

In the 21st Century, ocean shipping matters to Canada

BY K. JOSEPH SPEARS

Canada has been a trading and exporting nation since its founding almost 150 years ago. Over \$130 billion of Canadian exports are carried by sea, and its international seaborne trade will continue to increase. Over 90 per cent of world trade is carried by sea, and global shipping has been called “the conveyor belt of globalization”. This article will examine the geopolitical components that will impact Canada’s export trade opportunities and which will increasingly be focused on overseas markets. Ocean shipping matters to Canada.

One of the policy challenges for Canada in the 21st century, as a nation, as it moves into new export markets, is to integrate consideration of geopolitical factors that impact exports. These factors will impact international commercial shipping, requiring Canada to develop an coherent commercial, foreign and international trade policy to ensure its economic prosperity. For example, one factor impacting international shipping is piracy, an ancient marine peril which can be traced back to the mists of the earliest early maritime commerce. Piracy in the Horn of Africa has increased shipping costs because of increased marine insurance premiums. This threat to shipping is an old one, but a very real one in the 21st century.

Shipping is critical for Canada’s economic future in the 21st century. Traditionally, Canada has enjoyed a continental focus with its best friend and neighbour, the United States, for its exports markets. Longtime Canada watcher, journalist John Ibbiston in a recent *Globe and Mail* editorial indicated that our coming election will be won or lost on foreign policy and “foreign policy will matter like never before”. It is equally true that Canada’s economic future will be partly dependent on a results-oriented foreign policy. Shipping is a key component of trade that has been below the radar in the international relations and foreign policy discussion in this country. Although not a major shipowning or shipbuilding nation, Canada is a maritime nation, and highly dependent on exports to overseas clients, and imports from overseas. It is the world’s largest coastal nation with 244,000 km of coastline and 9.3 km² of ocean space under its jurisdiction

much of it in the Arctic. Maritime issues impact all of Canada and shipping is critical to the export of many commodities and manufactured goods. Although Canadians tend to take unimpeded ocean access for granted, protection of sea lanes is of vital importance to Canada.

In a recent retirement interview, LGeneral Stuart Beare, Commander of Canadian Joint Operations Command stated in the international context, “Control is only one piece of a larger puzzle ... Seeing things is one thing, understanding them is another”. While LGeneral Beare was addressing defense related issues, these comments are also relevant to trade.

Other countries with a strong seafaring and shipowning heritage, such as Norway, come together on maritime issues and work together to achieve national commercial and

from Russian gasfields to China along the Northern Sea Route.

The recognition of the importance of unfettered access to a secure global ocean commons for international trade can be best summed up in the etchings on the display case of the Nelson silver collection of Lloyd’s of London, which hold as true today as they did when they were written in 1805. “Admiral Lord Nelson understood that Britain’s prosperity depended on the protection of its seaborne trade. Likewise, the underwriters of Marine insurance at Lloyd’s and the rest of the English commercial world are deeply conscious of the debt they owe to the Royal Navy and Nelson in particular. After the battle of the Nile in 1798, the Lloyd’s committee raised the substantial sum of 38,000 pounds to help the wounded and also donated a dinner service to Nelson “as a small token of



