Transnational Security Threats in the Straits of Malacca

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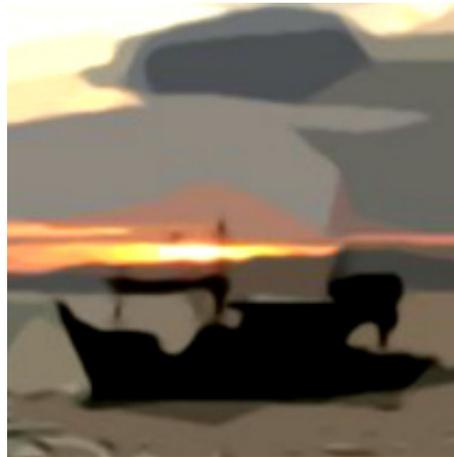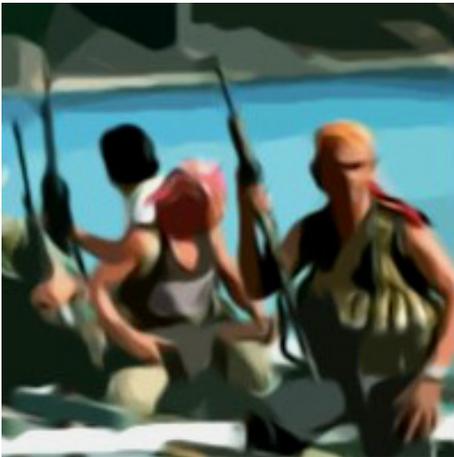
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The Fund for Peace Transnational Threats

Introduction & Contents

The Straits of Malacca consist of a narrow but lengthy waterway that extends more than 500 miles from the eastern limits of the Andaman Sea to the South China Sea in Southeast Asia. Straddling the sea route between the Indonesian island of Sumatra, the Thai-Malay Peninsula, and the small city-state of Singapore, the Straits of Malacca are known globally for their economic, political, environmental, and strategic importance. The Straits themselves link the Indian Ocean to some of Asia's most powerful economies, as well as many other trade-influential countries, like the United States, Germany, and Russia.

More than 60,000 vessels traverse the critical chokepoint per year, carrying more than a third of global trade.[1] Due to the amount of traffic, the region is also home to some of the busiest ports in the world, particularly in Singapore.[2] The Straits attract foreign investment with the amount of commerce and trade it supports. The Straits are also the focal point of legal and political issues, such as the sovereignty of territorial waters and the responsibility to secure the waterway. Likewise, the waterway is a source of environmental concern for the littoral countries of Indonesia, Malaysia, and Singapore. The maintenance of the environment is important to all three states in order to not deter tourism or development projects in the area, both of which can in turn influence the economic and political sectors directly. Finally, the Straits are crucial for worldwide communication and resource exchange, making them internationally significant.

Unfortunately, however, the Malacca Straits have become notorious for maritime robbery and pirate attacks, as well as for being a transit hub for myriad black markets and a haven for belligerent non-state actors.

Indeed, in the area around the Straits of Malacca, porous borders and poorly monitored ports allow these threats to infiltrate the coastal nations. A lack of strong government control pervades in certain pockets and gives rise to corruption. In this governmental blind spot, crimes burgeon and flourish, and due to economic marginalization, individuals frequently turn to a life of crime, fueling hidden, black market economies. In addition, a number of separatist organizations and terrorist cells occupy land far from the control of governments, adding to the already high levels of state insecurity. To add to this slew of security threats, the South China Sea's contested territorial disputes compound the stress and tension surrounding the Straits of Malacca.

Needless to say, the Straits of Malacca face multiple security issues that affect the three littoral states and the Straits' user nations. In fact, its geographical position makes it not only valuable to the states that border the waterway, but also an intensely critical region for foreign countries dependent on trade passing between the Pacific and Indian Oceans. Security of these sea-lanes is therefore of paramount importance for state actors and should be galvanized on numerous levels.

Firstly, it is essential for Indonesia, Malaysia, and Singapore to gather national and international resources and implement ways to combat the multitude of threats facing the Straits of Malacca. Secondly, extra-regional actors should cooperate with nations in the region in various capacities to ensure that global trade is not adversely affected. Similarly, extra-regional actors can play a role in ensuring that the root causes of these problems are treated effectively. Lastly, shipping companies, non-governmental

organizations, and other non-state actors with a stake in the Straits should band together and assist their home governments in fostering greater security.

Although state capacities differ greatly in some respects, it is still crucial for all actors involved to come together and discuss what can be done to secure the Straits of Malacca. Though incidences of piracy and prominent terrorist activity have largely diminished in the past few years, it is still important to acknowledge their persistence and decide upon ways to combat these and other security problems directly. Transnational threat trends like these are organic and fluctuate with the passing of history and time. Thus, a leveling off does not signal a complete and total disappearance. Therefore, security in the Malacca Straits must remain on the radar of global actors in order to properly and efficiently protect this very important waterway.

Definition of Malacca Straits

Straits of Malacca

Geopolitically, the Straits of Malacca fall under a number of different territorial and maritime jurisdictions. Primarily, the Straits are defined as falling between Peninsular Malaysia (with a small portion of southern Thailand) and the island of Sumatra with east and west limits bordering Singaporean and Indian (the Andaman and Nicobar Island chain) territorial waters. The International Hydrographic Organization, the non-governmental body in charge of documenting hydrographic and maritime limitations, has defined the Straits of Malacca as the following:

- On the West: From the northernmost point of Sumatra (Pedropunt) and Lem Voalan on the southern extremity of Phuket Island, Thailand

- On the East: From Tanjong Piai on the Malaysian Peninsula and Klein Karimoen, Indonesia

- On the North: The Southwestern coast of the Malay Peninsula

- On the South: The northwestern coast of Sumatra to the eastward city of Tanjung Kedabu to Klein Karimoen, Indonesia[3]

However, in contemporary times, governments and non-governmental organizations around the world have altered that definition to also include the commercially significant Singapore Straits and Singapore in its totality.[4] Still other definitions enlarge the geographical expanse of the Malacca Straits to include the eastern limits of the Andaman and Nicobar island chain, which is controlled by India. This definition is usually used in reference to maritime piracy, and highlights the geographical vastness the waterway has in terms of extended accountability and government responsibility.

For purposes of this report, the definition of the Straits of Malacca will include the territorial waters of India, Indonesia, Malaysia, Singapore, and Thailand. The term "littoral states," however, will solely refer to Indonesia, Malaysia, and Singapore, as the Straits fall under these states' primary authority.

Why the Straits of Malacca Matter

The Straits of Malacca are a critical global trade artery, with some of the heaviest traffic of any maritime choke point worldwide. Between 60,000[5] to 94,000[6] shipping vessels pass through the Straits annually, carrying about a third of global trade.[7] Indeed, the Straits see three times more general traffic than the Panama Canal and twice as much as the Suez Canal.[8]

In terms of energy transport, more than two-thirds of the world's liquefied oil and natural gas passes through the busy sea-lanes. This is three times more than the oil and gas cargo passing through the Suez Canal and fifteen times more than the fuel traffic transported via the Panama Canal. The Malacca Straits are also the "energy lifeline" for economic powerhouses like China, Japan, South Korea and Taiwan, as more than 80 percent of energy imports and exports pass through the Straits of Malacca and transit north through the South China Sea to reach their destinations in East Asia.[9] Countries like Japan, for example, which imports more than 98% of the crude oil it consumes, are wholly dependent on the Straits, since most ships that deliver the essential petroleum from the Middle East and Western Asia pass through them. So important are the Malacca Straits for energy transport that the U.S. Energy Information Administration estimates that approximately 13.6 million barrels of petroleum per day alone pass through the waterway,[10] and possibly half of all seaborne oil shipments as well.[11] Japan's Ministry of Land, Infrastructure, Transport, and Tourism believes that the Straits will serve 114,000 ships annually by the year 2020.[12]

Despite the heavy international traffic from major trading nations, the safety and security of the Straits of Malacca is primarily the responsibility of the three states – Indonesia, Malaysia, and Singapore. User nations and smaller non-governmental actors also have stakes in the region, but for international legal reasons, they have minimal direct influence. In very specific situations, India and Thailand are accountable for maritime security, as their territorial waters share a more abbreviated overlap than the aforementioned three countries. The three littoral states have the right to prescribe regulations for transit through the Straits, including any security and transit safety considerations, laws against marine pollution, traffic management, and other similar domains. Treaties, like the International Regulations for Preventing Collisions at Sea and the United Nations Convention on the Law of the Sea, protect the states' sovereignty and permit the littoral states to control the territorial waters surrounding their state territory.

