

MAKING WAVES

The Monthly e-News Brief of the National Maritime Foundation

Volume 6, Number 09

September 2011

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Acknowledgment: ‘Making Waves’ is a compilation of maritime news published in various national and international newspapers, journals, and websites. NMF expresses its gratitude to all sources of information. These articles, taken from source directly with minor editorial change, are for research and study only and not for commercial purposes.



India's Standoff with China on Sea Oil

By JEREMY PAGE in Beijing and TOM WRIGHT in New Delhi

India is being pulled into a complex and increasingly tense territorial dispute in the South China Sea, with China repeatedly warning ONGC, the Indian state oil company, that its joint exploration plans with Vietnam amount to a violation of Chinese sovereignty.

The Indian government responded to the latest Chinese warnings by repeating its pledge to continue exploring for energy in the South China Sea, where China is embroiled in territorial disputes with Vietnam, the Philippines, Taiwan, Malaysia and Brunei.

ONGC, meanwhile, said it planned to resume drilling next year at one of its two remaining blocks in the area, after suspending work there because of a hard seabed, and after relinquishing another block last year because it lacked production potential.

The testy public exchanges follow an unusual incident in July when, according to the Indian government, an Indian navy ship visiting Vietnam as part of expanding bilateral defence ties received a radio message warning it that it was entering Chinese waters. China has dismissed India's version of the incident as "groundless."

Analysts say the fresh standoff between Asia's two emerging economic and military giants, which fought a brief war over their disputed Himalayan land borders in 1962, increases the risk of a military flare-up in the South China Sea. China, which won the 1962 war, has been involved in several angry exchanges and incidents at sea this year with Vietnam and the Philippines, which have been beefing up their military arsenals, and defence ties with the U.S., in response to what they see as growing Chinese assertiveness.

The U.S. meanwhile has been fending off repeated Chinese protests about its surveillance operations in the area, while trying to encourage democratic allies and partners, especially India, Australia and Japan, to play a more active role in defending freedom of navigation in the region.

The South China Sea, which Beijing claims almost in its entirety, is thought to be rich in oil and gas—although proving that has been hard because of the territorial disputes—and is one of the world's most important shipping routes. It is also now one of the region's major potential flashpoints as emerging Asian economies, especially China and India, build up their military firepower and seek the energy and other resources they need to fuel growth.

One of the latest Chinese warnings to India came in an article on the website of the People's Daily—the main Communist Party newspaper—which was written by its correspondents in Vietnam and India and was not published in the paper itself. "It's not worthwhile for Vietnam and India to damage the greater interests of the peace, stability and economic development between China and Vietnam, China and India, and in the whole region, for the sake of these small interests in the South China Sea," the article said.

India and China have been expanding economic ties in the past few years, but many Indian officials and experts harbour deep concerns about Beijing's growing military power and its expanding influence in neighbouring countries, especially Pakistan.

ONGC's overseas arm, ONGC Videsh, accounts for much of India's investment in Vietnam. It operates one gas field—Block O6.1 in the Nam Con Son basin off Vietnam's south coast—in a joint venture with TNK-BP and PetroVietnam, which China has not protested over. ONGC Videsh also won a contract in 2006 to jointly explore with PetroVietnam in Blocks 127 and 128 in the Phu Khanh basin further north. China protested at the time that both blocks were in its waters, and maintains that position now, according to the People's Daily article. A spokesman for Vietnam's Foreign Ministry said that Blocks 127 and 128 were both in Vietnamese territorial waters. He declined further comment.

Vietnam launched a fresh round of licensing this year for blocks it says are not in contested waters. However, China has never specified the precise extent of its territorial claims.

Another Indian company, Essar Group, has a production-sharing contract for a petroleum block off Vietnam's coast. An Essar spokesman said it was not in "controversial" waters and Essar did not plan to bid for further exploration rights from Vietnam.

