

# Maritime “Matters”

Canada has been heavily dependent on exports for its economic prosperity since our nation’s founding in 1867. Prior to Confederation, it had a vigorous international trade policy, and Canadian-built, state-of-the-art ships sailing and trading around the world. Over the years, arrangements with our largest trading partner, the United States, morphed into the North American Free Trade Agreement.

This formerly stable, continental, trading regime between Canada, the United States and Mexico, is now seeing a seismic shift in diminishing markets, especially in energy exports.



Sept 2014 – HMCS Toronto provides force protection while transiting through the Bosphorus Strait during Operation Reassurance.

PHOTO: SGT MATTHEW MCGREGOR, CANADIAN FORCES COMBAT CAMERA

Rich in natural resources, Canada must look globally for new export commodity markets. As an exporting nation, Canada is dependent on international commercial shipping to reach new markets outside North America, and needs to think more carefully about the strategic importance of its Navy, as an adjunct to its foreign policy and international trade policy.

As HMCS Regina conducts port visits in both Shanghai and Tokyo, it is timely to look at naval issues in a much broader context than simply defense policy.

This is not a new concept. Both the Dutch and Spanish empires in the 17th and 18th century understood the linkage between control of sea lanes and foreign trade. The British Empire finessed this in the 19th century through the British Admiralty. Recognition of the importance of unfettered access to a secure global ocean commons for international trade can be best summed up by etchings on the display case of the Nelson Silver Collection of Lloyd’s of London, which holds as true today as it did when it was written in 1805:

*“Admiral Lord Nelson understood that Britain’s prosperity depended on the protection of its sea-borne 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 owed to the Royal Navy and to Nelson in particular [...] This exhibition can be viewed as a commentary, not just on our relationship with the sea, but the entire modern world of risk – a world in which the Lloyd’s market continues to lead today”*

While these comments are more than 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 looks from the North American continent to new markets across the oceans, many issues come into play.

Historically, Canada has seen \$1 billion per day in exports being shipped to the United States via a web of pipelines, roads, and a complex network of rail and flight linkages. Canada’s economy has diversified and morphed along with global economic

trends in the 21st century. The United States, as a destination for energy exports, has altered and can no longer be taken for granted in the future because of increased energy reserves. Access to unconventional energy reserves in shale oils, brought about by the technological revolution involving three-dimensional seismic activity and hydraulic cracking, has turned the United States, relatively overnight, from an energy importer to a net energy exporter. As such, the U.S. is eyeing the Panama Canal as a new shipping route for shipping **Liquefied Natural Gas from Louisiana and Texas to Asian markets that Canada has also been nurturing.** This has important implications for Canada’s economic future. We can no longer take the formerly stable continental markets in the United States for granted.

Regardless of the environmental debate, Canada’s oil sands promises to be an engine for Canada’s economic prosperity. Asia is hungry for Canada’s energy resources, as exemplified by Chinese investment, which now stands at \$50 billion. This has important implications for both Canada and the Royal Canadian Navy. For its future exports, Canada will require unfettered access to the global commons, upon which global trade is carried.

International shipping issues will become more central to Canada’s economic decisions and future trade policy. These new export markets require commercial shipping and tidewater access for delivery and export.

Traditionally, other than Great Lakes trade, Canadian exports have been sold on a FOB (Free on Board) basis, and Canada has relied on the buyer to arrange shipping with foreign flag vessels that are not Canadian owned or operated. Canadian exports have seldom been carried on Canadian flag vessels. This explains why Canada, except in specialized niche trades, does not engage much in discussion about the operation of vessels or the protection of sea lanes.

Based on the immensity of its trade with the United States, Canada is primarily continental in its foreign trade outlook. From a political and policy standpoint, global ocean and maritime issues have seldom entered into our nation’s thinking – unless of course there is a threat to the *status quo*, such as the question of Canada’s Northwest Passage.

