



# IDSS COMMENTARIES (51/2004)

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## FUTURE CHALLENGES FROM THE SEA

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### **The Asia-Pacific Century**

Much has been said about the 21<sup>st</sup> century being the 'Asia-Pacific Century', given the region's unprecedented growth rates in the history of world development. But little do we realise how true the adage will be. Indeed, projections done by United States intelligence agencies as well as wealth management institutions point to the fact that we are already witnessing the beginnings of an Asia-Pacific century.

Currently, the combined 2002 GDPs of China, India and Japan are already half that of the U.S. in nominal terms. By 2015, the Central Intelligence Agency's (CIA) long term growth model has forecast that the combined GDPs of China, India and Japan would surpass that of the US and the European Union at US\$19.8 trillion, US\$14 trillion and US\$11.6 trillion respectively in 1998 dollars. By 2050, the situation will become even more astounding with Goldman Sachs projecting that the combined GDPs of China, India and Japan will be slightly more than twice that of the U.S. and about four times that of Russia, United Kingdom, Germany, France and Italy combined in 2003 dollars. The largest economies in the world in 2050 will be China, U.S. and India respectively, with Japan at a distant fourth. In the short span of time of only one generation, the economic centre of gravity would have shifted to Asia.

As the economic centre of gravity shifts to the Asia-Pacific, it is natural and inevitable that maritime power also shifts to Asia, given the nexus between maritime power and economic power. Again, the shift in maritime power may have already started if we consider four current trends: (1) the trade flows into and within Asia; (2) the increasing energy demand in Asia; (3) the strength of the merchant fleets in the region; and (4) the spending on regional navies.

### **Trends Indicating a Shift in Maritime Power**

The first trend is that intra-Asian trade flows have increased while Asian trade with the U.S. and Europe is also rising. In particular, China's trade expansion has remained outstanding and broad-based. China has become the fourth largest merchandise trader in 2002, and across the globe, China has become a major supplier and a major export destination for many countries. For example, trade between ASEAN and China has increased and China has become the top export partner for South Korea, Japan, and Taiwan. China's

trade with India and the EU is also increasing at a breakneck pace.

The second trend is that resource demand, particularly energy demand, in Asia is rising in tandem with its economic development. Asia as a whole currently uses about as much energy as the U.S. By 2020, Asia will have the same energy consumption as North America and Western Europe combined while U.S. consumption will rise by just slightly more than 25 percent. However, Asia is only close to self-sufficiency in coal. For natural gas, Japan, South Korea and Taiwan already consume most of the region's methane supply. To support the expected increase in consumption in natural gas, the region will have to turn to Russia as well as the Middle East. As the absolute demand for oil rises, Asia has also to import oil from outside the region, particularly from the Middle East. This increased energy demand will mean an increasing reliance on the sea as most of the energy is transported by sea.

The third trend is that the strength of the merchant fleet in Asia has been increasing relative to the proportion of the world's fleets. By July 2003, Asia owned about 40 percent of the merchant fleets amongst the Top 20 owners in the world, and 41 percent by tonnage. If we include the U.S., then the Asia Pacific owns about 46 percent of the merchant fleets and 48.1 percent by tonnage and the figure looks set to increase in the future. Already, construction of the world's largest shipyard with a frontage of 8 km is underway in Shanghai, China. This development will further consolidate East Asia's position as home to the world's largest shipbuilders with Chinese, South Korean and Japanese shipbuilders having 12.8%, 36.2% and 28.8% of the global order book in terms of tonnage currently.

The fourth trend is that the capabilities of the East Asian navies are set to grow as regional countries continue to modernise their naval fleets. Asia-Pacific governments are expected to double their current expenditure on new naval ships by the end of this decade partly to protect their natural resources and partly to insure against regional conflict. Military reforms and modernisation programmes have been initiated in the region and East Asia's Regional Defence Expenditure as a percentage of GDP has risen to 2.08 percent in 2002. The growth in emphasis on defence and, in particular, the Navy is expected to continue into the future. AMI International's Robert Keil has projected that regional governments will spend a total of US\$14 billion annually by 2009 on their navies.