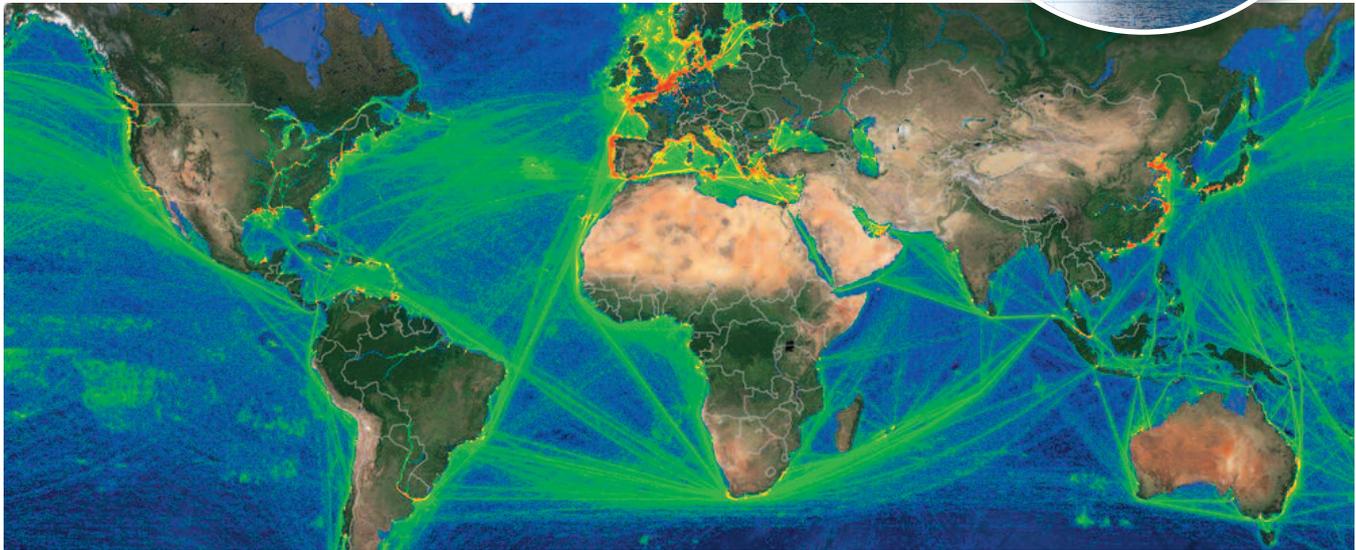
Photo: Lloyd's of London

political goals. This same collaborative approach needs to happen in Canada if we are to trade successfully. It is critical that clear long term goals are set for international trade policy. While Canada is the largest coastal nation, we seldom look at the broader ocean commons, which is the rock solid foundation on which international trade rests. We are now forced to pay attention to issues emerging in the Arctic as international shipping, driven by global economic forces, is showing up in our backyard. In the near future, for example, LNG carriers will ship natural gas

their gratitude”.

While these comments are over 200 years old, the recognition of stability and the rule of law over the oceans, a global commons, remains critical to global economic prosperity. As Canada moves to new overseas markets, many issues come into play. In the past, we did not have to link our foreign-policy and defense policies with our trade policy but as we reach out to new international markets, it may be necessary to review these disconnects.

Today the world is not as stable as it was



at the end of the Cold War when the United States was the unchallenged superpower. Many geopolitical factors will impact international shipping in the coming years, and Canada cannot ignore these issues. Among these are the geopolitical implications in the Russian Crimea and what that means for energy exports to Europe from Canada. What are the implications of an expanded Panama Canal, what will the impact of an enlarged Suez Canal be, not to mention expanding arctic shipping routes. Shipments of LNG to serve growing markets in Indo Pacific and European countries will undoubtedly bring new shipping challenges linked to geopolitical turmoil.

What does an Asia-Pacific/ Indo Pacific pivot mean for Canada? Developments in the South China Sea will affect Canada's economic opportunities. This is critically important as Canada needs to keep a weather eye on what is happening in that part of the world. This has been the focus of a great deal of attention, given China's rise in the region and concern over its growing naval forces. In addition, concern over climate change is impacting international shipping governance which is moving toward sustainable and green shipping.

Prime Minister Stephen Harper recognized the importance of maritime matters to Canada's economy. At the unveiling of the RCN Memorial in Ottawa on May 2012, the Prime Minister stated:

"Canada is a maritime nation, a maritime nation with trade, commerce and interests around the world. Surrounded as

we are by three oceans, it can truly be said that Canada and its economy floats on salt water."

