarian assistance, and disaster relief operations. Indeed, last year, PLAN played an important role in the evacuation of foreign and Chinese nationals from Yemen.

However, the base also marks a clear departure from the traditional Chinese line of not deploying PLA abroad and is representative of its new foreign policy priority of protecting “overseas interests.” It embeds China firmly in the geopolitics of the Indian Ocean. It is possible that Djibouti marks the beginning of a trend and may be followed...
by other naval bases or ‘military facilities’ China plans to acquire in the Indian Ocean. Djibouti currently hosts seven armies – the US, China, Italy, France, Germany, Japan, Spain, and soon Saudi Arabia. While the US has expressed concerns over the proximity of PLAN, Djibouti also offers an opportunity for European nations to explore security cooperation with China in a region fraught with conflict, especially on areas like the evacuation of overseas nationals.

The Djibouti base marks a clear departure from the traditional Chinese line of not deploying PLA abroad.

Along with increasing naval deployment, presence of Chinese submarines and increased arms sales especially to India’s neighbors (particularly joint building and marketing of advanced platforms with Pakistan) have raised concerns of India, Indonesia, and the US, among others. For example, deployment of nuclear Shang class submarines patrolling the Gulf of Aden from December 2014 to February 2015, when piracy incidents were at their lowest, created a sense of unease amongst the Indian Ocean littorals. Docking of Chinese nuclear submarines in Colombo and Karachi have raised alarms in India. Chinese arms sales and defense partnerships with Pakistan and Bangladesh are beginning to precipitate an arms race, with India seeking to sign its own defense partnerships with Bangladesh, Myanmar, and Vietnam as a reaction.

Increasing Diplomatic and Economic Engagement

Beijing’s economic diplomacy in the Indian Ocean centers on the Maritime Silk Route, as part of the Belt and Road Initiative. Designed to connect China with markets in Southeast Asia, Africa and Europe, a large part of the Maritime Silk Route passes through the Indian Ocean. The project involves port projects along vital SLOCs and building energy as well as transportation corridors to China through Pakistan, Bangladesh, and Myanmar. As a result, China will significantly expand its diplomatic and economic footprint in the IOR. It is important to note that not all projects under the Maritime Silk Route have materialized yet, and many more are in the process of being negotiated. China’s Belt and Road Initiative (BRI) has both strategic and economic drivers. This section focuses on the strategic drivers, looking at the security implications of the Chinese port development projects including those in Sri Lanka (Hambantota, Colombo Port City Project), Bangladesh (Chittagong, Payra), Myanmar (Kyakupyu, Kyauktaw,皎漂港), and Djibouti (Abdiyuni Port).

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10 Docking of Chinese nuclear submarines in Colombo and Karachi have raised alarms in India. Chinese arms sales and defense partnerships with Pakistan and Bangladesh are beginning to precipitate an arms race, with India seeking to sign its own defense partnerships with Bangladesh, Myanmar, and Vietnam as a reaction.


naval facility in Great Coco Island), Pakistan (Gwadar), Djibouti (Port of Djibouti), Kenya (Lamu), and Tanzania (Bagamoyo).

- First, there are fears that especially the deep water ports could be ‘dual-use’, which means they can potentially be used for naval and not just commercial purposes, thus expanding China’s military footprint in the region. The unclear status of ports as ‘commercial’ or ‘military’ creates unpredictability for policy making for the region.
- Second, as the example of Hambantota in Sri Lanka shows, China has often used high interest infrastructure loans as barter chips for strategic concessions, demanding operation rights to terminals and ownership rights in return.  

<table>
<thead>
<tr>
<th>MARINE CORPS</th>
<th>Estimated increase from 20,000 to 100,000 resulting in a 15% increase in the overall size of the PLAN (these marine-corps will also be used for first-ever overseas deployments to Djibouti and Gwadar)</th>
</tr>
</thead>
</table>
| AIRCRAFT CARRIERS | Increased to 2, with a 3rd one in the pipeline  
Aircraft carrier battlegroup can eventually be deployed in the IOR, according to expert assessments |
| SUBMARINES | Over 50 deployable submarines, with 8 nuclear submarines  
7 Chinese submarines, both conventional & nuclear, spotted in the IOR since 2012 (most recent: nuclear submarine in Karachi in 2016, conventional submarine near Malaysia in 2017)  
Chinese submarine sales in IOR are increasing (example: 8 attack diesel submarines sold to Pakistan) |
| WARSHIPS | Drills in the Eastern Indian Ocean by Chinese warships in February 2017 and in the Western Indian Ocean in August 2017 |
| OVERSEAS BASES | Djibouti  
Gwadar  
Possible dual use of other ports for logistics and refueling |

Table 1: Increasing Chinese Naval Deployments in the IOR - An Overview

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See Section 2, “Chinese connectivity initiatives” for details on this point.

Based on Indian Express, “China to expand marine corps for deployment in Gwadar, Djibouti” http://indianexpress.com/article/world/cpec-indian-ocean-logistics-base-4567831/, South China Morning Post & other media reports.
Third, as Chinese naval presence and economic interests in the region expand, there are chances that its aggressive behavior from the Pacific and South-China Sea could spill over into the IOR.\textsuperscript{15}

Given these developments, \textit{Chinese engagement could take the following shape in the future}: Over the next few years, Chinese military, economic, and diplomatic engagement with the region is only set to increase.

- As China’s energy importing requirements and commercial investments in the IOR increase, so will its deployment of naval forces to protect and guard those interests.
- In the mid-term, Chinese military presence in the IOR is likely to remain limited to the protection of SLOCs. In the long term, analysts see the possibility of conflict with India or the US over strategic chokepoints as likely.\textsuperscript{16}

\textbf{India – A Net Security Provider?}

\textbf{Indian engagement in the Indian Ocean has gone through a dramatic shift under the Modi government as its policy has shifted from ‘sea blindness’ to the ambition of becoming a regional maritime power and a ‘net security provider’ in the Indian Ocean.} Like China, India’s security engagement is also driven to a large extent also driven by the need to secure the SLOCs. About 80 percent of India’s crude oil requirements and 95 percent of its trade volume passes through the Indian Ocean.\textsuperscript{17} In addition, the Indian Ocean is perceived by the Indian strategic community as its ‘backyard’ for the Indian navy to protect and police, mostly as a reaction to increasing Chinese presence but also as part of the country’s own regional and global ambitions.\textsuperscript{18} Overall, India’s approach in the Indian Ocean is based on both “activating partnerships” and “expanding capabilities”\textsuperscript{19} to become a regional security provider.

\textbf{Increasing Naval Presence}

India has by far the largest naval presence in the IOR.\textsuperscript{20} India’s need to secure SLOCs as well as monitor and, if required, check the activity of other powers in the IOR has driven the country’s naval engagement. India has reached beyond its littoral to enable better

\begin{itemize}
\item Interviews conducted with think tanks and Ministry of External Affairs, New Delhi, March-April 2017.
\end{itemize}
Maritime Domain Awareness (MDA), develop maritime infrastructure, and establish naval and diplomatic ties not only with South Asian countries but also with East Africa and the Middle East. A shift in doctrine was first observed when India’s maritime security strategy “Ensuring Secure Seas” was released in October 2015 which expands India’s areas of interest and overall ambitions in the Indian Ocean significantly.

**The Indian navy’s push for an expanded role in the Indian Ocean found a ‘sympathetic ear’ in the Modi administration.**  
Particularly its ambition of regional leadership and the ‘Neighborhood First’ policy. Creation of the new Indian Ocean Division within the Ministry of External Affairs (MEA) reflects this priority of the government given that it is the only ‘ocean-focused’ division among other geographical divisions within the Ministry. While many of Modi’s foreign policy changes are based on ad-hoc arrangements and rebranding of already existing initiatives, creating new institutional structures within the MEA and closer ties with the navy indicate a deeper engagement in the IOR. There is a general consensus among the strategic community in New Delhi that this central focus on the Indian Ocean will continue to remain prominent at least within Modi’s tenure, if not under subsequent governments.

