BESA
The Begin-Sadat Center for Strategic Studies
Bar-Ilan University
PERSPECTIVES
THE BEGIN-SADAT CENTER FOR STRATEGIC STUDIES

"Confused Seas": The Current State of Maritime Affairs

by CDR. David Levy and Dr. Elai Rettig

BESA Center Perspectives Paper No. 2,261, February 6, 2024

EXECUTIVE SUMMARY: The global maritime arena is undergoing a period of change and upheaval. This includes Iranian aggression and Houthi piracy, conflict in the Black Sea, maritime border disputes over energy deposits in the Mediterranean Sea, tensions in the South China Sea, Russian and Iranian shadow ships, drought in the Panama Canal, and new emissions standards for vessels, all of which are hindering global trade while adding to the cost of energy transit and insurance. This article provides a brief overview of these emerging challenges, examines the connections between them, and points to steps the global community must take to address them.

For "those who go down to the sea in ships, who do work in mighty waters," Nathan Bowditch's *American Practical Navigator* is required reading. First published in 1802, the book remains a comprehensive guide to maritime navigation and is still studied at the top naval academies.

In the phrase "The seas are confused," Bowditch describes a state in which waves come from multiple and sometimes unpredictable directions, often due to storms. He could have been describing the current state of global maritime affairs, which in recent years has faced challenges on many fronts. These include increased threats to critical maritime straits from Iranian and Houthi attacks; maritime conflict in the Black Sea between Russia and Ukraine; emerging major power competition and tensions in the South China Sea; maritime border disputes over energy deposits in the Mediterranean Sea; climate change and droughts affecting the Panama Canal; and the rise of new environmental standards and emissions quotas for vessels that affect their profitability. Countries wishing to navigate these "confused seas" must develop a cohesive maritime strategy to adapt to the challenges and capitalize on the opportunities they create.

In recent months, Houthi attacks have been disruptive to global trade, emphasizing the need for global cooperation to ensure the security of critical maritime straits. Backed by Iran, the Houthis have intensified maritime provocations in the Red Sea and near the Bab-el-Mandeb Strait, conducting drone and missile attacks on both commercial and military ships and engaging in piracy.

The Houthis' maritime campaign began on November 19, 2023, when their forces captured the commercial vessel M/V GALAXY LEADER, and they have since conducted dozens of similar attacks. These actions led major shipping companies to bypass the Red Sea by rerouting their vessels around the African continent, creating delays of 10-30 days to ongoing shipments.

USCENTCOM has labeled these hostile actions an overt menace to both international trade and maritime security, though trade has largely adjusted to them. Despite the attacks, global oil prices are now lower than they were before the war began. This is due primarily to predictions of decreased economic growth in China and the quick reaction of US oil producers, which set new records of production and exports to compensate for any loss.

The US, in collaboration with other countries, has been actively addressing the recent escalations in the Bab-el-Mandeb Strait; other maritime powers have shied away from direct conflict while hoping to profit from these events. The US, UK, and other coalition partners have conducted several strikes against Houthi positions. The intervention of the US and other coalition ships, including the USS CARNEY (DDG-64) and USS MASON (DDG-87), an American destroyer, limited the damage of potentially catastrophic Houthi missile and drone attacks. These strikes are unlikely to deter future Houthi aggression; rather, by destroying military targets used in attacking shipping, they are designed to degrade the Houthis' ability to conduct future operations successfully.

The European Union has approved a naval mission to protect Red Sea shipping that will be in operation on February 19. The People's Republic of China's (PRC) People's Liberation Army Navy, by contrast, has chosen a cautious path in the hope of avoiding conflict. The PRC is hoping the restricted use of the Suez Canal will translate into more traffic on its overland Belt and Road Initiative (BRI), which connects it with Europe through Russia, Pakistan, and the Central Asian states. The BRI initiative is one of the most extensive development programs in history but has been rife with corruption, human rights violations, and major cost overruns. So far, the BRI has forced the PRC to spend $104 billion in bailouts for the failed projects that comprise it. As such, the current Red Sea crisis, which is forcing trade to seek alternate routes, has been a boon to the PRC.

Iran's activities near the Straits of Hormuz have also added to regional maritime tensions. Although Iran tends to use surrogates when being provocative, it is increasingly choosing direct action.