These words are easy to say but require a policy supported by actions to back up if in fact, the 21st century Canadian economy is to float on salt water. It is critically important for Canada to support the requirement for a stable rule-of-law based global commons which allows for the free movement of goods by sea.

Canada needs to consider new international partnerships and military alliances, and strengthening existing alliances and partnerships to help create improved global stability. Canada needs to invest in these issues with time and people to ensure market access and future economic trade. For example, the Royal Canadian Navy's HMCS *Regina's* recent visit to both China and Japan is more than naval diplomacy. It is about building relationships and friendships on which international trade is grounded. New international markets will become increasingly important to Canada's economic future. However, geopolitical risk is a potential threat to this Canada's continued unfettered access to these new markets

Maritime issues impact all of Canada and shipping is critical to the export of many commodities and manufactured goods. Prime Minister Harper has stated Canada's economy floats on salt water. We need to put that salty component into our foreign-policy analysis in this country as we move forward in a very changing geopolitical environment so that Canadian exports have plenty of buoy-

ancy in global ocean waters. Canada needs to raise the debate and ensure that we are well-positioned in the future.

A prime example of the inter-linkage between defense and trade is our national shipbuilding procurement strategy (NSPS) where the present government has promised to spend \$36 billion in new vessel construction. Where is the horizon-scanning discussion around what these naval vessels will be doing 30 years from now? We understand the Canadian Navy has a naval policy document entitled Horizon 2050 which has not been made public. Other maritime nations discuss and debate the geopolitical implications of naval power and shipping. In Canada, our national naval discussion tends to center around ailing vessels. However, our Navy can play a key role to protect our future economic prosperity which is based on trade. What we need to do is look to the future and discuss the critical important role the Royal Canadian Navy can play along with its long-standing NATO partners and in particular, the United States Navy which is increasingly being called upon globally. The United States Navy needs assistance, especially in the Indo Pacific. These naval issues are central and will become increasingly important to our export development to ensure a safe and secure global commons.

In Canada, we need to consider the international implications of the changing maritime environment with 90 per cent of global trade carried by sea. This seaborne trade requires stability and application of the rule of law which is set out in the Law of the

Sea Convention over most of the world's oceans that remain outside the jurisdiction of any coastal state. These global commons have been the subject over centuries of various threats including piracy and barratry when there was no rule of law. The Royal Navy of Nelson's day and Lloyd's understood this timeless concept.

Our modern globalized 21st century economy, as much as it is electronic and internet-based, more than ever relies upon unrestricted movement of goods by sea. Having a uniform regime of law for interna-

tional shipping which is the governance mandate of the International Maritime Organization (a UN agency) is critical, but requires more than industry working together. Nations need to work together. It is a key challenge in the 21st century. Canada needs to play its part in this international process. This is critical to the prosperity of all nations.

Canada needs to invest in sustained discussion and action on this topic. Canada needs to move forward and be in front of these maritime and shipping issues. Free and

unfettered access to foreign markets is of vital interest to Canada's international trade. Ocean shipping matters to Canada.

With special thanks to Lloyd's of London's Matt Matt Beasley, Media Relations Manager, Corporate Communications, Lloyd's, who provided the inscription from the Lloyd's Nelson Silver Collection. Joseph Spears, principal of the Horseshoe Bay Marine Group, is maritime barrister and ocean policy analyst with a long-standing interest in international shipping. He assisted the Norwegian ambassador with a Marine study tour of the Norwegian Parliament's Transportation and Communications subcommittee in 2011. Joe can be reached at kjs@oceanlawcanada.com.