### Diplomatic Engagement

In line with its regional power ambitions, strengthening naval and diplomatic ties will remain a key priority for India in the IOR. These will include four kinds of partnerships.

**Strengthening ties with regional states:** This is true especially for the South Asian island countries as India has developed close diplomatic and security ties with Sri Lanka and Maldives. The three countries are linked in a Maritime Domain Awareness (MDA) agreement, which was recently extended to include Mauritius and Seychelles. India has defense and economic ties with Mozambique, Mauritius, and Seychelles, having donated patrol vessels, radars and other equipment to these countries along with capacity building on ‘Blue Economy’ projects on environmental protection and sustainable resource use. In order to monitor Chinese activities and expand its MDA, India has also established radar stations in Madagascar, Sri Lanka (six), Mauritius (eight) and Seychelles (one) as well as in Maldives. It has also for the first time developed defense and maritime partnerships with African littoral states like Tanzania, Mozambique, and South Africa.

**Strengthening partnership with non-regional powers:** In order to establish itself as a ‘leading power’ in the Indian Ocean, India is seeking to build partnerships with non-regional powers as well. In the past, India has shied away from “sharing influence” in the region and preferred to keep all the discussion about the neighborhood on the Indian Ocean’s Rim bilateral. There has been a gradual shift away from that trend under the Singh and Modi governments. A prime example of defense cooperation is the India-US-Japan naval trilateral, which might be expanded to include Australia. Traditionally

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21 Interviews conducted with think tanks and Ministry of External Affairs, New Delhi, March-April 2017.
22 Interviews conducted with think tanks and Ministry of External Affairs, New Delhi, March-April 2017.
wary of participating in any security alliances, this trilateral partnership shows a shift in Indian policy under the Modi government, one that is primarily motivated by the need to check growing Chinese influence. The India-Japan-US naval exercise (Malabar) was followed by foreign minister level talks in 2015, where these countries stated that their common goal was “setting up a maritime power balance in the Indo-Pacific.”

While the Modi government wants to deepen its defense partnership particularly with the US, some within the strategic community in Delhi advise caution. They argue that this might risk further alienating China and restrict diplomatic channels of engagement. This was most evident in the reluctance to include Australia in the Malabar exercise, lest China perceive this ‘security quad’ as an attempt at containment. In addition to defense partnerships, India is also developing partnerships with non-regional powers like the Netherlands on other maritime issues, especially capacity development and maritime technology like land reclamation. These diplomatic partnerships are also significant and a departure from previous Indian policy.

Cultural diplomacy: Through project MAUSAM, India wants to establish closer cultural and people-to-people ties with the countries in “India’s Ocean”, often citing close historical connections as a common bond between them. This is a ‘soft power’ approach of establishing India’s influence in the region to counter Chinese diplomatic and economic overtures, but has not really taken off yet.

Strengthen multilateral institutions: Aiming to distinguish itself from the Chinese approach, India is pushing for greater regional cooperation in the Indian Ocean particularly by strengthening organizations like IORA. India has declared the Belt and Road Initiative as a ‘unilateral’ Chinese project and, in contrast to China, is trying to formulate its own vision for regional cooperation in Asia, based on multilateralism. Through initiatives like IONS, India is also pushing for the creation of sub-regional security architectures and cooperation among regional navies (see Section 3 for more details on the changing policy orientation of the Indian government on multilateral cooperation in the IOR).

In summary, given the above, developments in Indian engagement could take the following shape in the future: In the short to medium term, Indian engagement in the Indian Ocean, both naval and diplomatic, is set to increase.

- A large part of this will be driven not only by the proactive maritime policy of the present government but as a reaction to Chinese presence in the Indian Ocean.
- Diplomatically, India will cultivate bilateral and trilateral partnerships both with

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24 Interviews conducted with think tanks and Ministry of External Affairs, New Delhi, March-April 2017.
regional states and non-regional powers to establish itself as a “leading power” in the Indian Ocean. However, New Delhi will have to make increasing investments in the region to make sure the rhetoric matches policy on the ground. This will be an uphill battle, especially in the face of massive Chinese investments.

- Departing from previous policy positions, India is also keen to push for multilateralism and regional cooperation in the IOR, particularly by strengthening the Indian Ocean Rim Association (IORA). This departure stems from two sources: (1) the realization that India cannot establish regional leadership without broad-based engagement with the Indian Ocean littoral, and (2) as a strategy to check growing Chinese influence (see Section 3, Page 23). At the last Indian Ocean conference in August 2017, External Affairs Minister Swaraj called for developing a regional security architecture and for littoral states to strengthen cooperation.

- Militarily, to counter the Chinese challenge and retain dominance in the Indian Ocean, India will continue to push for military modernization, defense deals, and increase naval strength by adding seven more frigates to its existing 14.

<table>
<thead>
<tr>
<th>Table 2: Indian Naval Deployments in the Indian Ocean</th>
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<tbody>
<tr>
<td><strong>AIRCRAFT CARRIERS</strong></td>
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<tr>
<td>- 1 (and an indigenous one under construction)</td>
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<tr>
<td>- Indian navy relies heavily on US-made Boeing P8-I antisubmarine jets to track the movement of Chinese submarines operating between the Bay of Bengal and Arabian Sea (in addition to the previous 8, India ordered 4 more in 2016)</td>
</tr>
<tr>
<td><strong>SUBMARINES</strong></td>
</tr>
<tr>
<td>- Depleting submarine arm, with 13 diesel-electric submarines and 1 nuclear-powered INS Chakra</td>
</tr>
<tr>
<td>- 4 deployed in the IOR</td>
</tr>
<tr>
<td><strong>WARSHIPS</strong></td>
</tr>
<tr>
<td>- 51 in total, around 40 deployed in the IOR</td>
</tr>
<tr>
<td>- India plans a substantial increase in the number of warships over the next years</td>
</tr>
<tr>
<td><strong>OVERSEAS BASES</strong></td>
</tr>
<tr>
<td>- No policy of overseas basing</td>
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<tr>
<td>- 'Joint' naval base planned with Seychelles at Assumption Island</td>
</tr>
</tbody>
</table>
United States - Scenarios for Future Involvement

The US has been the de-facto provider of maritime security in the Indian Ocean since the 1960s. This includes ensuring that the trade and energy SLOCs in the Indian Ocean, particularly those from the Middle East, remain free and undisrupted. Secondly, it entails maintaining the naval primacy the US has retained in the Ocean since the Second World War. As a result, the regional architecture in the IOR has, to a large extent, been shaped by US-led treaty arrangements. US policy so far has also viewed the Indian

While Defense Secretary Mattis’ speech gave some indication of what future US policy towards Asia might look like, regional partners questioned the extent to which the Trump White House will uphold a ‘rules-based order’.

In recent years, primarily as a result of its economic slowdown, the US has sought to develop relationships in the IOR so it can divest some of its security responsibilities to partners while maintaining its overall importance. Exactly how much the new US administration plans to divest from the region remains an open question. This uncertainty is a matter of concern for regional and non-regional players alike. At the Shangri La Dialogue, Defense Secretary Mattis underlined continuities in US’s Asia policy to reassure allies and partners, outlined the new initiatives to be be undertaken by the Trump Administration, and spoke about the specific challenges posed by North Korea and the rise of China. While this speech gave some indication of what future US policy towards Asia might look like, regional partners questioned the extent to which the Trump White House will uphold a ‘rules-based order’.