Last year, the M/V Suez Rajan (recently renamed the ST. NIKOLAS) was at the center of a sanctions violation incident in which it was illegally carrying crude oil from Iran to Turkey. The US intercepted the tanker and diverted it to Houston, Texas, where the oil was confiscated. On January 11, 2024, the vessel found itself in the midst of a retaliatory action by Iran in the Gulf of Oman. The Iranian navy took control of the ST. NIKOLAS, detaining the vessel along with its crew of 15 and escorting them to Iran. Like the GALAXY LEADER, the ST. NIKOLAS and her crew remain detained. The fact that Iran feels more emboldened to take such direct action is a red flag for US deterrence in the Arab Gulf region.

Away from the Middle East, the Russian invasion of Ukraine has created another volatile maritime arena in the Black Sea region. The Black Sea is a vital shipping route for Ukraine. The war has disrupted the country's ability to export goods, including grain. The conflict has also introduced new maritime war technologies, such as unmanned "suicide" vessels. As these have proven very effective, they are likely to be a permanent feature of future maritime conflicts.

More ominously, the conflict has led to the deployment of naval mines, which pose a serious threat to people and shipping routes. The extent of mining operations remains unknown, but a recent article in the *Guardian* estimates that Russia has deployed an estimated 400 to 600 sea mines in the maritime areas of Ukraine. Chains moor some mines while others float free, though even the fixed mines can come free due to weather, adding to the danger. Mines are indiscriminate. They are designed to detonate upon contact with the hull of virtually any ship. Even if the conflict were to end soon, it would take years to de-mine the Black Sea.

The Russian invasion of Ukraine has also created a global "dark fleet" problem. One way Russia has been circumventing US and EU sanctions since 2020 has been to turn to a fleet of around 1,400 "shadow ships" that operate outside regulations. These merchant ships are old and inadequately insured, their true ownership is concealed, and their flags of registry are often swapped. These shadow ships are a hazard to themselves, other ships, and the environment. They are used in newly created alternative logistics networks by countries currently banned from the normal global system, including Russia, Iran, North Korea, and Venezuela.

Much of this dark fleet is made up of crude oil tankers. These ships are estimated to carry as much as 10% of the world's crude oil trade. However, in addition to allowing the circumvention of oil sanctions, the dark fleet also enables an illicit arms trade and the transportation of equipment used in the development of nuclear technologies. The fact that this dark fleet may be carrying nuclear technologies to Iran, and that Iran itself has been employing such a fleet for its own oil exports, closely ties the Russia-Ukraine war to the growing Iranian threat to the maritime straits in the Middle East.

Adding to these new challenges are existing trends that have been exacerbated in recent years, such as the conflict over Taiwan and great power competition over the South China Sea, which remains a focal point of international tensions. These tensions are largely fueled by the PRC's territorial claims and assertive maritime activities, which it views as vital to maintaining the security of its maritime trade routes and to the pushing away of competing claims by US-backed rivals.

The South China Sea region, which is known for its strategic maritime routes and significant untapped natural resources, has witnessed increased militarization and island-building efforts by the PRC. These efforts have challenged the sovereignty claims of neighboring Southeast Asian nations and prompted concerns over freedom of navigation. This assertiveness has led to frequent confrontations with the US and other global powers that conduct freedom of navigation operations (FONOPs) to challenge the PRC's maritime claims as each side tests its rival's red lines.

The relationship between the PRC and the Philippines has become particularly strained. Despite its relatively modest military capabilities, the Philippines has been vocal in opposing the PRC's territorial assertions, especially around features like the Scarborough Shoal and the Spratly Islands. Incidents involving the harassment of Filipino fishermen by Chinese vessels, the presence of large fleets of Chinese maritime militia, and the PRC's disregard for the 2016 arbitral tribunal ruling that invalidated China's expansive claims under the "nine-dash line" theory have all contributed to the tensions.

US strategists fear that the PRC is using its conflict with the Philippines as a testing ground to improve its maritime capabilities and experience, as well as to send a message to larger powers. The oft-quoted Chinese idiom, "Kill the chicken to scare the monkey," seems to apply to this strategy.