Canada led the way in the development of the Law of the Sea Convention in the 1970s, and its subsequent signing in



June 2013 – HMCS Toronto's boarding party searches a skiff in the Red Sea and recovers 249 kilograms of narcotics as part of Operation Artemis.

PHOTO: CPL MALCOLM BYERS, HMCS TORONTO

1982. Canada has not, however, been at the forefront of international issues with respect to regulation of shipping and the governance of the global ocean commons. Of the 90,000 deep-sea commercial vessels that operate globally, only about 150 are Canadian controlled or owned. Canadian exports worth about \$150 billion are carried by sea in foreign flag vessels. We are not a major shipping power, but once had the fourth-largest Navy and a very active Merchant Marine at the end of World War II.

The term “sea-blindness” has been used to describe the lack of understanding by the public about the importance of the sea to a nation’s economic future and prosperity. To prove that this is not only a Canadian phenomenon, former U.S. Naval Reserves Captain Mark Tempest, who now writes for the U.S. Naval Institute, has also defined sea blindness as the seeming inability of Americans to grasp that, while “the U.S. is not quite an island nation, it is a nation deeply dependent on the seas and the free flow of commerce across them.”

Canada’s Navy had a clear mission in the Cold War – to hunt Russian submarines – and we became the best in the world. We did not have to link our foreign policy and defense policy with our trade policy, but that is rapidly changing as we reach out to new international markets that require shipping access.

A multi-polar and asymmetrical international geopolitical environment gradually has developed since the Cold War, and this has a large impact on commercial shipping.

Global shipping now carries 90% of world trade. This so-called “conveyor belt of globalization” requires stable sea lanes where the rule of law applies uniformly for safe and secure transport. How we this be achieved? A strong and robust Navy is the

first obvious step to protect Canada’s economic and commercial interests. We can no longer simply rely on a partnership with the United States – even if it does have the largest navy in the world.

As Canada slowly moves to build new surface combatants as part of the National Shipbuilding Procurement Strategy (NSPS), which so far are only a concept, we need to have an open and frank discussion about why Canada needs a strong Navy, the type of ships required, and fleet composition. This is an investment in Canada’s economic future. A strong Navy is one of the foundation pillars on which our future international trade rests; it is a strategic asset for foreign policy.

Prime Minister Stephen Harper recognizes the importance of the maritime domain to Canada’s economy and the role of oceans to Canada’s economic prosperity. It’s easy to say, as he did in 2012, that “Canada and its economy floats on salt water,” but this requires sustained action, funding and leadership by the government of Canada. If, in fact, Canada’s economy of the 21st century is to float on salt water, and we truly are a maritime nation, what does that mean for reaching out to new markets?

Today’s threat scenario has morphed into a much more complex and constantly evolving maritime environment. In light of the seismic economic changes in Canada’s export concerns, the national leadership needs to think more broadly about maritime policy – particularly as it relates to the safety and security of the global commons. The peer-reviewed *Canadian Naval Review* and *Broadsides* blog at the Centre for Foreign Policy Studies at Dalhousie University in Halifax provides a solid base for discussion in these issues. But this level of

strategic debate or foreign-policy discussion seldom gets out to the larger public domain as the national media mostly focuses on easily digestible sound bytes, such as the need to replace our fleets.

For good or bad, the Canadian military is subject to civilian oversight. It is the responsibility of political leadership to set maritime and naval policy, and Parliament shouldn’t be afraid to ask hard questions about these important issues. At present, however, there is little in the way of persistent dialogue concerning these maritime and naval issues.

Although the Navy’s stellar performance in the waters of the Horn of Africa on counter-piracy operations with Multinational Task Force 151 was somewhat overshadowed by the long-standing war in Afghanistan, our Navy has handled the lion’s share of international boarding operations against suspect vessels.

Our Navy has traditionally operated “over the horizon and out of range” of the Canadian public. In a changing economic world, the RCN is critical to our economic future and accessibility by sea from both the East and West coasts. We need to look carefully at the planning for our Navy 40 years into the future.