Naval Presence

For the US, major security concerns in the Indian Ocean include the conflicts in the Middle East, China’s increasing presence in the Ocean, and the growing India-China competition. To meet these challenges, the US has its major military bases at the Persian Gulf (largest base in response to its involvement in the Middle East), Djibouti (largest base in Africa), Ethiopia, and Diego Garcia (often used to monitor Chinese


activities). The 5th Fleet in Bahrain monitors the Persian Gulf, Red Sea, and Arabian Sea. Elements of its Pacific 7th Fleet routinely visit the Indian Ocean. Diego Garcia is a major US air and naval support base in the middle of the Indian Ocean. US forces operating under CENTCOM are engaged in several IOR theaters and many argue that robust US military presence in the region is more vital than ever before. The US navy projects more power in the Indian Ocean than any other country.

Diplomatic Engagement

The Department of Defense’s “Strategic Choices and Management Review” (July 2013) stressed the need for the US to develop its Indian Ocean policy by building coalitions with regional allies like Australia, Japan, the Philippines, and partners like Vietnam and India. The US has strong defense partnerships with Japan, Australia, and South Korea in the Indo-Pacific already, and it is seeking to develop a stronger partnership with India for the IOR. As mentioned in the previous section, India has refused to be pulled into any formal alliance or coalition of any kind; however, its policies in the Indian Ocean are changing as a result of the perceived Chinese threat.

The US-India defense partnership, as a result, has manifested most strongly in the maritime domain. While India seeks defense technology transfers to strengthen its navy, the US has persuaded India to sign a logistics agreement (LEMOA) to open up India’s military facilities for its use, although India’s navy is yet to bring the arrangement into real effect. The two sides have started work on anti-submarine warfare (ASW), a sensitive military technology only shared by allies. Given these trends, information sharing doesn’t seem too far off, and given their converging security interests, the two will likely become closer partners in the region. US technical exports such as a GE gas turbine to India, training for carrier pilots, and ongoing talks on providing India with EMALS technology for carrier catapults all show the depth of their defense cooperation.29 Diplomatically, the US seems supportive of Indian efforts to establish its regional leadership and simultaneously check Chinese influence.

US engagement in multilateral military exercises in the region is high and will continue to remain an important instrument of engaging with partners in the region. However, it has minimal engagement with organizations like the IORA, which the US does not see as particularly important.

Given these developments, **US engagement could take the following shape in the future:** Under the new administration, many were expecting a US retrenchment from the region, which has not materialized so far.

- While the pivot to Asia might have been rolled back somewhat, the expected cuts to defense spending have not materialized. As a result, for the time being, US force projection in the region will continue as before.
- With Admiral Harris of the Pacific Command’s impending transfer, there might...

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be a break in policy continuity on US naval engagement on the ground.

- However, how this will shape up in the future is unclear. US policy making over the IOR will be impeded by chronic shortages and a general lack of direction from the State Department. Regional allies are also unsure of the Trump Administration’s commitment to maintaining a ‘rules-based’ international order.

**EU - Limited Engagement**

Historically, larger European navies and particularly the British and French navies have also maintained a relatively robust presence in the Indian Ocean. Additionally, the European Union (EU) has its own dedicated anti-piracy mission since December 2008, the EU’s Naval Force Somalia (EU NAVFOR) Operation ATALANTA. Many European navies, including the German navy, have contributed warships to Operation ATALANTA, thus providing a sustained contribution to the international effort against piracy. The mission was scaled back after the initial peak of piracy-related incidents subsided, and the mandate will be over in December 2018. At present, it seems unlikely that it will be renewed.

**Naval Presence**

On average, ATALANTA comprised about 1200 personnel, 4-6 Surface Combat Vessels, and 2-3 Maritime Patrol and Reconnaissance Aircrafts, tasked with maintaining order in the Horn of Africa and the Western Indian Ocean. These contributions were provided by EU member states as well as 6 non-EU states. After the peak of piracy subsided in 2011, the size of the mission has been gradually reduced and currently there are only 2 ships deployed as part of the mission. This is also because of reduced naval capacities of several EU member states, including Germany, which has not contributed a ship to the mission since August 2016.  

While successful in securing Somalia bound shipments of the World Food Program and the African Union Mission, ATALANTA does not extend to the sensitive Indian Ocean littorals. Unlike the patrolling and surveillance heavy approach of the South Asian navies, the EU has focused largely on capacity building projects for Western Indian Ocean states. For example, EU MASE focuses exclusively on Eastern Africa littorals widely perceived to be Europe’s ‘proximate’ seas.

ATALANTA is considered to be one of the most successful EU missions; however, the root causes of piracy still persist inland. Even as the mission is ready to wind up with its mandate ending in 2018, there has been a recent resurgence in piracy-related incidents. According to some assessments, Somali piracy is indeed making a return. The EU will need a strategy to deal with piracy-related incidents and secure SLOCs post-

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Engaging With The Indian Ocean

Engaging With The Indian Ocean

Currently, no such strategy seems to be in the works. Beyond the Western Indian Ocean, the EU has very limited presence in the IOR. While the EU Maritime Security Strategy (EUMSS – 2014) claims “strategic interests” in the global maritime commons, its approach has not been global. In the past, it has played an important role in HADR missions after the Indian Ocean tsunami in 2004. However, there are few operational resources for engaging in other sensitive regions in the IOR beyond the Horn of Africa. On the other hand, EU member states, particularly France and the UK, have been active naval powers in the region and have participated in multilateral military exercises such as the International Fleet Review (2016) on a regular basis.

Diplomatic Engagement

The EU is quite active when it comes to economic and development partnerships in the Western Indian Ocean, particularly with the Indian Ocean islands of Madagascar, Comoros, Mauritius, and Seychelles. Since these islands are close to the Gulf of Aden and the European mainland, engaging with them is crucial for the EU. It is also the principal sponsor for the Indian Ocean Commission, a regional grouping of these island states, which plays a key governance role in the Western Indian Ocean and works on a range of issues from sustainability to security. In the Eastern Indian Ocean, the EU is not a member of important regional institutions like IORA and does not have many platforms to engage with the region. It must be noted that the EU and ASEAN have a much stronger partnership on maritime security.

Its efforts in general have been light on security, including engagement with Sri Lanka, Bangladesh, and Myanmar on programs like fisheries, humanitarian measures, and post-conflict reconstruction. While the EU developed some cooperation with India and China during anti-piracy missions, these have been largely of diplomatic and symbolic value, and have not resulted in deeper, institutionalized cooperation on the ground. The EU-India strategic partnership has tried to make maritime security a central issue, but overall the partnership has not seen much success on security-related issues. In general, especially with the deployment of Chinese submarines, analysts in New Delhi feel their legitimate security concerns are dismissed by European analysts who view Indian recriminations against China as exaggerated.\textsuperscript{32}

Given these developments, EU engagement could take the following shape in the future: While the EU has been an important security and developmental actor in the Western Indian Ocean, it will need a strategy to sustain engagement in the region after the mandate for ATALANTA ends.

- Deep spending cuts affecting the navies of major EU states, combined with pressing security concerns in the EU’s immediate neighborhood and near seas, mean that the EU’s motivation to engage with in the Indian Ocean will decrease.
- In the Eastern Indian Ocean, the EU does not have an important presence nor is it perceived as an important actor by regional powers.

\textsuperscript{32} Interviews in New Delhi, March 2017.
Implications of Security Developments in the IOR for Germany

As a trading nation focused on exports, secure and undisrupted SLOCs in the Indian Ocean are of primary importance to Germany. Given the developments described above, the security shifts in the IOR raise the following concerns for Germany:

• **Dealing with increasing China-India competition, and naval deployments:** With the geopolitical rise of China and India, IOR is set to emerge as a theater of competition. India believes that it’s “neighborhood holds the key to its emergence as a regional power and global power”\(^{33}\) and wants to shift from being a “balancing” to a “leading” power.\(^{34}\) While China rejects claims of hegemony in the Indian Ocean, it does see the security of the IOR as a Chinese interest, especially given its increasing economic investments. Maritime competition between India and China in its present form must not be overstated, but many experts believe that “tit for tat political escalation” is still possible.\(^{35}\) Experts in the region believe that the possibility of smaller incidents, such as a “Chinese nuclear submarine unexpectedly surfacing”\(^{36}\) or “clashing between coast guards and PLAN” could quickly escalate. To give a sense of scope, there were 22 “unplanned” encounters at sea between the two countries in 2013 alone. Germany’s core interest of maintaining the stability of the IOR will become increasingly difficult if this rivalry continues to grow. Both China and India have been developing nuclear navy capacities. Any disruption of SLOCs, even due to low-level incidents, will have a direct economic impact on Germany.