In terms of responsibility, user nations come second to the littoral states, consisting of foreign countries that depend highly on sea-based imports and exports. China, Germany, Japan, and the United States all figure prominently as observer and user nations. This is because the trade of heavy user states is contingent on the security of the Straits of Malacca, and therefore critical for their economies.

Lastly are the shipping companies, essentially those in charge of managing the sea vessels and crew directly. They have the lowest stake in determining the security of the region (as they are non-state actors and are obliged to observe national laws), but are nonetheless valuable in establishing safety on the shipping vessels themselves.

Commercial traffic through this important waterway is bidirectional: raw materials and other imports from Europe, Africa, and the Middle East are shipped in vast quantities on tankers and bulk carriers through the Persian Gulf and the Indian Ocean to destination countries in the Pacific Rim. Trade from East and Southeast Asia reciprocates this exchange, and container ships with finished consumer products navigate the seas to Western Asia, as well as to European and East African nations, among other regions. Raw materials such as coal and iron ore are common cargo in the Straits of Malacca, and are hugely important for developing centers in East and Southeast Asia.[13] By far the most valued cargo transported through the Straits is petroleum.

Because of the various kinds of freighted goods that pass through the Straits, a number of different types of vessels traverse the Straits. These ships vary in size, shape, and function. Heavier shipments, like oil barrels and vehicle parts, are carried on very large crude carriers, mainline tankers, liquefied natural gas (LNG) carriers, bulk carrier vessels, container ships, supertankers, or vehicle carriers,[14] while less valuable or regional trade cargo is carried on small vessels, fishing ships, and wooden cargo boats. The term Malaccamax is used to denote the naval architecture of shipping vessels that are able to traverse the Straits of Malacca's rather shallow depths. Ships that are not fitted for standards matching that of the Maccamax face longer alternative routes; other possible avenues, like the Lombok or Ombai Straits, mean going around Indonesia's largest island – Sumatra – and through the farther south Indonesian island chains. This longer voyage incurs greater cost for shipping companies, and increases exposure

to the risk of armed robbery at sea, making it less attractive than traversing the Straits of Malacca directly.

The ever-increasing amount of traffic through the Straits creates a number of challenges for the three littoral states in charge of maintaining security in the region. At its narrowest point, the southern mouth is only about one kilometer in length, making the Straits susceptible to collisions and bottlenecking. Moreover, the shallow depth increases the chances for inexperienced captains to run aground. Despite this, reports of major problems have remained low in number over the years. The remarkable concentration of cargo traffic in the Straits has forced the region to adapt to the high traffic. Nodes of intricate shipping networks have arisen due to the complexity of the cargo traffic, therefore easing navigation through the narrow stretch of the Straits. Its proximity to the South China Sea and the contested Spratly and Paracel Islands adds to the security intricacies of this fragile region.

In order to reduce the amount of traffic that passes through the Malacca Straits, the government of Thailand has considered the idea of forming a canal across the Isthmus of Kra – the thin land strip that borders the Straits' northwestern limits and connects southern Thailand with the rest of Peninsular Malaysia. If it were constructed, the new sea route would cut about 620 miles off of the

original path through the Straits of Malacca.[15] At this time, however, no progress has been made to create the canal.

Threats on land also negatively affect the governments of the littoral states. Unbridled smuggling and destabilizing non-state actors, like separatist rebels, already dominate the political discourse and aggravate the capacity issues faced by the littoral governments. These transnational issues have adversely affected the perception of security in the region and have led to increased insurance premiums. In 2005, for instance, the Joint War Committee, comprised of individuals from Lloyd's Market Association, an influential British insurance conglomerate, and the International Underwriting Association of London, classified the Straits of Malacca, Singapore, and several associated ports in Indonesia as "operating in a war zone." By doing this, the Joint War Committee gave the region the same ranking as Iraq and other areas under actual wartime conditions. These risk assessments highlighted the elevated risk of a terrorist attack, and included in their evaluation accounts of intensification and increased sophistication of pirate attack techniques.[16]

In the years after the 2005 classification, war premiums have risen dramatically, translating to an augmented premium of US$12,500 for a small 1,100 twenty-foot equivalent unit (TEU) container feeder vessel and a fee of

US$2,500 for each passage through the Straits. Premiums for supertankers that same year rose to about US$63,000, with a US$12,600 transit fee per transit through the Straits of Malacca.[17] As of March 2012, the northeastern coast of Sumatra, between 5° 40' N and 0° 48' N, is listed on the Joint War Committee's Hull War, Piracy, Terrorism, and Related Perils list,[18] demonstrating both a simultaneous movement in a positive direction and a necessity to still resolve the insecurity situation in the Malacca Straits.

Although conditions have improved somewhat since piracy attacks peaked in the early 2000s[19], the possibility of a "low probability, high impact scenario"[20] – for example, the detonation of a bomb near the narrowest bit of the Straits of Malacca – is frightening to consider. Analysts have considered bottlenecking incidents in the event of a terrorist attack, large-scale pirate assault, big ship collisions, or even serious groundings. The governments of Indonesia, Malaysia, and Singapore have attempted to or have implemented numerous measures to create a more secure atmosphere in the Straits of Malacca. These plans – ranging from regional-only to those including extra-regional partners – have varied in success, with many failing before actual implementation.

Maritime Piracy and Armed Robbery

Maritime piracy has tested the authority of governments in the area, complicating the sovereignty conditions of the three littoral states and putting the lives of hundreds of crewmembers and sailors at risk. Through either violent assaults or bloodless incidences of robbery, these cases of crime over open water have demonstrated the practical limitations of international law and exposed the lack of capacity of countries in the region. Aside from the financial and human costs, piracy also complicates the already vexing questions of territorial sovereignty.

Before expounding on the dangerous and costly activity, it is important to note the lack of consensus in the definition of "maritime piracy." According to Article 101 of the 1982 United Nations Convention on the Law of the Sea (UNCLOS):

"(a) Any illegal acts of violence or detention, or any act of depredation, committed for private ends by the crew or the passengers of a private ship or a private aircraft, and directed:
(i) On the high seas, against another ship or aircraft, or against persons or property on board such ship or aircraft;
(ii) Against a ship, aircraft, persons or property in a place outside the jurisdiction of any State;
(b) Any act of voluntary participation in the operation of a ship or of an aircraft with knowledge of facts making it a pirate ship or aircraft;
(c) Any act of inciting or of intentionally facilitating an act described in subparagraph (a) or (b)."[21]

The UNCLOS definition specifically states that any illegal acts of violence committed "against a ship, aircraft, persons or property in a place outside the jurisdiction of any State" constitutes piracy. However, most of the instances of piracy are reported to occur in one the three seazones that fall under the sovereign control of the littoral states (i.e. territorial waters, contiguous zone, and the exclusive economic zone) and not international waters. Therefore, armed robberies that occur within the Straits of Malacca do not technically qualify as instances of piracy, using this definition. The International Maritime Organization's definition, however, does not make any mention of international waters outside of state jurisdiction, defining piracy as follows:

"Any unlawful act of violence or detention or any act of depredation, or threat thereof, other than an act of 'piracy,' directed against a ship or against persons or property on board such a ship, within a State's jurisdiction over such offences."[22]

The distinction here is that this definition refers to "piracy" as falling within a State's jurisdiction, which contradicts the definition delineated under UNCLOS. The lack of agreement on the definition of "piracy" complicates initiatives taken by actors in the international community. Also important to note is the differentiation between piracy and maritime terrorism. Pirate attacks are perpetrated by a variety of different actors wholly for pecuniary gain. Any attachment to political or ideological inclinations affects the definition, however. Indeed, scholars and researchers refer to attacks committed by actors seeking political or ideological change as maritime terrorism, seeing as there is more to the criminality than just the acquisition of money and property. Maritime terrorism and piracy thusly are two distinct crimes by definition. For clarification, the term "piracy" will be used in this report to refer broadly to non-politically motivated attacks in international waters, as well as to acts of armed robbery and hijacking within territorial seas.