Asia's Cauldron: The South China Sea and the End of a Stable Pacific by Robert D. Kaplan

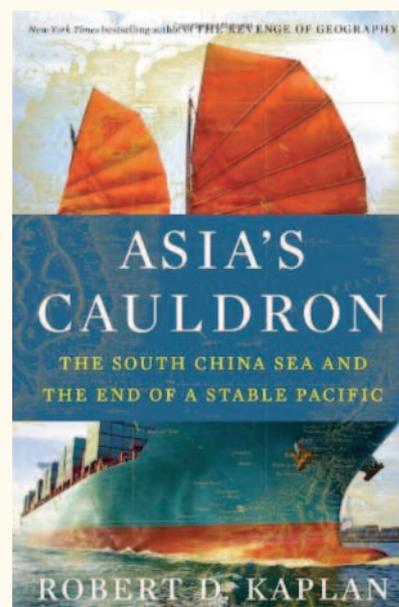
BOOK REVIEW BY K. JOSEPH SPEARS

As Canada looks globally and increasingly towards new export markets in the Indo-Pacific Basin, Canadians need to understand about a pivotal body of water to global stability: the South China Sea. Canada's and global future economic prosperity is linked to free and unlimited access to sea lanes. The issues in the region can be complex and difficult to unravel. This piece of ocean space seems to generate a new territorial or fishing dispute in the media on a daily basis. These waters figure prominently in strategic thinking about the global commons and its importance to future global trade and stability in the Indo-Pacific Basin where over half of the world's population is found. Disputes in these waters are more than just which coastal state claims the hydrocarbon resources of the Continental shelf. These disputes have international and possible long-term ramifications.

American strategist, Asia watcher, and writer Richard Kaplan's in his latest book *Asia's Cauldron: The South China Sea and the End of a Stable Pacific* (March 25, 2014, Random House Canada) provides a good overview of the complex developing situation in the South China Sea and a historical overview of how these intertwined issues have developed. This includes China's rise as an emerging sea power and China's assertive claims to these waters. It is a short book, 256 pages, with a strong, clear, and hard hitting thesis about these multifaceted issues. (50 per cent of the world's merchant fleet and 80 per cent of the oil consumed in China passes through these waters). The South China Sea has been called the throat of the Western Pacific and Indian Ocean where global sea routes converge.

Kaplan's book provides a snapshot of how the present disputes have arisen with the insight and experience of someone who has travelled and studied in this region for a lifetime. Historical context is provided for China's actions with a view to past rises of other sea powers such as the United States in the Caribbean at the turn of the 20th century. Mr. Kaplan believes that to understand "the future of conflict in East Asia, one must understand the goals and motivations of its leaders and its peoples." This is the latest in a string of insightful books by Mr. Kaplan including *The Revenge of Geography* (2012), *Monsoon: The Indian Ocean and the Future of American Power* (2010), and *The Coming Anarchy* (2000).

Kaplan's insights need to be brought into Canadian economic thinking and policy. How is Canada going to position itself strategically with respect to these waters? These issues grow in significance to Canada given that its waterborne exports of commodities, energy exports and/or manufactured goods will have to transit these waters. The open and stable commons maintained by US military power has been a tremendous benefit to Asia's rising economic powers which allowed for peaceful economic and political developments. As China increasingly becomes more aggressive in the region, this could have an impact on the free movement of goods by sea and have a larger and far reaching global economic impact than just simply impacting the coastal states around the region. This book should be read by all Canadians involved in the marine sector and those doing business in the region. Having an understanding of issues will help



Canada policymakers and commercial interests develop a position based a clear understanding of factors that will impact Canada's future trade opportunities. By 2030, eighty-five per cent of global energy consumption will occur in the Indo-Pacific region, and China may well boast the world's largest economy.* Canada has a long history in the region in the development with many of the coastal states such as Vietnam and China. Robert Kaplan's *Asia Cauldron* should in the every shipping firm's library. The waters of the South China Sea lap at Canada's economic future.

*www.csbaonline.org/2014/04/12/indo-pacific-geopolitics/

Robert Kaplan was a keynote speaker at the Royal Canadian Navy's 2008 Maritime Security Conference (MSC2008) in Victoria, B.C. Joe Spears was the wrap-up Arctic speaker.