• **Implications of the expanding Chinese military footprint:** Another possible implication for the security of the region is the increasing number of Chinese ports and sea bases in the IOR. While it is expected of an emerging power like China to acquire bases along the critical SLOCs to secure its fuel supplies, assessments see Chinese military footprint in the Indian Ocean increasing immensely as the country’s economic investments increase. Visible already in the “dual use” of commercial ports (Gwadar, Djibouti, Colombo) for the refueling or stationing of PLAN ships, protection of Chinese economic interests and military projection might lead to a more aggressive Chinese approach in the IOR.

• **Re-emergence of the threat of piracy:** Missions like ATALANTA and Ocean Shield were not able to tackle the root causes of piracy in places like Somalia. As the mandate of ATALANTA nears its end, piracy is already gaining ground.

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There have been different assessments of recent incidents of piracy – some see them as isolated while others see them as a full-blown return of pirates to the area. Regardless, Germany and the EU will have to plan for post-ATALANTA scenarios including how to increase multilateral cooperation against piracy, sustain existing institutions like the Contact Group on Piracy and SHADE, and sharing the burden with IO powers like India.

- **Unpredictability of US policy:** As noted in the assessment above, the US does not yet look set to reduce its engagement in the Indian Ocean; in fact, it has been US policy for quite some time to divest some of the responsibilities of securing the region to its partners. However, unpredictability in US policy, combined with increasingly assertive behavior of China as a maritime power, still remains a significant challenge for partners like Germany. Will US-China relations worsen and manifest in the IOR? Will China perceive the growing defense partnership between the US, India, and Japan as a threat, and as possible containment? The possibilities of these different scenarios emerging in the Indian Ocean cannot be ignored by policy makers in Germany.

- **Current lack of an effective multilateral instrument, regime or treaty:** A major problem in the IOR is the lack of a strong multilateral instrument which can evolve collective maritime security capacity, provide collective solutions to security threats, and check extant threats, particularly rivalry between states. A detailed assessment of existing multilateral arrangements will be made in Section 3. However, for Germany, promoting multilateralism in the region does emerge as a critical priority in securing the IOR against the diverse traditional and non-traditional security challenges mentioned above.
Section 2: Analyzing Economic Shifts in the Indian Ocean

This section will analyze the geo-economic competition in the IOR, being generated by the various connectivity initiatives, and the implications for Germany and Europe.

- Connectivity initiatives led by China and India are reshaping the region. However, Chinese economic initiatives also have strategic drivers, as seen in ‘dual-use’ ports, acquisition of long-term operating rights, ensuring better access to export-import markets in these countries and creation of monopolies.
- Other regional connectivity initiatives, largely led by Japan and India, have emerged as a response.

Connectivity Initiatives in the IOR: China’s Maritime Silk Route

The most important and tangible economic development in the region is the emergence of regional connectivity initiatives. China’s Belt and Road Initiative is President Xi’s most ambitious foreign and economic initiative and aims to connect Europe and Asia through infrastructure, trade, finance, security, and people-to-people connectivity. In the IOR, the initiative takes the form of the Maritime Silk Route, which aims to establish ports, oil pipelines with the hinterland, and other large coastal infrastructure projects along the Indian Ocean. A majority of these projects are either in the planning stage or have not been negotiated yet. Only a small number of all the conceived projects in the Indian Ocean have actually been executed.

Before looking at the details of Chinese projects in the IOR, it is important to understand the domestic drivers behind the Belt and Road Initiative (BRI). Many regional analysts view the project through a geopolitical lens as China’s attempts to gain political leverage and hegemony in the region. While this is part of China’s strategic calculations, the project is also driven by three domestic economic concerns37:

- **Dealing with regional disparity within China** by connecting China’s underperforming regions in the West with markets in Europe, and linking China’s southern ports and railway hubs with the fast growing economies of Southeast Asia.
- **Finding an outlet for the massive excess capacity** that is present in many industrial sectors in China.

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37 As argued by Peter Cai, *Understanding China’s Belt and Road Initiative*. 
• **Exporting Chinese technical standards** so that new markets are available for high-end Chinese products. An example of this is Premier Li’s “high-speed railway diplomacy” in Thailand, India, Indonesia, and Malaysia. Many countries in South and Southeast Asia require investments in large infrastructure. By ensuring China’s development of lifeline infrastructures like high-speed railway using Chinese technical and manufacturing standards, the country is able to successfully capture these markets and push out other competitors like Japan and Germany.
Pushed by these domestic drivers, China has capitalized on the demand for greater infrastructure investments in the IOR. Several countries in the region are seeking funds for ports and other large infrastructure that would contribute to their economic growth. China is often the first-mover on the scene, often outbidding competitors by offering low costs and minimal strings attached to loans. As a result, there has been an influx of Chinese capital in Sri Lanka, Pakistan, Bangladesh, Myanmar, Maldives, Kenya, and Mozambique, among others. Two major implications of China’s connectivity initiatives in the Indian Ocean are already visible:

- **Security impact:** Often the initiatives are driven both by China’s strategic concerns and have fueled rivalry with India and other regional players;
- **Economic impact:** Local economies have seen an influx of Chinese workers and raw materials. Countries which are part of BRI are provided Chinese loans to fund projects and when they default on payments – which is quite often the case - these loans are turned into equity. In addition, other competitors are crowded out by China as most contracts are rewarded to Chinese firms and ports are built and managed using Chinese technical standards, making them incompatible with German and European businesses.

The “string of pearls”

metaphor suggests that China is taking on economic projects in the Indian Ocean where its military forces can set up naval facilities or at least refueling stations. **How the strategic and economic drivers of the Belt and Road Initiative intersect in the Indian Ocean is demonstrated best in the port of Gwadar in Pakistan.** Part of the China-Pakistan Economic Corridor (CPEC), the rationale behind the port is to link the underperforming and Muslim majority region of Xinjiang to the coast. Geographically, Xinjiang is considerably far away from other Chinese ports, and Gwadar will provide it a much shorter route to the sea. It will reduce costs of transportation to the province and Chinese officials believe that the economic benefits accrued will also solve Xinjaing’s political problems, including terrorism.

However there is also a strategic logic behind the development of the port of Gwadar, which is located along the world’s energy ‘jugular’. The sea lanes nearby carry most of China’s oil imports. Gwadar is deep enough to accommodate submarines and aircraft carriers, and can serve as a launch pad for PLAN’s anti-piracy missions as well as surveillance of Indian activities. Even though the port was announced as a commercial undertaking, PLAN deployments are already being considered. Given the geographical proximity to India, stationing of the PLAN at Gwadar will immensely increase China-India rivalry. Unannounced stationing of PLAN submarines and warship in the otherwise commercial **Colombo Port City Project** had a similar impact and increased tensions in the region. In Sri Lanka, **Djibouti**, and even in Greece, Chinese commercial investments have been followed by deployments or visits of PLAN ships and frigates. Other Chinese harbors in strategic locations that might see ‘dual use’ are Darwin in Australia and Maday Island in Myanmar.

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40 Peter Cai, *Understanding China’s Belt and Road Initiative.*
The impact of Chinese projects on local economies is another key development. High interest rates of Chinese loans coupled with short time frames for repayment have meant most countries end up defaulting on these payments. Sri Lanka is the prime example for this trend, but it is also almost certainly expected in the iHavan project in the Maldives as well. As seen in Sri Lanka, Beijing relaxes and then converts these loans into equity, thus seeking ownership or control over the maritime projects it is financing. At its inception, Chinese involvement in Gwadar was limited but now the state-owned China Overseas Port Holding Company holds the lease to the port until 2059. China Merchant Port Holdings (CMPH) just acquired a 70 percent stake in Sri Lanka’s Hambantota Port. Bangladesh also gave majority stakes in Payra Port to the state-owned China Harbor Engineering Company (CHEC). In Myanmar, too, China has acquired up to 85 percent stakes in the strategically located Kyaukphyu port.