Despite the distinctions in definitions, all criminal activities out at sea continue to disrupt international trade practices, their sea routes, and the security of the region. Maritime piracy in the Straits of Malacca cost Indonesia, Malaysia, and Singapore an estimated US$30 to $50 billion in 2003, though hard statistics are difficult to come by. Although Indonesia and Malaysia suffer greatly from these crimes, Singapore is the most adversely affected, as it is a major hub for shipping and cargo exchange and an important oil refinery location.[23]

The main reason behind maritime piracy is poverty. When asked about the reasons for becoming a pirate, an individual from a poor Indonesian village near Singapore simply stated that he "became a pirate...to earn a living. Singapore was rich; we were poor. So, we went to pillage the areas [around] Singapore."[24] Citizens living on the coast of the Straits of Malacca (excluding Singapore) tend to live on low and fixed wages or receive a meager percentage cut of the gains of their trade.[25] The disenfranchisement caused by poor economic performance, particularly in Indonesia, and the common occurrence of natural disasters has afflicted the most vulnerable people – low-level workers such as traders, fishermen, and village artisans. In fact, many academics believe that one of the main triggers that caused the rise of seaborne piracy in the late 1990s was the 1997 Asian financial crisis.

The disastrous effects of the economic crisis hurt the entire region, and gave rise to political instability that peaked before Indonesian President Suharto's resignation in 1998.[26]

The political vacuum caused by Suharto's resignation, in turn, preoccupied the Indonesian government and created an opportunity for people to find ways to generate income illegally. Attention to the political destabilization originating from the financial downturn created a huge governmental blind spot; instability on land forced all the attention away from maritime threats, furthering the rise in offshore attacks.[27] Although maritime piracy has existed well before the early 1990s, it was not until 1997 when the issue became more than just a nuisance for littoral states. After the September 11, 2001 terrorist attacks on the United States, regional and extra-regional governments began to seriously consider the implications of transportation security for the future.

Impoverished fishermen, petty criminals, ex-members of the armed forces, organized crime syndicates, or simply civilians seeking some form of quick cash subsequently turn to maritime crime for sustenance. In some cases, more experienced criminals, such as those members of larger criminal organizations, tend to be better equipped than even certain regional naval authorities.[28] In addition, the International Chamber of Commerce (ICC) has stated that a rise in pirate-related attacks in the early 2000s was exacerbated by increased involvement of organized crime networks. Pottengal Mukundan, Director of the ICC's Commercial Crime Services, has stated that "hijacking a whole ship and the resale of its cargo requires huge resources and detailed planning... [which] typically involves a mother ship from which to launch the attacks, a supply of automatic weapons, false identity papers for the crew and the vessel, fake cargo documents, and a broken network to sell the stolen goods illegally." Mukundan concluded that individual criminals lack these resources and therefore it is likely that larger groups, such as organized criminal networks, are involved.[29]

Pirate attacks vary in sophistication and planning. An armed attack out at sea, for example, can involve a variety of weapons, ranging from firearms, like smuggled AK-47s, to small explosives and similar equipment, like grenades and grenade launchers, although small fishing knives, parangs, goloks, and bolos (Southeast Asian variations of the machete) are also utilized. Gangs usually operate in groups of four or five[30] and attack while it is dark, most often between 1am and 6am. In order to board ships, well-equipped criminals use grappling hooks to climb onto medium-sized vessels. From there, pirates quickly neutralize the crew (either by murdering those on board, holding them hostage, or setting them adrift – depending on the scale of the attack), and if successful, take any cash and valuables from the crew themselves and the ship's safe. Any high-tech navigation equipment or other useful instruments and weapons are also seized. It is reported that appropriated cash and items on average value range from US$10,000 to US$20,000, rarely more. Incidents can take from a half hour, which is the usual amount of time if it is a small boat, to a few hours for larger vessels, though the risk of police engagement increases as time passes in the event that a large vessel is attacked.[31] If kept for longer periods of time, the cargo could be breached and the contents stolen. Likewise, the cargo can be unloaded at a port selected by the pirates or transferred to another ship after hijacking.[32] After the cargo is secured on land, the hijacked ships can be sold to other nefarious individuals or repainted and used towards subsequent attacks.

Because of the complexity of some of these attacks, experts organize piracy into three groups, each with a distinct pattern and objective: robbery, hijacking, and ransom kidnapping attacks. The most common and typically successful of the three types is robbery. Robbery can either be armed or simply coerced, without the use of firearms or other weapons. Robbery can occur against berthed ships at ports and harbors in the Straits of Malacca, but this kind of criminal activity does not directly affect vessel traffic. According to one study, approximately 77% of all reported robbery attacks in 2002 occurred on ships stationed in harbors.[33]

The hijacking of a naval vessel is another form of piracy that occurs in the Straits of Malacca. Successful hijackings are less common than simple robbery as it requires careful planning to carry out a complete seizure without alerting the authorities. After boarding the vessel and neutralizing the crew, pirates dispose of the cargo – usually securing it with a middleman or safeguarding it at a pirate post – and inspect the vessel. If deemed fit for future pirate operations, the ship is repainted to conceal any identifying marks that the police can use to spot the ship and later rerouted to a new port under a fake name and falsified documents. This process transforms the old ship into a "phantom vessel", as the ship now exists apart from its previous identity.[34] Tugboats are common targets of hijackings due to their size and

powerful engines. They lack Automatic Identification System instruments and thus are unable to send and receive information, such as identity, position, course, speed, and cargo data, to and from other receivers on land, sea, or air.[35] Lastly, their low freeboards allow easy access, and in addition to fewer crewmembers, allow for easier hijacking.

The third variety of maritime piracy involves attacks with the objective to kidnap for ransom. These types of attacks involve abducting two or three senior crew members after the rest of the crew is abandoned, set adrift, or slain. Kidnapping for ransom attracts the most attention of the three kinds of pirate attacks because of the drawn out negotiations between the abductors and host governments or shipping companies. Pirates demand between US$100,000 and US$200,000 for ransom, on average, but after negotiations, receive a much smaller portion (actual ransom money given to pirates falls below US$20,000). Hostages are usually released unharmed after the ransom is paid. It is thought that money garnered from kidnapping-for-ransom attacks goes towards financing future operations, including the furnishing of firearms and other weapons.[36]

Incidences of piracy can also be categorized by the seriousness of the attacks, as suggested by Robert C. Beckman, a legal scholar at the National University of Singapore. Dr. Beckman organizes pirate attacks in the Southeast Asia by:

- The types of weapons employed (if any used), taking into account the power of said weapons and the degree of risk to the life of crew members

- The treatment of crew members, whether they are taken hostage, injured, killed, or forcefully removed from the ship

- The value of the property stolen, such as the entire cargo in extreme cases, personal valuables or cash, or everyday objects (such as mooring rope or a can of paint)

- The level of threat of maritime navigation, specifically if busy sea-lanes are obstructed in the event of pirate attacks and if the attack poses a threat to other ships in the area[37]

Classifying these attacks out at sea helps state actors organize their efforts in combating violent crime in and around the Straits of Malacca. However, the success of such initiatives depends primarily on the state capacities of Indonesia, Malaysia, and Singapore.

Littoral, User and Non-State Security Capacity

The numerous initiatives taken over the years to fight maritime piracy differ greatly due to economic discrepancies and differences in governmental capacity between Indonesia, Malaysia, and Singapore.

