

## **Maritime Confidence Building Measures**

### **In the Indo Pacific**

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### **CHECK AGAINST DELIVERY**

- Good Evening Ladies and Gentlemen, thank you Peter for the opportunity to talk to you tonight. Its always a little awkward to come into a conference dinner cold and talk about a subject that you have been listening to people talk about all day and here you are trying to relax a little. I hope that I will not cover too much of the same ground that you have traversed so far – if I do think of it as reinforcement!
- Firstly I am not going to solely focus on the South China Sea. As important as it is, I think that if we do not take an Indo-Pacific ‘system wide’ view of the issue of maritime confidence building we run the risk looking at snapshots and micro regions, no matter how important they are, in what is an intertwined and deeply interconnected system.

- I will obviously tonight look at this issue principally through the naval lens; there are plenty of others here that will have already looked more broadly. I could do that but I think my value add is to give you a naval view which is but a slice of the bigger picture.
- What is the end state that we seek at sea? Ultimately in my view it is to have good order at sea, something that is equally important for Australia, our allies, friends, partners and even our economic competitors.
- Of course, good order at sea enables trade. For Australia, nine out of our top ten trading partners are in the Indo-Pacific – only the UK is outside this area – and eight of the nine lie along the massive economic trading artery that runs from the Middle East, across the Indian Ocean, through the Strait of Malacca, into the South China Sea, past Japan, China and Korea and on North America.
- Maritime Trade – courtesy of bulk and containerised trades – has a pervasive influence and we are all dependent on it for our ongoing prosperity.
  - 98% of Australian trade by volume moves by sea; and

- 70% of the output of our key bulk commodities are exported, all of that by sea.
- But, we must remember that there are fundamental vulnerabilities that our geo-strategic situation which exposes us to in such a highly interconnected and just in time economic system.
  - 40% of our two way trade goes is between just three countries (China, Japan and South Korea) and most of it travels through waterways where maritime boundaries are not yet settled;
  - Our strategic vulnerability to fuel supplies as highlighted by a recent NRMA study which reinforced the impact of any disruption to our maritime trading system.
- The maritime environment is growing in importance in its own right, not just simply as a pathway for trade. The value we derive from the maritime environment is only likely to grow, be it offshore oil and gas installations, alternative energy generation or the value of maritime biodiversity reflected in both tourism and food security, particularly the value of farmed and wild fish stocks.
- The maritime trading system is not owned by anyone but most benefit from. It is a system that can only work effectively if there is a

strong collaborative effort to keep it functioning. In my view, this drives us to cooperation.

- The obvious conclusion for me at least is that all trading nations have a real interest in good order at sea and therefore a stable global maritime trading regime.
- So what are the challenges across the Indo-Pacific? First and foremost, is protecting our collective ability to trade. While I know this might be self-evident, particularly to an audience like this, I just don't think we can emphasise it enough.
- Containerised maritime trade has fundamentally changed the way economies work – we don't have stockpiles of components anymore because the delivery is so predictable and so reliable; we don't worry about where anything is made, because the cost of transporting it from almost anywhere to almost anywhere else is almost negligible. The cost of transporting a single shirt from Asia to Europe by sea is now one cent!
- I think piracy in particular and maritime security more generally are issues which remain of concern – precisely because it has an impact on that trade and prosperity piece I have already mentioned.

- Climate change is a broad topic and one which cannot be ignored. As you unpack the implications for the maritime environment and the Indo-Pacific region in particular, there are a number of issues which are of concern and will need management – humanitarian assistance and disaster relief, changes to the distribution of marine resources and potential forced migration being amongst the most obvious.
- I think the uneven implementation of maritime security architectures across the Indo-Pacific is something else to take note of and focus our thoughts on.
- However, it is the lack of a shared understanding of navigation rights and the tolerance for various forms of activities in offshore zones that is the key issue and the ongoing source of tension in a number of parts of the Indo-Pacific. Much of this stems from differing views on the relative weight of domestic versus international law in particular maritime zones. This is a significant issue for us to grapple with. It is a difficult issue to bring to the surface and problematic for officials in particular to discuss in these types of fora.
- UNCLOS and all its associated mechanisms lie at the heart of this issue. I think UNCLOS does provide the basis for the answers just as it did as Australia, Indonesia and the US worked through the partial

designation of the three Indonesian north-south archipelagic sea lanes in 1997.

