



# IDSS COMMENTARIES (19/2005)

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## AN ERA OF FLUX

### Fluidity in the Regional Maritime Environment

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#### The New Powers

At no time since the formation of the Western alliance system in 1949 have the shape and nature of international alignments been in such a state of flux. The end of the Cold War shifted the tectonic plates, but the repercussions from these momentous events are still unfolding. Emerging powers in Asia, a dramatic reduction in the possibility of inter-state conflict in Europe, a troubled Middle East, and transatlantic divisions are among the issues that have only come to a head in recent years. The very magnitude and speed of change resulting from a globalising world will be a defining feature of the world in the future.

The likely emergence of China and India as new major global players – similar to the advent of a united Germany in the 19<sup>th</sup> century and a powerful United States in the 20<sup>th</sup> century – is expected to transform the geopolitical landscape, with impacts potentially as dramatic as those in the previous two centuries. In the same way that commentators refer to the 1900s as the “American Century”, the 21<sup>st</sup> century may be seen as the time when Asia, led by China and India, comes into its own. A combination of high economic growth, expanding military capabilities, and large populations will be at the root of the expected rapid rise in economic, political, and military power for both countries.

For example, most forecasts indicate that by 2020 China’s gross national product (GNP) will exceed that of individual Western economic powers except for the United States. India’s GNP will have overtaken or be on the threshold of overtaking European economies. Other forecasts, like the one by Goldman Sachs, have indicated that by 2050, the largest economies in the world will be China, United States and India respectively, with Japan at a distant fourth.

Because of the sheer size of China’s and India’s populations – projected by the US Census Bureau to be 1.4 billion and almost 1.3 billion respectively by 2020 – their standards of living need not approach Western levels for these countries to become important economic powers.

Besides China and India, the economies of other developing countries, like Indonesia, could also approach the economies of individual European countries by 2020. Experts assess that over the course of the next decade and a half, Indonesia may revert to high growth of 6 to 7 percent, which along with its expected increase in its relatively large population from 226 to around 250 million, would make it one of the largest developing economies.

With the arrival of new powers, traditional regional powers may also need to re-evaluate their strategies in the light of the new environment. Japan's aging population and shrinking workforces, for example, could crimp its longer run economic recovery, and challenge it to evaluate its regional status and role. Tokyo may have to choose between "balancing" against or "bandwagoning" with China. Meanwhile, the crisis over North Korea is likely to come to a head some time over the next 15 years. Asians' lingering resentments and concerns over Korean unification and cross-Taiwan Strait tensions point to a complicated process for achieving regional equilibrium.

Barring an abrupt reversal of the process of globalisation or any major upheavals in China and India, the rise of these new powers is a virtual certainty. Yet how China and India exercise their growing power and whether they relate cooperatively or competitively to other powers in the international system are key uncertainties.

### **The Maritime Domain as an Arena for Contest**

It is likely that the new powers will start to exert their influence in the maritime domain because of the importance of the sea to countries in the region. Countries in the region depend on the sea as an avenue for trade and also for energy transportation. The dependence on the sea for trade and for the energy transportation will increase in the future as the regional economies mature. Indeed, we are already witnessing signs of an increased use of the sea in the region by observing trends in: (1) trade flows into and within Asia, (2) the energy demand in Asia, and (3) the strength of the merchant fleets in the region.

Firstly, intra-Asian trade flows have increased and Asian trade with the United States and Europe is also increasing. 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 European Union is also increasing at a breakneck pace.

Secondly, 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 United States. By 2020, Asia will have the same energy consumption as North America and Western Europe combined. However, as Asia is only close to self-sufficiency in coal, and because most of the region's methane supply has been consumed by Japan, South Korea and Taiwan, the region will have to turn to Russia as well as the Middle East to support its energy demands. This increased energy demand will mean an increasing reliance on the sea as most of the energy is transported by sea.

Thirdly, 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 US, 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.

Indeed, there is already regional recognition of the sea as an important domain. Capabilities of the Asian navies are set to grow as regional countries continue to modernise

their naval fleets and Asia-Pacific governments are expected to double their current expenditure on new naval ships by the end of this decade. 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 and there are projections that regional governments will spend a total of US\$14 billion annually by 2009 on their navies.

## **Conclusion**

In conclusion, the new powers - China, India, and perhaps Indonesia – have the potential to render obsolete the old categories of East and West, North and South, aligned and non-aligned, developed and developing. Traditional geographic groupings may increasingly lose salience in international relations. A state-bound world and a world of mega-cities, linked by flows of telecommunications, trade and finance, will co-exist. Competition for allegiances will be more open, and less fixed than in the past.

In this changing world, how the surge in power is accommodated, and how regional and extra-regional countries like China, India, the United States, Japan, Russia and the Koreas manage the power politics that emerge will be a key determinant of regional stability. Singapore, as a small country, cannot afford to stand idly by. Although we are not in a position to dictate the course of events, how we react to regional developments will determine whether we get carried together in a virtuous process or be left behind in a vicious cycle. Hence, observing regional developments and discerning emerging trends will have to be a permanent preoccupation. A good understanding of the regional maritime environment will enable us to ride on the crest of opportunities while side-stepping the pitfalls.

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