Indonesia

Straits of Malacca

Indonesia, as the largest of the three littoral states, continues to struggle with the implementation of successful anti-piracy initiatives. In spite of some positive economic growth in recent years, Indonesia still suffers from a lack of consistent governmental authority. Because of its breadth – its entire coastline is twice the circumference of the earth – the control of the state does not reach all locations. This weakness, coupled with active Islamic fundamentalist groups, separatist movements, and a flourishing underground economy, has put pressure on the government's already shaky capacities to combat maritime piracy and other threats. Jakarta has placed less attention to maritime piracy than in its desire to bolster economic development, increase environmental protection, promulgate greater political reform, defend national borders and resolve outstanding territorial disputes, and improve its burgeoning tourism industry. Indonesia may view pirate attacks as a nuisance for international ships only and thus place greater importance on land-based security concerns like those mentioned above. Predictably, Indonesia waters are reported to have suffered the most incidents of piracy in the 2000s.[38]

Indeed, Indonesia may already have a lot on its hands regarding internal security. Placing it into perspective, the International Maritime Bureau (IMB) received only 103 incidents of piracy in 2002. On the other hand, 1,687 murders, 9,000 cases of violent theft, and approximately 11,000 cases of serious assaults occurred on land – meaning less than 0.05% of its total reported crimes were pirate attacks.[39] Of course, reported crimes do not equate to actual incidents, but it is not hard to note the reasons why anti-piracy initiatives have, in general, received less attention and funding in the last decade. Another reason Indonesia focused less on the Malacca Straits is the fact that the Lombok and Sunda Straits handle most of its trade. Finally, as a growing regional power of its own, Indonesia is not amenable to its security problems being handled by other nations. The Indonesian government has specifically repudiated any foreign military presence in its waters, even if extra-regional powers offer to help secure the adjacent Straits of Malacca. The government in Jakarta has even been distrustful of initiatives proposed by Malaysia and Singapore, as it views both nations as direct economic competitors perhaps more so than strategic partners.

In terms of state capacity, Indonesia does not possess the adequate naval training, equipment, and funding to handle its serious maritime piracy problems. The navy, for instance, lacks many of the estimated 262 patrol ships needed to efficiently guard Indonesian territorial waters. In fact, it is believed that only one-fourth of the Indonesian Navy's 114 vessels are serviceable at any given time, impeding any progress from the security apparatus. Additionally, only 20 patrol boats were

"seaworthy" in 2004.[40] Moreover, seven ports failed to comply with the International Ship and Port Facility Security Code (ISPS Code), which is a security instrument of the International Maritime Organization. The ISPS Code delineates "a set of measures designed to enhance the security of ships and port facilities made mandatory under the International Convention for the Safety of Life at Sea", which Indonesia has agreed to observe.[41] Indonesia has also had significant problems in securing funding for maritime security initiatives in the Straits of Malacca. Immediately after the Asian Financial Crisis in 1997, only 25-30% of military expenditures were covered by Jakarta's military budget. It has been widely speculated that budget shortfalls were in part filled through illicit activities.[42]

Intelligence agencies in Indonesia have likewise failed to properly relay security information to naval authorities in other countries and to communicate between national entities themselves. The nine maritime agencies in charge of naval and ocean security in Indonesia, for instance, do not share their intelligence or resources as often as would be necessary to develop a coordinated anti-piracy effort.[43] Singaporean partners have complained about the incompetence; sailors from Singapore have stated that when they relay information to the intelligence agencies in Indonesia, "it disappears into a black hole."[44]

Despite some shortcomings, the government of Indonesia has implemented several national programs to help improve security in its waters. Over the years, it has begun to receive more financial assistance from foreign countries, which has prompted more action on its own part to ensure security for international vessels passing through the Straits of Malacca. Although coordinated efforts with Malaysia and Singapore have not occurred without some hurdles, Indonesia has worked towards improving relations with extra-regional powers. This includes holding a biannual maritime patrol with India since September 2002 and expanding relations with neighbors, like Australia and Japan. It has also improved its security relationship with the United States, with which it has revived a couple of defense exercises, most notably the annual Cooperation Afloat Readiness and Training (CARAT) model.[45] Over the last decade, Indonesia has agreed to cooperate more with neighboring nations. However, incentives for more participation need to be addressed as Jakarta continues to focus on other sovereignty threats more than maritime piracy.

Malaysia

Straits of Malacca

Unlike its neighbor Indonesia, Malaysia has much more at stake in the Straits of Malacca and has begun to show some interest and flexibility in anti-piracy initiatives. Malaysia's most populous region – Peninsular Malaysia – forms the entire northeastern border of the Straits of Malacca. Kuala Lumpur, Malaysia's capital and one of Southeast Asia's most important financial centers, is only about 20 km away from the Straits and depends substantially on the cargo from those ports. Competition for resources, particularly fish and oil, push Malaysia to improve its security standing. Black markets, however, encumber any focus on piracy, and like Indonesia, the government of Malaysia tends to focus more on terrestrial threats.

Malaysia has warmed to the idea of burden-sharing procedures to counteract the levels of maritime piracy. Like Indonesia, Malaysia depends on its strong fishing industry, which is impacted by piracy. Government proposals, however, are primarily focused on the environmental or economic side of the trade more than the security aspects, similar to Indonesia's policies. Coupled with a desire to

limit the internationalization of the Straits, Malaysia saw its piracy problem worsen in the late 1990s and early 2000s.

Despite the gradual acceptance of external assistance, Malaysia maintains that piracy is a national problem and should be dealt with by the littoral states. Malaysia's Maritime Enforcement Agency, launched in 2006 after merging five maritime agencies in 2004, boasts 70 patrol craft and six helicopters that it can use for arrests and safeguarding the Straits. The Coast Guard-like organization has established a string of radar tracking stations along the Malaysian coastline where it can monitor vessel traffic. Similarly, the Malaysian Marine Police has increased its patrols of the high-traffic waterway. In 2005, the Marine Police foiled several attempted attacks, including one case that led to the prosecution of the would-be perpetrators.[46] With an improving technological sector and increased assistance from extra-regional powers, Malaysia now admits that burden-sharing schemes could help improve security standards in the Malacca Straits and benefit the country and region as a whole.

Singapore

Straits of Malacca

Known to be one of the economically powerful Asian Tigers, Singapore is one of the world's most important centers of commerce. Singaporean ports are amongst some of the busiest in the world, and have sustained that title for decades.[47] Its closeness with other economic powers, especially other Western nations, has helped the tiny nation-state acquire powerful instruments to guard its ports from seaborne attacks. Despite these pros, the country is still plagued by maritime crime and has sought desperately to inspire cooperative measures between the three littoral states. As the region's best performing economy, Singapore has much to lose to maritime piracy and its effects.

Singapore's government has been very willing to cooperate on both regional and extra-regional levels. Such enthusiasm to work with other nations has benefited the island both economically and strategically. So strong was its desire to bring in outside help that then deputy prime minister, Tony Tan, said at a 2004 conference on maritime security: "It is not realistic to unilaterally confine such patrols only to countries in this part of the world … We can do more if we galvanize the resources of extra-regional players!"[48] By 2011, the Information Fusion Center – a multinational collaborative effort organized by the Singaporean Navy – had already deployed International Liaison Officers from ten different countries, including Australia, India, Malaysia, the United States, and Vietnam. Noticeably absent from this effort, however, is Indonesia.[49]

In terms of state capacity, Singapore is by far the most organized and technologically advanced out of the three littoral states. It is one of the 20 foreign ports listed on the Container Security Initiative, a U.S.-led program that fosters intelligence-sharing in order to help partners identify potentially dangerous or suspicious cargo, improve detection methods, and enhance container security overall.[50] Additionally, Singapore's ports also possess state-of-the-art vessel tracking systems designed to track the paths of 70,000 ships simultaneously.

Aside from strong technological capabilities, Singapore has also established numerous formidable national initiatives to improve maritime security in the Straits of Malacca. The Interagency Maritime and Port Security Working Group, for instance, invovles three nautical agencies – the coast guard, navy, and port authority – to keep an eye on vessel traffic and ship movement near the seaports.[51] Individually, nonetheless, the navy and police coast guard have proven very effective against threats out at sea. The navy is reported to be able to monitor up to 5,000 ships at one time, while also employing extra features like electronic navigational displays and data recordings. Similarly, in early 2007, Singapore announced that it was going to construct a command and control center that would house the Singapore Maritime Security Center, an Information Fusion Center, and a Multinational Operations and Exercise Center. These organizations provide information sharing framework and an infrastructure through which multinational exercises and security operations out at sea could be more efficiently organized.[52]

User Countries

Countries like China, India, Japan, and the United States have a vested interest in protecting the valuable trade sea-lanes of the Straits of Malacca.