German and European businesses interviewed for this study stated that, while they were eager to bid for projects, contracts were rewarded solely to Chinese companies. In many cases, external bidders were not even allowed to participate.

With Chinese companies acquiring sole operational rights for ports with long leases (as long as 99 years in the case of Darwin), businesses are wary of monopolies as China has better access to the export-import markets of these countries as well as significant political influence. Finally, many European and German businesses specialize in port construction and logistics. These complained that Chinese technological standards used for construction and logistics were incompatible with European ones, making it difficult for them to participate in these ventures.

Finally, the influx of Chinese workers and raw materials has generated substantial local protests and political upheavals in some of these countries. To avoid these costs, Beijing is already learning lessons. In Myanmar, for instance, it has promised more jobs to locals as well as better environmental impact assessments of projects.

**Connectivity Initiatives in the IOR: India’s Neighborhood First Policies**

**Compared to the Belt and Road Initiative, Indian connectivity plans can be characterized as small in scale, fragmented in planning, and reactive in nature.** Unlike BRI, there is no one dedicated fund through which India chooses to execute these initiatives. Instead, they are often included as a part of development partnerships, lines of credit or technical and capacity building projects India already has in place with its neighbors.

These initiatives are fragmented in planning. Instead of one big strategy, India is pushing connectivity through arrangements like BIMSTEC and BBIN. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a group of seven nations along the Bay that has essentially been dormant since its inception in 1997. Its current revival by the Indian government is a strategy to

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41 Pakistan has posted 15,000 soldiers along CPEC to protect Chinese workers. During the last elections in Sri Lanka, Chinese investments under the Rajapaksa government were a contentious issue. Since then, its successor, the Sirisena Government, has tried to diversify investments in Sri Lanka and negotiate rules of operation with the Chinese.
circumvent SAARC, which has made little progress on regional integration due to the India-Pakistan rivalry. Since BIMSTEC does not include Pakistan as a member, it was pushed by India as an alternative at the side-lines of the 2016 BRICS summit in Goa and taken up enthusiastically by member states. Connectivity projects under BIMSTEC will include building road, rail, and port links connecting India, Bangladesh, Myanmar, and Thailand. Indian investments within the project have remained small, for instance it invested $224 million in Myanmar in 2015-16, a small number compared to China’s $3.3 billion investments. A free trade agreement is also being negotiated between BIMSTEC countries. Similarly, the BBIN is a $1 billion project to improve road connectivity between Bangladesh, Bhutan, India, and Nepal.42

Map 2: India’s approach to connectivity in its neighborhood46

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Despite being a much smaller and modest initiative, there is enthusiasm regarding BIMSTEC connectivity for two main reasons:

- These are some of the fastest growing economies in a region with little to no regional integration. Any step towards integration will yield great commercial and economic dividends. BIMSTEC brings together 21 percent of the world’s population and a combined GDP of over $2.5 trillion.\textsuperscript{44}
- It gives an opportunity to countries like India and Japan to drive regional integration, while smaller countries are provided with an alternative to Chinese investments.

This push for regional integration is definitely a new development for India, but it is also new for the IOR. At the last Blue Economy Dialogue there was a call for coastal and littoral states like Maldives, Sri Lanka, Thailand, Myanmar, and India to form a regional bloc. This development is leading not just to better economic integration but also closer security cooperation. Earlier this year, the national security advisors of BIMSTEC countries met for the first time with the goal of creating a common security space in the Bay of Bengal, including on maritime security.\textsuperscript{45} This is an unprecedented and important development which might lead to the emergence of sub-regional security architectures in the region.

Finally, partly as a reaction to Chinese presence and partly to facilitate economic growth, India is also undertaking several port development projects in the region and internally. India has significant infrastructure capacity gaps and these are glaringly visible along its long coastline. Indian officials often say the three most important Indian ports are Colombo, Dubai, and Singapore, primarily because India lacks operational deep-water ports capable of handling large amounts of cargo. As a result, India has announced construction plans for 12 new ports as part of the ‘Sagarmala’ project and is planning the Major Port Authorities Bill that would give ports significant operational autonomy to attract foreign investments, among other things. A number of global investors and companies are interested in this project, which aims to triple the cargo carrying capacity of Indian ports by 2025, and could constitute an interesting opportunity for German-India collaboration as well.

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India is also developing ports together with partners like Japan in Sri Lanka (Trincomalee Port); however, the country’s most ambitious overseas port development project is Chabahar in Iran. India views it as a conduit to reach the energy rich Central Asian region, bypassing Pakistan, and as a counterbalance to increasing Chinese influence in the region particularly via the Port of Gwadar. The project has, however, been marred with squabbles between India and Iran, and has not really taken off even though construction has begun. In general, Indian overseas infrastructure projects have been slow and small, hindered by a lack of financial capabilities and an excess of bureaucratic complications.

India and Japan are planning to jointly carry out connectivity projects in third countries in the IOR through a grand scheme. The India-Japan “vision document” to develop an Asia-Africa Growth Corridor (AAGC) is a response to China’s ever increasing presence in the IOR. Combining India’s long established engagement in Africa with Japanese technical and funding abilities, this initiative has been characterized as a “win-win” scenario. In contrast to the Chinese approach AAGC will fund projects “responsive to the needs of African countries”. Translating this idea into practice will require coordination on an unprecedented scale between the two partners.

**Implications of Economic Shifts in the IOR for Germany**

- **General economic opportunities generated by regional integration:** The IOR in general, and South Asia in particular, has been one of the least integrated regions in the world. Therefore, increasing regional connectivity and greater integration in South Asia is good news for trading partners like Germany. In this sense, large infrastructure projects conducted by China, India, and Japan will be useful for increased commerce and trade flows in the region. Projects like BIMSTEC are also important for uniform custom and tariff regimes as well as ease of business. In contrast, Chinese projects have economic as well as strategic drivers which raise flags for Germany. The lack of fair competition and a level playing field in BRI projects, where contracts are almost solely rewarded to Chinese companies, have already been highlighted as problems by German and European companies.

- **Opportunities for investment in large infrastructure:** The fast developing economies of the region, including India, are looking for greater investments in large and medium-scale infrastructure projects as well as technology transfers, creating opportunities for German companies. For example, companies like Siemens are already considering investment in high-speed railway projects in the region. Small and medium companies are also exploring new markets like Sri Lanka.46 Many countries in the region like Sri Lanka, Maldives, and Bangladesh, who have not had positive experiences with Chinese investments, are keen on diversifying their partnerships, creating a window of opportunity for Germany.

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46 For instance, 200 German large and SME companies attended the last BDI event on Sri Lanka (interviews conducted in April 2017).
Sri Lanka for instance is trying to divest from sole dependence on China, entering in partnerships with India and Japan to develop ports like Trincomalee. The country has declared that it will keep ports free of Chinese military activity\(^7\) and is keen on building partnerships with Europe\(^8\) to emerge as a maritime hub in the Indian Ocean.

- **Competing with Chinese investments:** This is an especially crucial challenge for German companies. First, it is not always easy for German companies to join BRI projects as contracts are almost solely rewarded to Chinese companies. For instance, in the case of CPEC in Pakistan, bidding rights were only restricted to Chinese companies. Second, the introduction of Chinese standards in large markets in the IOR, which are not compatible with German standards, will have a big impact on investments in the region. Where China acquires operating rights for ports (for durations as long as 99 years), it introduces its own standards and technologies in port operations, ensuring that non-Chinese port operating and management companies are crowded out. It is important for German companies that harbor management and handling of goods is not dominated by standardized technology of any one country in the future.