- Given these range of issues, building confidence among those key players involved in the cooperative and collaborative effort to keep the maritime trading system effective is critically important. As I said earlier I will focus on the naval dimension tonight even though it is a subset of the broader MCBM issue.
- Confidence building measures in the maritime domain are not new of course. In fact the use of the term is something that takes us back in time to the Cold War, this is really where the genesis of the term comes from.
- Much of the traditional thinking about confidence building measures was focused on nuclear weapons and disarmament. They were set against a bi-polar strategic system of two near peer powers and with a similar power gradient between them.
- The landscape in the Indo Pacific today is of course very different, it is not dominated by a bi-polar power structure, quite the opposite. It is a diverse region with more marked power gradients and relationships. This makes the development of confidence building measures not only more important but more challenging. A relatively

simple bilateral measure such as the 1972 INCSEA agreement no longer works in this environment. The answer is inherently more complex.

- This year's Australian Defence White Paper uses a term which has been around for a few years. The White Paper talks of regional security architectures and the 'habits of cooperation' they foster.<sup>1</sup>
- I think many would accept that habits of cooperation are in some ways are the desired output of maritime confidence building measures. But I would suggest at one level at least, they can form the inputs that lead to the development of these measures themselves.
- When talking about habits of cooperation, it is critical to focus on those elements that make the most difference to us, those things that make the biggest strategic impact. When you list these elements they sound deceptively simple and not that profound.
- Notwithstanding this, it is still very important to re-state the fundamentals so that they become accepted and eventually acted on.

The key elements in my view are:

- Transparency,
- A disposition to share,

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<sup>1</sup> 2013 Defence White Paper, p. 8, para 2.7.

- A mechanism to share and, not least,
  - A willingness to act together.
- Transparency underpins any strategic cooperation regarding shared objectives and cuts to the very heart of confidence building. Of course there are a diverse range of cultural perspectives on transparency including fundamentally whether it is seen as a weakness or a strength, this, in itself sets up significant challenges at the outset.
- I deliberately differentiate between transparency and the disposition to share. Transparency in this sense is more about clarity around strategic intent than exchanging information. If there is a clear view of the strategic intent which is matched by actual behaviours, confidence and eventually trust can be built.
- Being transparent is one thing but it must also be accompanied by a disposition to share if any meaningful cooperation is to be viable. Much of this is again cultural; we are all shaped by our basic societal outlook and rightly by the experiences we have all had in our respective national security domains.



- The need to know principle remains dominant, deeply rooted and relevant. The need to share is evolving but deep down, is not as well established. The two are often viewed as being mutually exclusive but I believe they can and should operate in harmony.
- Technology is of course setting the pace here and in some cases dragging us into what is for some, uncomfortable territory. The important thing is that we are honest with ourselves about what our own disposition to share is – what is critically important to protect and what is critically important to share – but equally that we understand each others natural disposition. To do that we need to continue to build relationships because, without that understanding, we cannot move forward.
- The next logical step once there is a disposition to share is to have a mechanism to share; again technology lies at the heart of this issue. We have certainly come along way with a range of commercial systems that allow us to exchange data and information. In the purely military information domain, a domain that is shrinking in relation to the broader maritime security information domain, we still suffer from what I would call the ‘eyes only’ syndrome.

- We are still locked in, to a certain extent, to rigidly defined security classification structures, which drive the architecture of our information exchange systems. Whether it is a 5, 27 or 74 eyes community, it is an inherently limiting construct in an era where we need to form sometimes-fleeting coalitions and groupings to deal with particular situations. Without a highly adaptable mechanism to share we are constraining ourselves. I am not saying we should not protect our vital information, now more than ever we need to do that, but I would venture to say that we still all tend to put far too much into the 'eyes only' category. This doesn't help the development of confidence building measures.
- That said we should not ignore the non technical mechanisms that support our ability to share; these are as important and in many ways more so than the technical solutions. Relationships, as I have mentioned is one; the need for collaboratively developed doctrinal approaches, mechanisms to avoid confusion and misinterpretation are others if we really want strong cooperation.
- But ultimately we need a collective willingness to act, borne out of a shared understanding of the common challenges that we face. We of course see many such examples of that willingness to act off the Horn

of Africa, in the Combined Maritime Force, in NATO, the EU, in ReCAAP – to which Australia is just finalising its accession – in the Malacca Straits Patrols and of course in Singapore with the Information Fusion Centre (IFC).