- **China:** As the second largest energy consumer in the world, China depends on the Malacca Straits for 85% of its imports,[53] including 80% of its energy imports.[54] Beijing has primarily provided financial assistance to the littoral countries. Wary of a minimized regional presence, China has rejected greater Indian and Japanese security involvement, going as far as rejecting propositions for security patrols from Japan.

- **India:** India is the external (non-littoral state) power with the longest involvement in the Straits. The Indian Navy, for instance, has carried out joint anti-piracy exercises with its Singaporean counterpart for more than ten years, and with Indonesia and other nearby nations – like Thailand – for over five years.[55] It is estimated that over 40% of India's imports come through the Straits of Malacca. In order to secure transit heading towards South Asia, India uses its Far East Command in the Andaman and Nicobar Islands to study shipping threat trends.[56][57] On June 30, 2012, India opened a key naval station, named the INS Baaz, aimed at enhancing the country's ability to monitor the chokepoint and also extending its strategic reach in the region. [58]

- **Japan:** 80% of Japan's petroleum imports and 60% of its imported foodstuffs pass through the Malacca Straits, making Japan one of the most dependent user nations.[59] Japan has invested millions of dollars in enforcing security in the Malacca Straits due to its significance to the Japanese economy. The Nippon Foundation (a Japanese non-profit focused on humanitarian work and maritime development) has worked with and donated money to the Malacca Straits Council. The Nippon Foundation estimates that piracy costs Japan around US$10-15 million per annum.[60]

- **United States:** The U.S. has stated its interest in helping secure the waterway, but has met a lot of resistance from Indonesian and Malaysian authorities. Both countries believe that an overstated presence would raise sovereignty concerns and could threaten the "regional balance of powers." China has also been a vocal opponent to greater American intervention.[61] Although American patrols and rapid-response units have been immediately rejected by Indonesia and Malaysia, both nations have agreed to accept assistance in the form of advice, equipment, and training.[62]

Non-State Shipping Actors

Aside from state actors, ship owners and shipping companies have also played a small – but significant – role in promoting greater security at sea. As the primary actors in charge of improving the overall security of privately owned shipping vessels and related equipment, shipping companies are responsible for adopting efficient security measures. Reinforced "safe rooms" and secret compartments are common inexpensive additions, as is the installation of tougher locks and bolts on cargo holds, security lights, and powerful hoses used against pirates attempting to board ships. Finally, improved global positioning devices are becoming customary, if not absolutely necessary, for safer and more efficient navigation.[63] Manufacturers have also positively impacted the security market, offering tracking technology like ShipLoc[64] or electrified (and non-lethal) protective measures, like Secure-Ship.[65] The company Secure A Ship even offers a private team of "ex-Special Forces and specialist UK military teams to accompany" ships in elevated threat areas like the Straits of Malacca.[66]

Private military companies, such as Singapore-based Asia Risk Solutions, also offer special services for ships transiting the Malacca Straits. However, the presence of these traveling bands of armed individuals creates legal complications for the littoral states and the origin countries.

When faced with the possibility of passing through dangerous locations, shipping companies and even governments can request armed escort services for valuable cargo. These escort services involve ex-police and current military personnel trained to protect, or in cases of escalation, defend shipping vessels. These guards can be on board or accompany the vessel on speedboats on either side. In order to alert regional law enforcement of their presence, guard boats are clearly marked. However, Indonesia and Malaysia, as well as some non-governmental organizations like the International Maritime Bureau, generally oppose private military companies because of their armed nature. Treaties like UNCLOS liken private guards to "vigilantes" if they engage with pirates in territorial waters.[67] Singapore, however, does allow private military contractors to operate in its land and sea jurisdiction under certain legal conditions.[68]

Security Measures and Initiatives

Bilateral and trilateral agreements have been implemented over the years to combat maritime crime with varying degrees of success. Multinational efforts and burden-sharing initiatives have also increased in recent years and have improved the effectiveness of responses to incidents, helping to usher in the gradual decline in piracy incidences that the Straits have experienced since the late 2000s. Below is a non-exhaustive, chronological list of numerous initiatives that have influenced or have been specifically introduced to help secure the Straits of Malacca:

The Five Power Defense Agreement (1971)

Conceived in 1971 to improve security measures for Malaysian and Singapore ports, including the Straits of Malacca. Member parties are Australia, Malaysia, New Zealand, Singapore, and the United Kingdom; Indonesia is not a member of this agreement.[69]

The Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation (1988)

Meant to bring together countries wary of maritime crime so as to create a non-binding framework to promulgate security ideals. Malaysia and Indonesia have not ratified this agreement, as the agreement's specific territorial definitions make it viable only for countries with few land disputes.[70]

The United Nations Convention on the Law of the Sea (1982)

Although not specific to the Straits of Malacca or Southeast Asia in general, UNCLOS is a significant historical benchmark for maritime security. Piracy in the Straits of Malacca technically does not qualify as "piracy", under the definition espoused by UNCLOS; under the convention, these attacks are actually the responsibility of the littoral states in question, since the attacks fall in territorial waters.[71] Numerous problems arise with the observation of UNCLOS. For instance, governments consider the Straits of Malacca an "international sea-lane" to which they have a right to use,[72] under Part III of UNCLOS. The littoral governments, however, are wary of the internationalization of the Straits and view passage as transit through territorial waters. Another problem is the definition of pirate attacks, particularly the necessity of there being "violence, depredation, and detention", which is not always the case in actual attacks. Lastly are the drawbacks that exist while in pursuit of criminal actors. Any pursuit of pirates by one of the littoral states has to end as soon as the individuals enter another country's territorial waters, due to strict sovereignty laws.[73]

Japan-proposed Regional Coast Guards (1999)

Forces for the patrols were intended to come from China, Indonesia, Japan, Malaysia, Singapore, and South Korea, but China rejected the idea, accusing it as a way for Japan to "extend its security role…and contain Chinese maritime interests."[74][75] The failure of this extra-regional initiative highlights the existing problems with powerful countries that have large stakes in the Straits, as well as resulting competition and spheres of influence.

The Shangri-La Dialogue (2002)

Organized by the International Institute for Strategic Studies in Singapore, the Shangri-La Dialogue is an annual forum attended by over 25 countries invested in securing the region. It has enhanced diplomatic and strategic multilateral efforts and brings together not only countries near the Straits of Malacca, but also countries that use the sea-lanes, such as Chile, France, Germany, India, Russia, and the United States.[76][77]

MALSINDO & the Eye in the Sky Initiative (2004/2005)

MALSINDO (which is an amalgamation of the first few letters of each of the three littoral states) involved a cooperative effort between the countries' navies. Its main flaw was its failure to include provisions regulating cross-border pursuits, as such laws were largely viewed as infringing upon each country's sovereignty, even if they involved the chasing of fugitive pirates.

In 2005, Indonesia, Malaysia, and Singapore re-branded MALSINDO and introduced the Eye in the Sky initiative, which permits aircraft to fly up to three nautical miles into the territorial waters of the littoral states. This marked a significant change in flexibility for the three countries, as they were willing to put sovereignty issues aside in order to improve maritime security.[78] The program also fosters trust and cooperation within the triumvirate. On board the aircraft are representatives from each country, as well as individuals from other nations, if deemed necessary.

The tours, however, have been criticized as being superficial and inefficient. Seventy sorties per week were supposed to be held, but only eight took place in that period of time. Furthermore, few patrol vessels have investigated and interdicted targets identified by the air patrols.[79]

The Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) (2006)

Touted as the "first regional government-to-government agreement to promote and enhance" collaborative efforts against piracy and armed robbery, ReCAAP is one of the only initiatives to differentiate between maritime piracy and armed robbery at sea.