Source: [Wall Street Journal](#), September 23



Ships with Indian crew can have armed guards

The ministry of shipping issued guidelines allowing ships with Indian crew to deploy armed guards in a bid to combat piracy in the Gulf of Aden. The move comes on the back of recommendations from the inter-ministerial group (IMG) of officers constituted to handle the hostage situation on hijacked ships and also suggest preventive measures.

It has been found that about 35 per cent of the ships transiting in these waters deploy armed security guards and that the pirates generally don't attack ships with armed guards on board, an official release said. So far, 120 Somalian pirates have been apprehended by India as on date.

As per the new guidelines, ship owners are allowed to engage private maritime security companies (PMSC) through a proper selection procedure. In line with these, all Indian ships visiting Indian ports are to furnish details of security personnel on board, the firearms carried by them and the details of licence issued, etc, to the port authority, customs, Coast Guard and the Navy. Foreign merchant vessels visiting Indian ports with security guards are also required to follow similar procedure, as per the guidelines.

Source: [Indian Express](#), August 30

Indian Navy thwarts Somali pirate attack

Attacks by Somali pirates on two cargo ships in the Gulf of Aden were thwarted by an Indian Navy warship. INS Sukanya, an offshore patrol vessel on anti-piracy duty off the Somali coast, had deployed its marine commandos and a helicopter to ward off the sea brigands, who were approaching the two merchant ships, in separate incidents on Sep 20 and 24.

The pirates were on high-speed skiffs and made threatening approaches towards the merchant ships that were being escorted by INS Sukanya in the Gulf of Aden.

Source: [The Economic Times](#), September 26

Pakistan arrests 11 Indian fishermen

Pakistani authorities arrested 11 Indian fishermen and seized three boats for allegedly fishing illegally in the country's territorial waters, officials said. The Maritime Security Agency, which made the arrests, handed over the fishermen to the Docks Police in Karachi for further action, officials said.

India and Pakistan arrest hundreds of fishermen for violating the maritime boundary. Dozens of fishermen have spent years in jail even after completing their prison terms. In recent months, both countries have taken steps to speed up the release of the fishermen.

Source: [IBN Live](#), September 28

P8I makes its first flight for the Indian Navy

The Indian Navy, which aims to be the premier blue water force in the Indian Ocean region, needs to keep a year-round watch over some two million sq km of open sea, the country's Exclusive Economic Zone. In war, the area becomes larger. The aircraft that will perform this function in the decades to come, the P8I Poseidon multi-mission maritime aircraft (MMA), has made its first flight at a Boeing facility in Seattle, USA.

On January 1, 2009, the Indian Navy signed a contract for buying eight Poseidon MMA, with an option for four more. This will make it the first non-US operator of the Poseidon. The Poseidon built for the US Navy is designated the P8A; the Indian variant is the P8I (I for India). The utility of a maritime patrol aircraft like the Poseidon, which must dominate the ocean beyond the reach of shore-based radars, hinges upon how much time it can remain on patrol, and on its ability to detect and destroy enemy ships and submarines.

The state-of-the-art Poseidon will start being delivered to the navy from 2013, replacing its vintage fleet of Russian Tupolev-142M and Ilyushin-38 long-range maritime patrol (LRMP) aircraft. Boeing has developed the Poseidon as a replacement for the US Navy's current maritime patrol aircraft, the P3C Orion.

A team of Indian Navy officers, including the chief aviator, Rear Admiral D M Sudan, witnessed the 150-minute flight in Seattle. Boeing test pilots took the aircraft up to 41,000 ft. Boeing says the coming weeks will see "mission systems installation and checkout work" on the P8I Poseidon. The aircraft is built by a Boeing-led industry team that includes CFM International, Northrop Grumman, Raytheon, Spirit AeroSystems, BAE Systems and GE Aviation.