Despite being the world’s largest coastal nation (with 244,000 km of coastline and 9.3 million km<sup>2</sup> of ocean within its jurisdiction) it is difficult for a small naval staff with limited resources to engage a broad national audience – especially when sea-blindness enters the picture.

In the complacency of Canada, we tend to take unimpeded shipping access to the global commons for granted. Few really consider piracy on the high seas to have any personal impact (unless maybe they are embarking on a tourism cruise). It is apparently a stretch for many to relate such activity to the cost of retail goods in their home town. Americans, on the other hand, recognize the importance of the U.S. Navy to the country’s economic prosperity. In Canada, the Royal Canadian Navy and a handful of dedicated naval strategists struggle to make Canadians aware of these issues. The reality is, these are critical to Canada’s future and need to be addressed and discussed like never before.

Despite public apathy, maritime issues impact all of Canada, and shipping is critical to export and progress. We need to put that salty component into our foreign-policy analysis as we raise the debate and

ensure that we are well-positioned in the future. Our Canadian Navy's future is central to that discussion.

A prime example of the inter-linkage between naval issues and trade is our national shipbuilding procurement strategy (NSPS). The Harper government has promised to spend \$36 billion in new vessel construction, but 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 that has not been made public. Other maritime nations discuss and debate the geopolitical implications of naval power and shipping. Will parliament begin such debate here? In Canada, our national naval discussion tends to center around ailing vessels. With its crews of world-class, professional sailors and a strong and consistent leadership cadre, much of the professionalism within the Royal Canadian Navy operates over the horizon and out of sight and mind of the Canadian public.

We need to look to the future and discuss the 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 for global security. The USN 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.

Global seaborne trade requires stability and application of the rule of law. Over centuries, these global commons have been the subject of various threats, including

piracy and barbarity, when there was no rule of law. The cost of piracy can be seen in increased marine insurance premiums for hull, machinery, and cargo insurance, as well as re-routing costs. The problem is, these additional costs are difficult to quantify given the commercial nature, but they are very real and amount to many billions of dollars.

Canada needs to look at strengthening existing and building new partnerships and military alliances that will lead to global stability. For example, HMCS Regina's recent visit to China and Japan is more than naval diplomacy. It is about building relationships and friendships on which international trade is grounded. These new markets will become increasingly important to Canada's economic future even though the areas are subject to geopolitical risk. Steps we take today as a country will have long-term implications that will affect the dynamic global economy.

Canada has not sought to develop independent think tanks or encourage critical and opposing discussion to assist in developing policy alternatives related to maritime security. This is to be contrasted by other maritime nations such as United States and United Kingdom which seek to develop cross-fertilization among the maritime communities – elected officials, navy leadership, international trade sector representatives, and academia – in a full and frank dialogue. Although not perfect, it is an important step that Canada could benefit greatly from.

Our modern globalized 21st century economy – as much as it is electronic and internet-based – still relies upon the move-

ment of goods by sea. Having a safe and stable and secure maritime regime and a uniform regime of laws for international shipping (which is the governance mandate of the UN international maritime organization), is critical and requires more than industry working together. As a key challenge of the 21st century, Canada needs to play its part.

This is not an internal military or even political discussion, but should be a critical and open national debate. Canada can no longer remain isolated from these complex global and maritime issues. We need to invest in sustained discussion and action. In both the Cold War and our WWII efforts, we had a strong, forward-thinking Navy and political leadership. Today, Canada needs to be in front of these maritime and shipping issues. Our Navy is a strategic asset that should not be wasted.

Not only is this critical to the prosperity of all nations, if Canada doesn't get involved in these foreign-policy issues now, and define how our Navy will operate in the future, we could be denied safe export market access, which will affect our own future economic prosperity. Shipping matters to Canada, and our export future rests on the global security provided by a robust and resilient Royal Canadian Navy.

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