Member countries include all ASEAN nations, and several South and East Asian countries. However, the agreement does not include Australia or New Zealand, which is viewed as a slight setback as both nations have a lot of security resources. Another issue is the unwillingness of some member parties to share intelligence. Malaysia and Indonesia have not ratified the agreement, but cooperate on an operational level.[80][81]

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These few examples underline both a positive movement towards cooperative efforts of different varieties and the seriousness surrounding the issue of security in the Malacca Straits. As evidenced by the sophistication of pirate incidents in the Straits today, there is a lot of room for improvement with these and other initiatives. It is important for influential and capable actors (both foreign powers and relevant non-state actors) to coordinate measures to curb this destabilizing threat. It is impossible for the three littoral nations to treat the problem alone. With open communication and diplomacy, outside help could be utilized to improve security measures for all actors involved.

Terrorist Organizations and Other Insurgencies

The fact that a large-scale terrorist attack of devastating proportions has not yet occurred in the Straits of Malacca is somewhat surprising, given the importance of this natural chokepoint to worldwide trade and especially to Western nations. To be sure, security efforts over a variety of different transnational issues have received increased attention and funding after the September 11, 2001 attacks. However, as seen with maritime piracy efforts, the state capacities of the littoral states are not consistent throughout and gaps continue to exist. In spite of such drawbacks, evidence shows that some of the initiatives implemented have at least helped deter acts of violence and terror.

Terrorism and maritime piracy have many commonalities; however some evidence shows that there is no true pirate-terrorist nexus, as their end goals tend to be at odds with each other.[82][83] As previously explained, piracy is primarily motivated by financial gain through robbery and other means. Planning, if any, is not extensive or detailed. Terrorism, on the other hand, focuses on sending a political or ideological message and it is not inherently influenced by money. Consequently, terrorist attacks are scrupulously arranged, and in cases of failure, the organization demonstrates stoicism and patience when planning future attacks.[84]

Other facts point to terrorism and piracy merging together to take advantage of the financial benefits and strategic tactics of attacks out at sea. Groups like the Jema'ah Islamiyah, according to the Indonesian state intelligence, have admitted to considering employing maritime piracy methods to disrupt vessel traffic in the Straits of Malacca.[85] The now disbanded separatist and radical Islamist Group, the Free Aceh Movement, has also been reported to trick and hijack ships. Moreover, both benefit from the illicit trades throughout the region as ways to finance pirate expeditions and terrorist activities.

Fear of a successful terrorist attack in the Straits of Malacca has been so great that the Bush Administration branded the Straits as the "second front" in the "Global War on Terrorism."[86] Indeed, the waterways are a very attractive region for terrorist organizations for a number of reasons. Firstly, governmental control in Indonesia and Malaysia is stretched quite thin in some areas. In these places, black markets and other criminal activities flourish. In many cases, terrorist organizations are behind these shadow economies, utilizing their garnered capital to finance operational planning and the purchase of equipment. Indonesia and Malaysia have non-urbanized terrain that is difficult to monitor, providing ample hideouts. Rainforests provide tree cover and make it an attractive command center for criminal groups and terrorists alike. Similarly, coastal waters are lengthy and poorly protected. The Aruah, Sinaboi, Rupat Bengkalis, and Karimun Besar Islands off the coast of Sumatra are perfect examples of places with minimal law enforcement presence.[87] In these areas, individuals could evade arrest and hide from the authorities.

It is possible that actually perpetrating a successful terrorist attack out at sea is not as simple as imagined. In reality, terrorist actors encounter numerous impediments that hinder the success of a seaborne attack. First of all, terrorists seek to disseminate a message through widespread media coverage of any attack they execute, so as to spread fear throughout the population. This means that, in order to report on the event, media outlets must have access to the scene, in order to report on it. If the attack occurs out at sea, it would have to be carried out close enough to land, thus limiting the "theatre of operations" in which the attack can occur. Furthermore, carrying out an attack at sea offers little cover, making it easy for pursuing parties – primarily littoral state law enforcement patrols – to scope the region and initiate pursuit. Small islands could provide cover, but their size offers nothing more than a short-term solution for evasion. Lastly is the difficulty in actually executing an attack on water. Precision is crucial for terrorist attacks. Now that regional and foreign vessels are both improving their security rapidly due to the heightened risk perception in the region, it is becoming harder for maritime terrorist attacks to be executed without complications.[88]

Seaborne terrorism is uncommon in the Straits of Malacca, though it is hardly unheard of in Southeast Asia. In 2004, the Philippine-based Islamist terrorist group Abu Sayyaf detonated an eight pound TNT bomb aboard the passenger vessel SuperFerry 14, resulting in 116 deaths. This attack remains the world's deadliest terrorist attack at sea.[89] Three years prior to the Abu Sayyaf attack in the Philippines, a video tracking the movement of Malaysian navy ships navigating through the Straits of Malacca was found in Afghanistan, hinting that terrorists were considering the Straits for a future attack. In two other cases, Singaporean authorities arrested terrorist suspects who confessed to planning an attack on American vessels in the area, while in a hijacking in 2004, a chemical tanker was seized in the Straits, but abandoned an hour later. Singaporean authorities hypothesized that pirates

hijacked the tanker in order to use the tanker-turned-phantom ship as a dummy for a forthcoming bomb attack.[90] Cases like these demonstrate that the absence of a successful terrorist attack does not mean that the threat does not exist. On the contrary, these events demonstrate that the desire to perpetrate an terrorist acts in the area continues to exist.

Unmistakably, the rise in Islamic fundamentalism and other radical ideologies has triggered a rise in terrorist organizations in Southeast Asia. One of the largest and most notorious terrorism organizations is al-Qaeda, which has been known to have a presence in the area, both physically and strategically. Despite a decrease in high-profile attacks in recent years, al-Qaeda still shows interest in the region. In 2000, an al-Qaeda operative, Khallad bin Attash, advocated bombing American naval vessels in Port Klang, Malaysia, after reviewing an unsuccessful attack on the USS Sullivan. Further evidence shows the persistence of al-Qaeda initiatives. Two years later, in 2002, a senior al-Qaeda liaison of Iraqi descent active in Indonesia, Omar al-Faruq, was arrested and interrogated on the organization's future plans. During his questioning, al-Faruq divulged that al-Qaeda had been scheming to attack U.S. naval vessels in the crowded port of Surabaya, some 14,000 km away in East Java, Indonesia. However, the group was unable to recruit enough personnel for the operation, resulting in its cancellation. In still another instance, another operative was intercepted en route to Southeast Asia with a 180-page dossier listing out maritime targets in the area. The commercial importance of the Straits, coupled with the region's improving economic standards (particularly Singapore's economic openness and stalwart global performance), makes the waterway an attractive ideological target to attack. Indeed, in a broadcast on October 2002, the successor of Osama bin Laden, al-Qaeda leader Ayman al-Zawahiri, warned that al-Qaeda "would target the nodes of your [the West's] economy."[91] Governments should not doubt that among these nodes are the critical Malacca Straits.