Source: [Business Standard](#), September 29



India, Sri Lanka conduct first major naval exercise in 6 years

India and Sri Lanka kicked off their first major naval combat exercise in six years, with 16 warships off Trincomalee as part of New Delhi's continuing intensive diplomatic and military engagement with Colombo despite protests from some Tamil groups in the island nation.

The six-day exercise called "SLINEX-11" near the north-east coast of Sri Lanka has six Indian warships led by eastern fleet commander Rear Admiral H C S Bisht, including the spanking new stealth frigate INS Shivalik, a Rajput-class destroyer and a missile corvette, participating in the combat manoeuvres.

Source: [Times of India](#), September 20

Japan, Philippines to boost maritime security ties on China concerns

Japanese Prime Minister Yoshihiko Noda and visiting Philippine President Benigno Aquino agreed to boost cooperation in ensuring maritime security in the wake of China's growing assertiveness in the South China Sea.

In an apparent attempt to keep Beijing in check, the two leaders agreed in a joint statement released after their talks that "freedom of navigation, unimpeded commerce, and compliance with established international law...and the peaceful settlement of disputes" benefit their countries and the whole region.

They also shared a view that these interests should be "advanced and protected in the South China Sea," noting that maintaining peace and stability in that area was "common interest to the international community" because the sea is "vital as it connects the world and the Asia-Pacific region."

Strengthening ties in maritime affairs as well as in the political and economic fields are part of the two leaders' accord to enhance their strategic partnership to address regional and global concerns.

Noda and Aquino reaffirmed that their countries share the basic values of "freedom, democracy, fundamental human rights and the rule of law."

At a joint press conference, the Japanese premier said that agreeing to position their relationship as a strategic partnership marks "significant progress" given the countries' shared strategic interests, and voiced hope to work closely with the Philippines in regional frameworks.

The Philippine president had visited China in late August through early September and agreed with Chinese President Hu Jintao to resolve their territorial dispute peacefully and facilitate economic progress in the region.

According to the statement, Noda and Aquino agreed to promote cooperation between their maritime safety authorities through measures such as Japan's training of the Philippine Coast Guard, as well as exchanges between their defence and maritime authorities.

Source: [Mainichi Daily News](#), September 28

MARITIME ENVIRONMENT

China leads world in green energy investment

Global investment in renewable energy jumped 32% in 2010 to a record \$211bn (£130bn; 149bn euro's), according to the Global Trends in Renewable Energy Investment 2011 report.

Published jointly by the UN Environment Programme and the Frankfurt School of Finance, it shows that China has become the largest investor in renewable energy projects. But the country still faces grave cases of pollution despite progress in cutting down on the number of new coal-burning power stations during the last five years.

According to Zhang Lijun, vice-minister of environmental protection, coal consumption increased by a billion tons between 2006 and 2010. Yet the Chinese government is spending tens of billions of dollars every year on so-called clean-tech projects, commonly referred to as green energy. At current levels of production, China has coal reserves which should last 40 years, although most reserves are located in the north and north-west - and that poses logistical problems for supplying electricity to the heavily populated coastal areas.

Apart from the Chinese government investing in green technology, money is also coming from outside the country. Some investors are getting a bit nervous about where

the global economy is going and whether or not recovery can be sustained. There is the danger therefore, that investment into green technology in Asia might not remain at current levels if the recovery is derailed.

Source: [BBC](#), September 15



NMF-CII organise SHIPS-2011

To examine the contents of the National Maritime Agenda 2010-2020 and to promote India as a world's major shipbuilding and ship repair industry, the CII-Southern Region has organised Ships 2011, a two-day conference on strategies, human resource, infrastructure, processes and security in the Indian shipbuilding industry.

Speaking on the occasion, Vice-Admiral (Retd) Pradeep Kaushiva, Director, National Maritime Foundation, was of the view that the opportunity in the country's maritime trade had been grossly underutilised. Requesting the Government to consider shipbuilding as a strategic industry, he pointed out that the prospects of growth of subsidiary industry in the sector remained high.