Where possible, countries competing against Chinese infrastructure projects have used strategies to distinguish their investments from Chinese ones. Japan’s infrastructure initiatives, for instance, are sold within the ‘Expanded Partnership for Quality Infrastructure’. The name emphasizes two qualities that are often not associated with Chinese investments: ‘partnership’ and ‘quality’. German and European business will have to consider unique selling points in a strategy to outbid Chinese companies, if joining BRI proves impossible.

- **Opportunities generated by the ‘Blue Economy’ in the region:** Many of the activities proposed as part of ‘Blue Economy’ projects, including sustainable resource extraction and maritime technologies, open up opportunities for German companies who already specialize in these areas. That is the case especially for smaller countries like Mauritius and Seychelles, which are dependent on ocean resources for survival, along with other countries in the IOR seeking capacity building and job creation.

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\(^8\) As stressed by Deputy Foreign Minister Dr. Harsha de Silva at the German Regional Ambassadors’ Conference in Colombo in April 2017.
In the last few years, the IOR has seen a flurry of activity on regional cooperation, among them the revival of several multilateral organizations as well as a proliferation of dialogues, summits and conferences. Despite the growing institutional thicket, none of the emerging institutions seem fit to handle the plethora of maritime issues present in the IOR. In addition, given the geographical diversity of the Indian Ocean and the sheer number of rim states, creating an effective multilateral cooperation framework will be a challenging task. Indeed, the ‘idea’ of what constitutes the Indian Ocean Region, what the main challenges are, and what constitutes possible mechanisms of cooperation differs based on countries’ vantage points (East Africa, Middle East, South Asia or Southeast Asia). The region is too vast in geography and too different in strategic outlook to accommodate a one-size-fits-all approach to regional architecture.  

This section will:

- Critically assess two regional arrangements – the Indian Ocean Rim Association (IORA) and the Indian Ocean Naval Symposium (IONS) – to evaluate the extent to which they can help create a stable, rules-based regional architecture in the Indian Ocean;
- Briefly analyze the other regional arrangements, dialogues, and multilateral exercises as well as their impact on the IOR.

**Indian Ocean Rim Association (IORA)**

IORA aims to strengthen cooperation among the Indian Ocean littorals and is currently the most important organization in the region. Its membership base is significant, comprising 21 out of the 36 Indian Ocean rim states as members and thus making it the largest regional grouping in the IOR. It also has seven ‘dialogue partners’ including Michael L’Estrange, “An overview of Indian Ocean security architecture,” in *Protecting the ability to trade in the Indian Ocean maritime economy*, ed. A. Forbes (Canberra: Sea Power Centre Australia, 2014).
the major non-regional states US, China, France, UK, Egypt, Japan, and Germany. An important omission in the institution’s membership is Pakistan.

Often heralded as the solution to many challenges in the IOR, the organization has many structural weaknesses that have so far prevented it from being effective. The organization was dormant for too long – almost twenty years – since its foundation in 1997,50 plagued by the disinterest of key members.

**India’s Role in IORA**

The institution got a shot of revival in 2011 under Indian chairmanship.51 As a result, the organization is often perceived as India-led, although the inclusion of China as a dialogue partner changed that perception to some extent. India decided to throw its weight behind IORA and at the 11th Council of Ministers’ meeting proposed an agenda for revival including six key priority areas for IORA, which were adopted by other member states: (1) maritime safety and security, (2) trade and investment facilitation, (3) fisheries management, (4) disaster risk management, (5) academic, science, and technology cooperation, and (6) tourism and cultural exchange.

The reason for this change in India’s position, as summed up by one analyst, is that “Delhi’s current challenge is undoing Beijing’s new influence in the region, but also build on its own natural geo-economic position”.

**Institutional Weaknesses**

These priority areas demonstrate that IORA’s main focus so far has been fostering regional cooperation on economic and environmental issues more than on security. While maritime security has been defined as a priority area, will the organization be able to push for a regional security architecture or a Code of Conduct which could prevent a South China Sea scenario from emerging in the IOR? At present it seems unlikely. There are two reasons for this assessment.

First, the organization is based on ‘open regionalism’, which means that countries are not bound by any commitments, actions are voluntary, and all decisions are taken on the basis of consensus. Creating consensus on a Code of Conduct among 21 very diverse members will be a difficult diplomatic undertaking since most members view security challenges differently. Moreover, the organization excludes Pakistan without whom it will prove difficult to create and implement a security architecture. As a result, IORA resolutions have been broad and on non-controversial issues. For instance, the Jakarta Concord (2017) declares commitments to “promoting maritime safety, enhancing trade and investment cooperation, fostering tourism and cultural exchanges, empowering women in the economy”.

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Second, IORA is institutionally weak. It has a small secretariat with an average of twelve permanent staff and a Secretary General. The driving force setting the organization’s agenda and priorities are the countries that hold the rotating Chairmanship. The focus of the organization changes depending on whoever holds the Chairmanship. For example, Australia saw the organization as more global and included non-regional actors much more than Indonesia, which sought to define it as more ‘region’-focused and held the first regional Leaders Summit.52

However, the recent spate of activities does signal towards IORA’s evolving nature and potential in playing a greater role in regional integration. Given the small size of the Secretariat, most of the real work is actually done in the IORA Working Groups, dialogues, and experts meetings. There are two Working Groups at present, one on trade and investment, and another for government representatives and heads of missions of IORA member states. The organization is considering creating a third permanent working group on security.53

Given its limitations, can IORA make a contribution to regional security in the IOR? While a Code of Conduct seems unlikely for the reasons already mentioned, something like a CUES arrangement might be a more realistic goal for IORA to aim for.54 The Code for Unplanned Encounters at Sea (CUES) is a non-binding agreement that provides safety procedures and basic communication and maneuvering instructions for naval ships and aircrafts to follow during unplanned encounters at sea. This will be an important contribution to maintaining maritime stability in the IOR and ensuring that unplanned encounters do not flare up into larger security confrontations. Regional experts also see potential for IORA in generating greater Maritime Domain Awareness, especially as it could integrate the work of various information sharing centers in the Indian Ocean such as the Information Fusion Centre in Singapore, the Regional Maritime Information Sharing Centre in Yemen, the new center in Madagascar set up under EU’s MASE project, and the EU’s Maritime Security Centre in the Horn of Africa.

Indian Ocean Naval Symposium (IONS)

Often described as the “most effective multilateral security construct” in the Indian Ocean, the IONS brings together the naval chiefs of 35 littoral countries and includes China, Japan, Russia, Madagascar, Malaysia, Spain, and Germany as observers. Conceived by India in 2008, the IONS is modeled after the Western Pacific Naval Symposium, and aims to promote maritime cooperation and interoperability between navies in the IOR.

It is a voluntary initiative that has so far focused on maritime information sharing, transnational crime and drug trafficking, and interoperability in cases of


54 Mentioned in interviews by several security experts and analysts in India and Singapore (February-March 2017).
search and rescue missions as well as exercises. It has been described as “the most relevant forum (in the Indian Ocean) currently”.

Since 2014, the forum also meets frequently in working groups on humanitarian assistance and disaster relief, counter-piracy, and information sharing and interoperability. The 5th IONS forum was held in Dhaka in January 2016 on maritime cooperative engagement.

The forum is important because it aims to promote greater cooperation between regional navies on dealing with transnational threats in the IOR. Unlike the Western Pacific Naval Symposium, however, the focus of IONS so far has been on discussions and mutual consultations rather than joint naval anti-piracy operations or operations to check trafficking and crime. The forum seems to now be losing momentum and could potentially change into a mere talk shop. There are wide disparities in the maritime capabilities of its member states and in their threat perceptions, which limits the scope of cooperation on this platform. In order to ensure its success, the forum will have to find a way of dealing with future maritime challenges, especially humanitarian assistance and disaster relief as well as search and rescue missions. Even though the Indian navy conceived the initiative, it has since lost interest in pushing the organization forward. Currently, there is more interest in developing India’s own naval capabilities than pushing for cooperative engagement in the Indian Ocean, and this might impact the long term usefulness of IONS.