Al-Qaeda has sought to improve its seaborne capabilities by reaching out to global affiliates for assistance in training. The now defunct Sri Lankan separatist group known as the Tamil Tigers was reported to have trained al-Qaeda operatives in maritime terror techniques.[92] Some sources already depict al-Qaeda as adept in illegal activities out at sea with a well-established record of maritime terror activity.[93]

Al-Qaeda is also known to have close ties to other regional affiliates, even going as far as planning attacks with their commanders. One of al-Qaeda's strongest collaborators is the Jema'ah Islamiyah, a regional associate that enjoyed some slight resurgence in the late 2000s. It has been touted as a major threat to the security of the Malacca Straits (it is best-known as the party responsible for the 2002 Bali bombings, which remains the deadliest act of terrorism in the history of Indonesia[94]). Although its capability at sea is less developed than its abilities on land, the Jema'ah Islamiyah maintains a strong interest in seaborne terrorist attacks in the Straits. For instance, reports state that the organization has targeted the Changi Naval Base in Singapore in the past, unsuccessfully.[95] Jema'ah Islamiyah is expected to improve its maritime competences with the help of al-Qaeda's expertise, and thus it remains a major destabilizing factor in the region. Another insurgent group that has affected the security of the Straits of Malacca was the Free Aceh separatist movement, known regionally as the Gerakan Aceh Merdeka or GAM. The group was headquartered in the Aceh province on the northwestern tip of Sumatra, bordering the northern mouth of the Straits of Malacca. On 16 July 2005, a peace agreement was signed by Indonesia and the movement's leader, Malik Mahmud, ending a thirty-year long insurgency that threatened secession and destabilization on both Indonesia and the Straits it borders.[96]

Prior to this peace agreement, however, the Free Aceh Movement was a powerful and belligerent separatist movement that employed terrorist tactics aimed at weakening Jakarta's control over Aceh. It was reported to trick ships into trusting the organization by requiring seafarers to report information on vessels passing the "territorial waters" of the autonomous Aceh region. If the vessels refused to comply, members of GAM warned that attacks by pirates were common in the area and that the Free Aceh Movement could not provide protection to those who chose that route. In truth, the organization would perpetrate said pirate attacks, using the warnings as an alibi with which to protect itself from direct blame. Individuals claiming to be part of GAM are said to have attacked three chemical tankers and an oil shipping vessel in 2003. Despite these problems, the Free Aceh Movement no longer threatens the stability or security of the region and has benefitted significantly from reintegration into Indonesian politics and civil society.

Other belligerent groups have committed acts of violence in the regions near the Straits of Malacca in the last decade, employing terrorist tactics to proliferate fear. Among these organizations is the Kumpulan

Mujahideen (or Militan) Malaysia, which operates in Kuala Lumpur and the surrounding districts, as well as in the provinces of Johor, Kedah, Kelantan, Perak, Selangor, and Terengganu.[97] This radical group seeks to create a pan-Islamic state composed of provinces from Malaysia, Indonesia, and the Philippines, in addition to the southern, predominantly Muslim, parts of Thailand (as was suggested to them by their affiliate, Jema'ah Islamiyah).[98] It is thought that the operatives self-finance their operations, likely through illicit economies.[99] Abu Sayyaf, based out of the majority-Muslim southern province of Mindanao in the Philippines, also has close connections to the region's major rebellious movements. In addition to these groups, the Barisan Revolusi Natsonal (the National Revolutionary Front) and the Patani United Liberation Organization,[100] both based from Patani, Thailand, boast some capabilities at sea.[101]

Black Market Activities and Other Crimes

Pirates and terrorist organizations do not operate alone. These groups raise money through their connections to the black market. As is common in many hotspots around the world, black markets flourish where there is an inadequate law enforcement capacity. The Straits of Malacca is no exception to this rule. Black markets divert funds from legitimate avenues and hurt legally functioning businesses, both nationally and internationally. Havocscope.com, a black market statistics and information aggregator, estimates that Indonesia, Malaysia, and Singapore's black market values stand at US$18.85 billion, US$2.92 billion, and US$247.3 million, respectively. Out of the 91 countries ranked by Havocscope.com, Indonesia places 14th, Malaysia is 40th, and Singapore ranks 66th in the world.[102]

As one of the most heavily transited waterways in the world with some of the busiest ports in Asia, the Straits of Malacca region is an important center for illicit economies – particularly general smuggling. Smuggling is very common at ports in the region, due to lax controls and the chaotic atmosphere that accompanies the loading and unloading process. Smuggled items are usually moved surreptitiously while goods are being unloaded off ships. Around this time, hired movers – colluding criminals – quickly move the desired cargo and put it off to the side to await transport to warehouses nearby; these items are eventually delivered to their destination or are prepared for public consumption in the immediate area. Hard currency is used to pay for these shipments, making them even more difficult to track. This same environment is also perfect for money laundering, as money laundering depends on quick monetary transactions.[103]

Smuggling has become a major issue in recent years, reaching a seven-year high in Singapore in 2010. Products like cigarettes, security paraphernalia (i.e. knives, firearms, and nightsticks), and even wildlife topped the list, with over 20,000 reported cases in all three categories .[104] Other items known to be smuggled into the region include:

- **Crude oil** – particularly difficult to monitor as a big percentage of trade through the Malacca Straits is crude oil.[105]
- **Elephant ivory** – Singapore has some of the largest reported seizures of elephant ivory in the world.[106]
- **Weapons** – smuggled in multiple capacities, for armed groups like the now defunct Free Aceh Movement and the Thai terrorist group, the Pattani United Liberation Organization.[107]
- **Human kidneys** – Singapore has one of the highest rates of kidney failure (fifth in the world), driving a strong demand for human kidneys.[108]

Drug Smuggling

Among the most commonly smuggled items are drugs, which are perhaps the most serious of the black markets in the Straits of Malacca region. Drug use has seen a spike in all three littoral states, prompting widespread health concerns.[109] [110] [111] Indonesians are amongst the most active traffickers in the region. Malaysia arrested 305 Indonesian citizens for drug trafficking offenses in 2010.[112] Iran and West Africa are popular points of origin for drugs like heroin, methamphetamines, and opiates.[113] The goods typically follow the East Asian drug corridor, which passes through China, the Philippines, and down into Southeast Asia.[114]

Stolen Shipping Vessels

Black market items, such as drugs or other consumer electronics, are typically small enough to be easily concealed. Phantom ships, however, do not fit this category. These ships are sold into the black market after they are procured illegally, usually after successful pirate attacks and seizures. A new coat of paint is applied in order to alter the ship's exterior, so as to minimize identification and to conceal its unique seven-digit International Maritime Organization registration number, typically found on the hull of ships that carry over 100 gross tons (however, these numbers are not placed on fishing boats, yachts, wooden ships, or any similar non-merchant vessels).[115] After the ship is sold, falsified certificates are bought to help hide the ship's tracks. These registration documents and safety inspections are not difficult to secure. In fact, they can be inexpensive and quick in more than a few jurisdictions.[116]

In order to blur the tracks even further, brokers register their newly acquired vessels under another country's flag. Reports state that most of the phantom ships are registered under either Panamanian or Honduran flags. In fact, one survey alleges that out of twelve phantom ships that were known to be in use in Southeast Asia at one time, all but one was registered in these two Central American countries.[117] Cambodia has also become a registry haven for ships in Southeast Asia. It is believed that al-Qaeda registered several ships under the Cambodian flag of convenience; the So San, the ship intercepted by Spanish forces carrying North Korean missiles to Yemen in 2002, was noted for its Cambodian registration numbers.[118]

Human Trafficking

Lastly, another robust underground trade in and around the Straits of Malacca is human trafficking. The trafficking of men, women, and children trafficked brings traders in the littoral states substantial pecuniary gains. Victims are typically women and children, and more often than not, they come from poor economic backgrounds. Many are tricked with promises of work across borders, or with the allure of Singapore's wealth. Instead of paying jobs, however, female victims are forced to prostitute themselves or endure other forms of sexual exploitation, are sold into domestic servitude, or are coerced into forced labor. The United Nations estimates that between 200,000-250,000 women are trafficked through the general region annually, many of whom are moved through the Straits.[119] Estimates for children are also alarming. The End Child Prostitution, Child Pornography, and Trafficking of Children for Sexual Purposes organization estimates that around 40,000 and 70,000 children are trafficked in the region per year.[120] Children – both boys and girls – are abducted from coastal towns near the border of Malaysia and Batam, Indonesia, both places

not far from Singapore.[121] Moreover, the prices of babies continue to rise as demand continues to increase. Infants are said to cost upwards of 20,000 ringgit[122] (US$6,300) in Malaysia, depending on the "level of perfection" and skin tone.[123]

Because of the difficulty of concealing live human bodies, traffickers utilize phantom ships to smuggle their victims into nearby regions.[124] Problematically, Malaysia and Singapore are both popular destinations for human trafficking. According to the United Nations Interagency on Human Trafficking, Malaysia is the third most common destination for trafficked victims, a ranking mirrored by the Burmese government, with Singapore coming in as the fourth.[125]

Environmental Crime

Other criminal pursuits are also common. Environmental crime is a frequent activity in the waters of the littoral states, especially in the form of illegal fishing. Because it depletes the fishing populations controlled by government intervention, fishing without government permission has also created indirect competition with coastal denizens in

the other littoral states. In a sense, unregistered fishermen "pirate" the seas in order to fish without a permit, and oftentimes do so in foreign waters.[126] Illegal logging is another serious problem in the region. This underground activity contributes to marine pollution and destroys the rainforest regions lining the Straits. Indeed, the rising market of ramin timber – the trade name for several endangered species of tropical hardwood, which some say is a "better [trade] than drug smuggling" – is driven by a high demand in the black market. However, the destruction of these ramin forests are putting a number of endangered priority species, such as the orangutan and the Sumatran tigers, in danger of extinction.[127] The underground wood trade is linked to the "timber mafia", which is composed of organized criminals that monopolize the illegal cutting down and movement of ramin logs.[128]

Poverty and economic inequality are being driven by black market and other illegal activities. In order to improve security conditions in the Straits of Malacca, there these underlying issues should be addressed.