He stressed the need to promote inland water transport, being the cheapest mode of transport, and also called for exchange of data on shipping and allied sectors among various stakeholders.

Vice Admiral B.Kannan, Programme Director, Advanced Technology Vessel Project, Indian Navy, pointed out that the private sector has a key role in shipbuilding industry. The maritime policy agenda document brought out by the Government lacked focus. In keeping with international trends, India would have to augment the handling capacity at ports to facilitate operation of bigger ships.

Mr Paul Antony, Chairman, Cochin Port Trust, said that non-availability of land posed problems for shipbuilding industry. He also underlined the need for massive clusters to support the industry.

Mr Manoj Joshi, Ports Secretary, Kerala, said the heavy duty imposed on maritime trade with a view to protecting domestic industry was indirectly harming shipbuilding industry.

Source: [Business Line](#), September 28

Pipavav, Mazagaon Dock to set up JV; to build warships for Indian Navy

Pipavav Defence and Offshore Engineering Company (formerly Pipavav Shipyard) said it will form a joint venture company with state-run Mazagaon Dock (MDL) for building warships for the Indian Navy. It is for the first time post independence that a private sector company has been selected by Defence Ministry- controlled PSU to build warships together, the filing said.

The shares of the company were up 10.46 per cent at Rs 90.30 apiece on the BSE at 1510 hrs. Pipavav has been on expansion spree following government clearance in March for building warships, submarines among others for the Navy. Recently, it had got orders worth Rs 2,975 crore to design and construct five naval offshore petrol vessels (NOPVs) from the Navy.

The company has also roped in foreign partners like US-based Northrop Grumman and UK-based Babcock Group to increase its presence in defence segment. In December, the company had signed a protocol with Russian government arm Rosoboron Export for defence co-operation with foreign governments.

According to the company, it is the only shipyard in the private sector with modular construction facilities and a huge dry dock to receive the government licence.

Source: [The Economic Times](#), September 12

Selloff in Ennore Port, Cochin Shipyard, DCI deferred

The shipping ministry has deferred its disinvestment plan for Ennore Port, Cochin Shipyard and Dredging Corporation of India (DCI) because of uncertain and volatile market condition, said shipping secretary K Mohandas on the sidelines of FICCI's India Infrastructure Summit. Instead of the current financial year, the disinvestment in these three could happen in the next fiscal.

While disinvestment in Cochin Shipyard was to be done through an initial public offering, for the mini-ratna company DCI the ministry had plans to go for further stake sale. Government has already divested 22.5% stake in DCI.

Source: [Times of India](#), September 16

Strong demand to spur cargo growth at Indian ports

The outlook for cargo growth over medium and long term remains favourable due to strong and more stable domestic demand drivers. While port ventures with exposure to key cargo categories stand to gain, favourable demand scenario will also boost various port-related activities amid high competitive pressures.

The robust domestic demand from key end-user industries presents a positive picture for future cargo volume growth in Indian ports. Going forward, growth of traffic at Indian ports is expected to be driven mainly by higher volumes of coal (to meet the requirements of the large number of current and proposed thermal power projects based on imported coal); containers (given the market under-penetration and potential for cost savings); crude oil and POL (large upcoming refinery capacity); fertilisers (strong domestic demand and low self-sufficiency); and steel (mega projects proposed in the eastern part of the country). Hence, port ventures with higher exposure to cargo categories are favourably placed, according to report of rating agency ICRA.

In line with expected growth, most of the incremental investments in port capacity are being designed to specifically service these cargo categories. Interestingly, most of the expected traffic growth in India is largely based on domestic demand drivers that are fundamentally stronger and more stable compared with international trade related demand, which is a function of global conditions and may be volatile and uncertain.

This favourable demand environment is also expected to spur growth in various port-related logistics and service activities although competitive pressures in these business lines would remain high.

Source: [Financial Chronicle](#), September 27