Other than great power politics, another source of increased maritime conflict that has fueled tensions in the South China Sea derives from the rise of cheaper and more efficient drilling and exploration technologies for oil and gas deposits in the deep sea. Over the past two decades, major deep-sea energy discoveries around the world have pushed countries to better define their previously neglected exclusive economic zones (EEZ) through maritime border delimitation 200 nautical miles from shore, creating overlaps and tensions with neighboring countries. Recent tensions between Turkey and Cyprus, Guyana and Venezuela, Ghana and the Ivory Coast, and in the South China Sea were exacerbated by the promise of rich offshore energy deposits. These tensions were also sharpened by weak definitions and even weaker enforcement of the UN Convention of the Law of the Sea (UNCLOS) regarding how EEZ borders are set and who gets to set them. As a result, the concept of "international waters" is almost gone from the Mediterranean Sea, the South China Sea, or the Arctic Ocean, as each littoral country tries to lay claim to as much of its offshore area as possible.

Not all current maritime problems have arisen from conflicts. The Panama Canal is grappling with significant drought problems that are affecting its operational capacity and thus the global shipping industry. Drought has caused dire declines in water levels in the Alajuela and Gatun lakes, which play a crucial role in the canal's function. The decrease in water reserves has necessitated reducing the number of ships passing through the canal. Additionally, the canal faces the challenge of balancing water usage between its operations and providing for local cities, including Panama City, as these lakes and rivers also serve as vital water sources for those areas.

The ongoing drought has also led to restrictions on the maximum ship depth allowed in the canal. Large vessels must now take alternative routes, like the Drake Passage or the Magellan Straits. Maersk Lines, one of the world's largest shipping companies, has used a "land bridge" by moving containers from ships to trucks and trains that cross the isthmus instead of taking the longer shipping route. All this significantly adds to time, costs, and environmental impact.

The longer routes, necessary wartime insurance, and environmental compliance measures have all added to the likelihood of delays, disruptions, and costs. Vessel war insurance, which usually hovers around 0.02% of the cost of the vessel, has risen to 0.75% and, in some cases, as much as 1.0%. For a large container ship, the extra insurance can cost shippers an extra $1 million or more.

While climate change is creating challenges to international shipping, the solutions to climate change are also rife with challenges to the industry, especially when it comes to laws and regulations regarding emissions reduction. The United Nations Conference on Trade and Development (UNCTAD) has called for "a just and equitable transition" to a decarbonized shipping industry and full decarbonization by 2050. Global shipping regulations like the International Maritime Organization's (IMO) regulations from 2020 have been implemented to address this. IMO 2020 mandates a significant reduction in the sulfur content of marine fuels, from 3.5% to 0.5%, to decrease marine pollution and protect coastal communities.

Despite these efforts, UNCTAD's recent review of maritime transportation says CO_2 emissions caused by the shipping industry are getting worse, not better. UNCTAD points to the rising average ship age – just over 22 years – which adds to the pollution problem. These older ships cannot be retrofitted with emissions controls and remain profitable. Thus, the industry is relying on recapitalization (replacement of older fleets), which has added to demand and backlogs for builders.

The confluence of headwinds described above will likely raise transport costs and affect shippers throughout the coming year, but they will also help the current global shipping recession come to an end. CNBC reports that Vessel-Operating Common Carriers (VOCC) like Maersk, COSCO, and Evergreen are anticipating a rise in rates to levels not seen since before the COVID disruptions of 2021 and 2022. While it is true that the industry has been in a slump, with rates halved since the pandemic, industry experts forecast that current conflicts and other challenges will end the freight recession by the third quarter of 2024.

Regional provocations and environmental challenges mark the "confused seas" of the maritime landscape, but the international community's collective action, the shipping industry's resilience, and regional geopolitical responses to these challenges will determine the future of the global maritime commons.

CDR. David Levy, a retired US Navy Commander and former US diplomat, is a senior research fellow at the BESA Center. He was Director of Theater Security Cooperation for US Naval Forces Central Command and was US Air and Naval Attaché in Tunis. CDR. Levy is a former RAND Corp. Federal Executive Fellow and a Ph.D. candidate at Bar-Ilan University in the Politics Department.

Dr. Elai Rettig is an assistant professor in the Department of Political Studies and a senior research fellow at the Begin-Sadat Center for Strategic Studies at Bar-Ilan University. He specializes in energy geopolitics and national security.