Other Regional Arrangements

There are a number of other regional arrangements in the IOR, both ad-hoc and well established. Some were established in the Western Indian Ocean as part of the anti-piracy missions. These include the Contact Group on Piracy, which coordinates the political, military, and other efforts against piracy off the Coast of Somalia. The other is SHADE – Shared Awareness and Deconfliction, which is a mechanism aimed at coordinating and de-conflicting activities between the countries and coalitions involved in counter-piracy operations in the Gulf of Aden and the Western Indian Ocean. The mechanism has played an important role in ensuring regional cooperation and promoting the rule of law in the maritime space. For example, India, China, and Japan agreed to coordinate their merchant vessel escort convoys through the Internationally Recognized Transit Corridor (IRTC) in 2012. However, SHADE is a counter-piracy forum where navies cooperate because they have a common enemy. With the end of ATALANTA, it is likely that SHADE will die down, while it is not yet clear who will manage the tensions, coordinate naval activities, and ensure checks and balances in the region after that.

There are many regional conferences and dialogues in the IOR. These include the Galle Dialogue, the Indian Ocean Conference, and the Indian Ocean Dialogue, among others. Often symbolic, these conferences are important venues for articulating strategy and vision of the IOR countries. For instance, the recent Galle Dialogue in 2016 was used as a platform by the Indian navy to articulate its vision for regional security

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architectures under the IONS. Similarly, the Chinese navy outlined proposals for PLAN involvement in search and rescue as well as HADR missions. The German Navy Chief provided a European perspective on naval cooperation, which was an important first and provided some visibility for Germany in the region. Similarly, the Indian Ocean conference is an India-led conference used as a tool to project India as a regional leader and ‘partner’ in South and East Asia.

**Multilateral naval exercises** have also sharply increased in number in the Indian Ocean and are often used to foster regional solidarity and goodwill. For example, the International Fleet Review in 2016 was attended by 52 countries including India, Russia, China, Japan, South Korea, and the United States. The exercise is hosted by the Indian navy and has the aim to not just increase interoperability with other navies but also “demonstrate India’s growing maritime footprint and underline India’s commitment to maintain the Indian Ocean as its strategic backyard.” MILAN exercises have evolved rapidly since its inception and now include 17 countries, including Southeast Asian navies. Finally, the MALABAR drills began in 1992 as a bilateral naval exercise between India and the US but have grown substantially in scope. In 2015, they were expanded into trilateral exercises including Japan. Australia is keen on joining the exercises as well and has already acquired observer status. India fears that China might perceive the ‘security quad’ as an attempt at containment.

### Implications of Emerging Multilateral Frameworks for Germany

- **Difficulty in identifying relevant forums:** The Indian Ocean has seen a sudden increase in forums, summits, dialogues, and multilateral exercises organized on a regular basis. Given Germany’s limited presence in the region, identifying the most important forums and ensuring regular participation will be a challenge.

- **Weakness of existing institutions in creating a stable regional security architecture:** Despite the increase in number of institutions, multilateral arrangements in the IOR remain weak and none of them have the capacity to check the growing rivalries. However, these institutions have a much greater potential in promoting economic integration.

- **Ensuring continuity of organizations in the Western Indian Ocean:** In contrast to the Eastern Indian Ocean, both the EU and Germany have had a much longer involvement in the Western Indian Ocean particularly through anti-piracy missions and institutions like the Contact Group on Piracy as well as SHADE. Sustaining engagement with the region, and making sure these institutions do not die down after the missions end, will be a significant challenge for German and European policy makers.

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Developments in the Indian Ocean have direct and indirect implications for Germany. As demonstrated in the preceding sections, the key trend observable in the Indian Ocean is geopolitical and geo-economic competition. The glaring absence of a strong regional organization or enduring multilateral cooperation magnifies these challenges. Competition and increasing rivalries in the region pose a threat to the freedom of navigation and endanger the critical sea lanes that carry a significant percentage of German trade and energy sources. However, economic shifts in the IOR also offer opportunities for Germany, particularly investments in the fast growing economies of the Indian Ocean littoral, spurred on by regional integration, and the emergence of a ‘Blue Economy’.

Understanding these challenges and opportunities, Germany has taken modest first steps towards increasing its engagement in the IOR. Starting with anti-piracy missions, it contributed both to the EU’s first maritime operation ATALANTA and NATO’s Ocean Shield. This engagement has declined over the years due to capacity limits of the German navy. The Foreign Offices’ conferences “Perspectives of China, India and Germany in East Africa” (2013) and the “Indian Ocean Conference” (2015) marked the beginning of an articulation of German policy priorities towards the region. Following the Indian Ocean conference, Germany acquired a ‘dialogue partner’ status at IORA in October 2015 and hosted a panel on maritime security under the German G7 presidency the same year. However, this initial momentum then declined sharply until the recent Regional Ambassador’s Conference in Colombo, which took place in April 2017 and refocused on the security challenges and economic opportunities for Germany in the region.

Beyond these modest steps towards engagement with the IOR, the creation of a coherent German ‘Indian Ocean strategy’ is constrained by two challenges. First, so far, Germany has until date had a low presence and visibility in the region, and is not seen an important player by regional actors. Almost all regional experts interviewed for this study were not aware of Germany’s interests in the IOR yet, and were skeptical of the role it can play in a space already crowded with regional and extra-regional actors jostling for importance. Within these constraints, however, it is still possible to improve German engagement in the IOR. To address some of the security challenges and reap the economic opportunities the region offers, a number of steps can be undertaken.

Increasing Political and Diplomatic Engagement

1. **Support the development of a stable, rules-based order by promoting effective multilateralism through IORA:** There is an urgent need to create multilateral arrangements in the IOR which can deal with the growing regional rivalry, military posturing, and numerous transnational threats. Given Germany’s interest in creating a stable, rules-based order in the region, German diplomacy should focus on strengthening IORA, a key institution with a broad-enough membership base to create the type of cross-regional cooperation needed. As demonstrated in Section 3, its revival since 2011 has shown promising trends.

   - Increase participation in working groups, dialogues and other activities, in addition to IORA Summits: As mentioned in Section 3, the momentum behind IORA comes from leading member states rather than the Secretariat. As a result, most of the actual work happens in the various working groups, expert meetings, and regular dialogues led by individual member states. Besides official meetings and summits, German participation in these expert meetings and dialogues has so far been very limited. At most, it has involved contributing speakers, mostly scientists and academics. After two years of IORA membership, Germany’s approach should expand from capacity building support to active engagement in shaping IORA agendas. This can be done by identifying regular dialogues and forums, and sending technical experts (including GIZ staff), bureaucrats, business or academics where necessary. The regular Dialogue on ‘Blue Economy’ and the planned new Working Group on Maritime Security are particularly important venues.

   The GIZ is in the process of developing a program on maritime safety and disaster relief with the IORA secretariat. Given the small and relatively weak Secretariat, such a program will be more effective if implemented with a leading member state and integrated with existing IORA dialogues.

   - Use bilateral partnerships as proxies to push ideas within IORA: Germany’s IORA strategy should focus on engagement with several actors simultaneously, not just the Secretariat. In particular, using German bilateral partnerships with leading member states to push ideas at IORA can prove effective. For example, India is one of the key member states and driving forces behind IORA. This push towards regionalism is a decidedly new development for Indian foreign policy and stems from both India’s search for a greater regional role as well as its aim to counter rising Chinese influence. As an Indian analyst argues: “You might blame China for many things, but not for India’s much delayed regionalist epiphany.” The Indian MEA is currently running

58 Interviews with the Federal Foreign Office in March–April 2017.
59 See Section 3, “India’s role in IORA” for more details.
a number of IORA-related initiatives. Germany should equally consider including IORA-related matters in its bilateral maritime dialogue with India. In addition, countries which hold the IORA chairmanship traditionally take a leading role in the organization and should be approached bilaterally, including Indonesia (current chair) and South Africa (next chair).