Below are some recommendations to help counter some of the issues faced by the littoral states in the Straits of Malacca:

Altering the Flags of Convenience Statutes

It is not difficult for individuals – like pirates, terrorists, and criminals – to register any large ships acquired under the flag of another country. Because of the threat of a large-scale attack by terrorists, it is important for countries to come together and find ways to limit the ease of registration without adversely affecting maritime trade. One solution could be to implement more identification requirements for registrants (to improve accountability) or to require a six-month wait period for new registrants, so as to maximize background checking. More accountability should come from national registration entities.

Multinational Cooperation & Extra-Regional Collaborators

A major problem plaguing the littoral states and the Straits of Malacca revolves around the inability for Indonesia and Malaysia, specifically, to collaborate efficiently with each other and Singapore. Furthermore, Indonesia and Malaysia have sought to restrict any international presence or direct intervention, unlike Singapore's desire to open the dialogue to foreign powers. However, while the sovereignty concerns are legitimate, it is important for Indonesia, Malaysia, and Singapore to secure the Malacca Straits and nearby waters because the volume of traffic that passes through benefits them. Whether or not direct presence is warranted, the three littoral states should make their demands for foreign assistance clear in order to form new partnerships that can develop more efficient security policies. Greater burden-sharing initiatives and foreign training exercises are effective ways to improve the existing security apparatus in the region. Finally, greater communication should be supported between the littoral nations, including intelligence sharing initiatives. Additionally, user nations should consider coming together and forming some sort of association through which these countries can allocate responsibilities and help develop a greater security apparatus.

Ransom Payments & Anti-Piracy Measures

Many analysts agree that ransom payments should be the last measure taken in cases of kidnapping out at sea. Evidence shows that ransom payments trickle down and fund not only the pirates themselves, but also the financiers behind the attacks. This money is also used to purchase weapons and ammunition for later raids. Moreover, pirate groups are more likely to attack a country or shipping company that gives in to the monetary demands.[129] In order to avoid paying ransom statements, a robust security apparatus has to be put in place that is able to act swiftly and efficiently. Arming crewmembers could be a dangerous precedent and is unlikely to be supported by international agreements, but ultimately, it is the decision of the governments in the region to decide whether such personal protection measures fall in line with the region's stances towards maritime crime. Governments should therefore move swiftly to determine the best avenues to combat these threats.

Resolving Border Disputes

Land and sea border disputes exacerbate the complex security problems facing the Straits of Malacca. The best way to implement regional security programs is to resolve any outstanding border disputes. Although a legal framework that gives the authorities of neighboring littoral countries total permission to cross the border into sovereign territory is unlikely, the implementation of a seamless cross-border initiative may prove to be very valuable for security of the overall region. Because pirates, terrorists, and other rogue actors do not observe or respect territorial lines, it would be very fruitful for the littoral states' governments to initiate movements to mirror such a mentality – to a certain extent – under an established legal framework. Laxer laws for law enforcement authorities from neighboring countries and guaranteed inter-governmental cooperation at times of pursuit are possible options.

Supporting Economic Development & the Enhancement of Social Programs

Economic development should be encouraged in the coastal communities of Indonesia and Malaysia in order to dissuade people from turning to illegal activities as a means to procure money. Greater economic opportunities are said to bring down involvement in crime (including piracy) by alleviating joblessness and improving the livelihoods of the population. Nations that heavily depend on the Straits of Malacca for trade can also contribute through foreign aid programs targeting these coastal areas.

Similarly, civil society can play an important role in improving economic standards in communities and creating a set of norms that dissuade community members from partaking in illicit activities.

The United States' Purview on the Straits of Malacca

As one of the major countries dependent on the sea-lanes in the Straits of Malacca, the United States can play an important part in keeping the natural chokepoint secure. Firstly, the United States should maintain a neutral and limited position and tailor its policies so as to not over-step its bounds as a foreign actor. With a careful approach, it is possible that the littoral states could begin to appreciate better the assistance offered by the U.S. and welcome greater extra-regional cooperative measures. Any forceful initiatives – military or regime-building – should be abandoned. In lieu of these avenues, the United States should focus on establishing good will and humanitarian aid, especially for coastal communities, as discussed before. A soft law approach and greater positive diplomatic ties can show the littoral states that the United States wishes to help, while still respecting the fact that these issues affect the sovereignty of countries in the area.[130] The United States already has a few programs aimed at offering technical assistance to the states in the region. The Indonesian National Armed Forces, for instance, has received US$6.7-$8 million from the U.S. through the International Criminal Investigative Training Assistance Program, while the Indonesian Navy is set to receive US$6 million over a five year period.[131]

It is critical for researchers and governments to understand the foundations of the transnational issues that unfavorably affect the security environment of the Straits of Malacca. Pirate attacks have brought negative attention to the region, to the point that the Straits have become associated with armed robbery the way that Somalia's security reputation has been marred by maritime crime. Likewise, separatist movements and other problematic groups with links to global terrorist networks ignite internal unrest and destabilize the region. Lastly, underground economies debase legitimate markets and proliferate a whole range of issues, from health problems to prodigious financial losses in all consumer product sectors. The three littoral states of Indonesia, Malaysia, and Singapore have introduced unilateral, bilateral, trilateral, and extra-regional initiatives to combat these threats. Some of these had success, and have minimized the dangers of these three major perils. Other programs, however, have stalled due to pre-existing conditions that hinder any progress towards increased security.

Ultimately, however, it is up to these three littoral states to devise ways to fight piracy, terrorism, and the illicit economies. Yet, much is to be done and these countries could benefit from greater extra-regional assistance, even in limited amounts.

Despite the many setbacks that Indonesia, Malaysia, and Singapore have experienced over the years, the threat seems to have lessened overall. Piracy, for instance, peaked in the early 2000s. The number of incidents reported in and around the Straits has since decreased. Governments have also dealt with terrorism more effectively, with improved intelligence-sharing partnerships and greater technology. Lastly, positive incentives are pushing governments to act and capture criminals, enhancing both state capacity and the will to stop crime. Notwithstanding, it is important that state actors continue their effort to combat these hazards to prevent a resurgence. As mentioned before, the absence of a direct problem does not signify its cessation.

Ultimately, Indonesia, Malaysia, and Singapore have a ways to go to combat the effects of these problematic transnational threats. Multinational dialogues geared toward reforming the flag of convenience statutes or solving border disputes are crucial for the littoral nations to consider in order to increase future security cooperation. Moreover, introducing more effective burden-sharing projects and opening up the region to limited foreign assistance could be effective long-term solutions to treat these issues. However, economic development should remain the main priority in the fight against piracy. As the root cause for many criminal pursuits, inequality and poverty should be targeted by the governments in the region and ways to alleviate these conditions should be summarily introduced. With a more prosperous population, fewer people would turn to maritime piracy and illegal activities to earn money.

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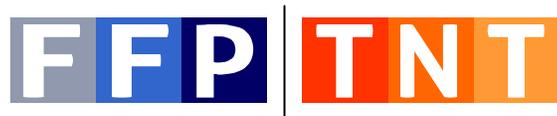
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