### **Future Maritime Challenges**

The trends of increased trade flows, increased energy demands, increased strength of merchant fleets and increased spending on navies in the region all point to the shift in maritime power to Asia. As maritime power in the region increases, the ability of the regional countries, as well as extra-regional powers like the U.S., to manage the resulting power politics will be a key determinant of stability. But what kind of possible future scenarios are we looking at? In the National Intelligence Council's sponsored study on global trends by 2015, four alternative future global scenarios have been postulated based on outcomes of the globalisation process. They can either be inclusive, pernicious, or can result in regional competition and the creation of a post-polar world.

The inclusive globalisation scenario depicts a positive outcome where a majority of the people benefit from globalisation as global cooperation increases. Incidents of conflict are small within and among states that benefit from the globalisation process; internal conflicts will persist in and around the minority of states that are left behind in the process.

The pernicious globalisation scenario paints a negative outcome of globalisation where the elites thrive and the majority of the population fail to benefit from globalisation. As a result, internal conflicts increase, fuelled by frustrated expectations, inequities and heightened communal tensions.

The regional competition scenario postulates that regional identities will sharpen in Europe, Asia and the Americas, driven by political resistance to U.S. global preponderance. Each region then becomes preoccupied with its own economic and political priorities. Although, military conflict among and within the three major regions does not materialise, internal conflicts will increase in and around the countries that are left behind in the inclusive globalisation scenario.

The post-polar world scenario paints a waning U.S. influence in world affairs due to domestic politics and a stagnating economy which forces it to withdraw and rationalise its military presence globally. Europe becomes inward-looking and Asia prospers in spite of the reduction of U.S. presence and influence. But as a result of the withdrawal of the U.S., longstanding national rivalries among the Asian powers are ignited and conflict is postulated between traditional rivals China and Japan.

In one of the four scenarios, a regional conflict is postulated. In three of the four scenarios, the possibility of internal conflicts is forecast, while in three of the four scenarios, there is a possibility of internal conflicts spilling over to its neighbours. Hence, the ability to manage and resolve resulting conflicts will become a key determinant of regional stability. This is especially so if we want to allow the wealth effects from regional economic progress to spread and for the majority of the people to benefit from globalisation. Specifically, in the maritime arena, the two main challenges will be to ensure the security of the sea lanes to ensure the continued unimpeded flow of resources and goods, and to prevent maritime conflicts between states due to resource and trade competition as the region and their navies grow.

The main threat to resource and trade security will mainly arise from piracy and maritime terrorism in and around the vital sea lanes and choke points in East Asia, of which the Malacca Straits is the key thoroughfare for merchant shipping. Inter-state maritime conflict may also arise due to competition for resources, territorial boundary disputes and from traditional nationalistic rivalries.

Despite the challenges posed to resource and trade security through piracy and maritime terrorism, in addition to the possibility inter-state maritime conflict, recent developments have made the resolution of these challenges more likely. The increased cooperation seen through the development of a web of relationships in East Asia increases the security of access to resources and trade and decreases the likelihood of inter-state conflict. The web of relationships between the U.S., regional powers and ASEAN countries, together with Naval and Coast Guard presence, serves to act as a deterrent and dissuade potential actors from conducting acts of maritime terrorism or piracy. The increased web of relationships in the political, economic and military spheres, also provides a mechanism for the resolution of conflicts before they arise.

## **Conclusion – Towards an Inclusive Globalisation Process**

he Asia-Pacific century looks set to be established with China, India and Japan leading the pack. Fuelling the Asia-Pacific engine will be the continued economic growth of China as well as those of India, Japan, and the U.S. As a by-product and because of regional economic growth, maritime power will also shift to East Asia. How this surge in regional maritime power is accommodated, and how regional and extra-regional countries like China, India, the U.S., Japan, Russia and the Koreas manage the power politics that emerge will be a key determinant of regional stability. A worthy goal for all concerned therefore, is the continued nurturing of regional multilateral frameworks to full maturity so that regional conflicts can be resolved in accordance with the rule of international law. But just as worthy is the goal of achieving a globalisation process that is inclusive and equitable, bringing benefits to the majority of the people of the world.

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