• Promote security cooperation through IORA: The legitimacy of IORA will greatly increase if it is able strengthen security cooperation in the Indian Ocean. Members like Sri Lanka want to promote a Code of Conduct through IORA, which will be difficult as it is a binding arrangement. However, as mentioned in Section 3, promoting a non-binding CUES arrangement is a more realistic goal to achieve for a consensus-based organization like IORA. CUES is a non-binding agreement which provides instructions and maneuvers for naval ships to follow during unplanned encounters at sea, ensuring that these encounters do not escalate into larger confrontations. Together with interested regional actors like India and Indonesia, Germany’s diplomacy should primarily focus on reaching a CUES arrangement within IORA.

2. Include maritime issues in the bilateral partnership with India: Germany and India already are strategic partners with close institutionalized cooperation. However, maritime cooperation has remained rather low on their bilateral agenda, limited to some military-to-military contacts, joint naval exercises in 2008, limited defense sales, and joint statements on the freedom of navigation.\(^6\) Maritime cooperation with India should feature higher on Germany’s Indian Ocean strategy due to India’s geographical location on key sea lanes, expanding regional role, and recent shift towards “sharing influence.”\(^6^2\) As a result, India is seeking partnerships with all regional and non-regional states operating in the Indian Ocean. The following concrete steps can be taken to institutionalize maritime cooperation with India:

• Establish regular communication with the IOR division in the Indian Ministry of External Affairs (MEA) on all maritime issues, since the division is driving and implementing India’s maritime agenda.

• Institute a Director General-level annual dialogue on maritime issues, rotating between Berlin and New Delhi, focusing on trade, ‘Blue Economy’, regional institutions (particularly IORA, IONS), and security.

• Include maritime technologies in the German-Indian High Technology Partnership Group (HTPG). As part of the Sagarmala project (please also

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see Section 2), India is not only constructing new ports but also upgrading old ones, thus creating a demand for maritime technologies and particularly port management and logistics, shipping logistics, and renewable energy sources for ports.63 India is also keen on partnering with German companies on developing ‘Blue Economy’ and infrastructure projects in third countries.

Increasing Economic Engagement

1. **Creating opportunities for German industry through investment in large infrastructure projects**: China, and increasingly Japan as well, are ready sources of investment in infrastructure projects and often outbid their European competitors. However, a recent trend shows that because of disputes or local opposition to China’s BRI projects, many countries in the region are interested in diversifying their economic partnerships. German industry should capitalize on this momentum.

   Germany does not have manufacturing companies which can undertake all kinds of large infrastructure projects. Its competencies lie in machinery, railway, and electricity – all of which can be integrated within the regional connectivity projects, especially BIMSTEC.64 In addition, the instrument for Strategic Foreign Projects currently coordinated by the German Federal Ministry for Economic Affairs and Energy (BMWi) should be leveraged in the IOR. The instrument aims to increase the competitiveness of German industry investing in large infrastructure projects by providing companies with better political and financial support.65 Currently, the instrument focuses on projects with strategic relevance in the range of €5 billion or more but can be used to cover port projects as well. Even if not involved in port construction, German industry can offer solutions for the **digitization of harbors and logistics support**. Since this would make German technology a part of the port’s DNA, it can qualify for support under this instrument. This will also counter the introduction of Chinese port management technologies and consequent monopolies.

2. **Creating opportunities for German industry by capitalizing on the increasing demand for maritime technologies and sustainable energy**: As mentioned already in the case of India, new port constructions and upgrading of old ports are actually visible across the IOR. In addition to construction, there is a substantial demand for port technologies which are required for the smooth

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63 Interviews in New Delhi, March 2017. A number of interviewees stressed the importance of renewable energy projects at ports for Indo-German maritime cooperation.

64 The focus of BIMSTEC projects, in addition to road connectivity, is on railway lines and electricity grids across the Bay of Bengal states. India’s north east also lacks large infrastructure, especially electricity grids, and the Indian government is looking for partners (in addition to Japan) to fill this gap.

operations of ports handling large cargo, particularly in countries like Sri Lanka that have ambitions to become a ‘maritime hub’. Germany, which has significant experience in this field, should capitalize on this demand by approaching regional partners proactively, thus creating a unique profile in the region:

- **Deep sea mining:** This is set to emerge as an important topic, given the Indian Ocean’s massive untapped resource potential. German industry is the global leader in this field and has already submitted a plan for exploring sulfides in the Indian Ocean. It should proactively engage partners in the region, also around norms of sustainable deep sea mining.

- **Meeting sustainable energy needs:** As IOR countries invest in ports, they are realizing that ports are quite energy intensive and need sustainable energy supplies. There is a growing demand for investments in renewable energy and alternative fuels for shipyards as a result. Germany and Europe are perceived as global leaders in clean energy. German energy companies should capitalize on this perception and make offers to regional states both in renewable energy and underwater technologies for resource extraction.

3. **Improved coordination between different agencies:** There are many different agencies already working on ‘Blue Economy’ topics and maritime projects in the IOR. There is need for better inter-agency coordination to link these investments within a larger strategy for the Indian Ocean. This can be done by:

- Integrating ‘Blue Economy’ interests in bilateral partnerships with IO littorals. Following the example of the German-Indonesian maritime agenda, other “maritime agendas” could be developed under the guidance of the Foreign Office in coordination with its embassies and country chambers of commerce. A similar maritime agenda should be explored for India.

- Increasing participation by German government officials, technical experts, and industry representatives in the IORA Blue Economy Dialogue.

- Involving embassies, country chambers of commerce, and the German industry association BDI who should regularly address maritime issues with their industry contacts in the region.

4. **Create new partnerships at the AIIB:** The labor and environmental standards followed in the Belt and Road Initiative (BRI) projects are of interest to Germany and partners in the IOR. Germany, European states, and like-minded partners like India should develop coordinated positions at the AIIB, which will be used to fund BRI projects, particularly on influencing standards. While China is the largest shareholder in AIIB, with a 26 percent vote, India is the second-largest
shareholder with 7.5 percent and European members account for 21.8 percent. Moreover, with new members joining, China’s overall share and consequent veto is set to decline.

Better Naval Engagement

While countries in the region do expect German navy’s presence particularly in the multilateral joint exercises, this does not seem to be a viable option given the navy’s reduced capabilities. Since German naval strength is at its lowest in the last decade, this rules out activities such as port calls and participation in multilateral naval exercises. Besides force projection, other options for engagement are:

1. **Naval diplomacy and capacity building:** Military attachés posted in the German embassies, if drawn from the navy as in the case of India, can participate more actively in regional discussions on maritime security. The German navy and Ministry of Defense could also envision regular participation in forums like the Indian Ocean Naval Symposium, where Germany only recently became an observer (2016). Active participation in IONS working groups is an effective way to engage with regional navies and push for more regional cooperation without participating in multilateral exercises. Participation in regional dialogues and symposiums is also a good step for increasing German visibility. The German Chief of Navy’s participation in the Galle Dialogue, where he outlined the “Germany navy as a strategic maritime partner in the region”, was quite useful to shape the perceptions of partners in the region. In addition, the German navy can offer capacity building for smaller regional navies in the IOR on tasks like humanitarian assistance and disaster relief.

2. **Push for development of an EU strategy post-ATALANTA:** Germany should push for the development of an EU strategy towards the Indian Ocean beyond ATALANTA. As the root causes of piracy have not been eliminated, there is an increasing possibility that it will make a return, with incidents already flaring up. In addition, Germany is already a part of many institutions in East Africa, particularly the Contact Group on Piracy and SHADE. A strategy for how to sustain engagement with the region post-ATALANTA and build on the gains made in the region is needed urgently.

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