- That collective willingness to act is often enabled by established security architectures. The Indo-Pacific is fundamentally different to the Atlantic in relation to the number of strategic political and economic groupings with well established security architectures. Notwithstanding, there are a number of relevant regional examples of strategic cooperation, such as the Expert Working Groups that have grown out of the ASEAN Defence Ministers Meetings Plus structure.
- The Maritime Security EWG is highly relevant and is currently co-chaired by ourselves and Malaysia. It was established in April 2011 and what appeals to me is not only the expert discussions, but how these have rapidly progressed to a table top exercise hosted by Malaysia in 2012 and soon a field training exercise to take place off the NSW coast later next month. This combination of activities is ideally suited to genuine learning and cooperation.

- A mature mechanism in the Pacific context is the Western Pacific Naval Symposium (WPNS) which itself emerged from the germ of an idea at the International Seapower Symposium at Rhode Island. The cooperation in WPNS is excellent be it in HADR or MCM but of course it is still not without challenges.
- WPNS is of course a confidence measure in and of itself; anything that helps to build relationships and manage interactions between navies is a good thing.
- The Indian Ocean though is a different story; a critical waterway for all of us but one without a solid maritime security architecture. The Indian Ocean Naval Symposium (IONS) remains a nascent construct when compared with WPNS but one which offers good prospects. IONS is a quite different grouping to WPNS, with a much larger percentage of para-military or civil coastguard type 'navies' among its members. This does change the dynamic but brings a new and broader maritime security dimension directly into IONS considerations.
- I take over Chairmanship of IONS in March of next year which coincides with our national chairmanship of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). IOR-ARC has existed

for many years but its security focus is relatively new and in the first instance is focused on maritime security. It will be crucial that IONS and IOR-ARC, although operating at different levels, act in a complementary way – embedding this is a significant opportunity for Australia over the next 12-18 months. It is an important time in the Indian Ocean region as maritime security issues now have some prominence and traction. Our goal will be to build on the work of previous IONS chairs to cement IONS as part of the evolving maritime security architecture.

- Regular exercises, be they HADR, SAR or fully fledged warfighting training activities, allow us to develop levels of interoperability and build trust, transparency and understanding that would otherwise not be possible. You only have to look at the evolution of the types of activities that we have undertaken with the PLA-N in recent years to make that point.
- The confidence gained from these activities can, and does, directly translate into real world action that helps preserve both good order at sea and our ability to trade.
- Coordinated patrols, separate from exercises, also offer some prospect of significantly building confidence. The reality is getting to

the point where a coordinated patrol is agreed between nations is as important as the patrol itself. In our own case we have coordinated patrols with the Indonesian Navy each year in waters to our north. This has proved a very useful mechanism for both navies and has been an important part of a deepening and maturing of our bilateral naval relationship.

- One area that we have seen a distinct willingness to act on in our region is the development of shared maritime domain awareness. The importance of what has been achieved here should not be taken lightly. Institutions such as the Singapore IFC are stand out examples.
- I think more work on interactions at sea is essential. It should not be confined simply to the South China Sea, because, we are dealing with a system and the growth in international trade demands that we must be able to cooperate for good order at sea across the system, not just in one location.
- The work being done in WPNS on unalerted encounters at sea is a good example. Although resolution of this has languished for some time, hopes are high that CUES (The Code for Unexpected Encounters at Sea) will finally be signed at the next major WPNS meeting in China next April. Its evolution has been difficult and in many ways mirrors

the difficulties moving to an agreed code of conduct for the South China Sea between ASEAN and China.

- But, it remains a cornerstone piece of work that will enable a much clearer understanding of what to expect in encounters at sea in the Western Pacific more generally. There is a very strong commitment amongst WPNS members to see this through to a conclusion.
- As the number of submarines increases across the region we need to work on strengthening the existing submarine water space management arrangements that are in place particularly where new submarine actors are involved. Building some confidence in this area would be useful but will of course take time given the additional sensitivities that national ownership of submarines bring.
- We must however be careful not to seek a silver bullet solution to the maritime security challenges that we face. There is, in a global system, no single solution, but there are a number of good models to draw on, expand and develop. We must also not get obsessed with measures as outcomes, our various cultural approaches again place different weight on the outcome as a Key Performance Indicator, the process of building the relationship is in many cases as important as where we are trying to get to.

- In the end, I think efforts to establish and entrench the habits of cooperation, whether you view them as inputs or outputs, are critically important. And I think a focus on naval forces provides a high payoff for the effort given the role they play in the maritime environment. I am the last person to think this is easy but it is vitally important if we are to foster cooperation, build confidence and continue to enjoy the prosperity that flows from our global maritime trading system.