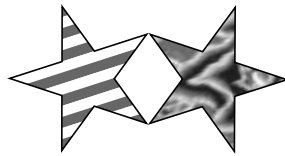


Indonesia and the United States: Shared Interests in Maritime Security

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PREFACE

Since its founding in 1994, the United States-Indonesia Society (USINDO) has striven to promote clearer mutual understanding and to establish a firmer basis for a productive relationship between the two countries. In pursuit of those objectives, USINDO commissioned a comprehensive review of the bilateral security relationship as it has developed with the commencement of the second Bush Administration and at the outset of the administration of President Susilo Bambang Yudhoyono in Indonesia. The preliminary findings of this review, based on extensive field work in Indonesia, were published in December 2004 in a brief experts' report, *Enhancing the U.S.-Indonesia Security Relationship, An Opportunity Not to be Missed*. The authors of this report continued their research with additional work in-country and have now published final reports in three separate but related monographs:

Towards a Stronger U.S.-Indonesia Security Relationship, by John Haseman and Eduardo Lachica examines the internal stability and civil security situation within Indonesia, together with prospects for defense sector reform and the development of police capabilities.

Indonesia and the United States, Shared Interests in Maritime Security by Bronson Percival analyzes the threats posed by terrorists to the strategic waterways that pass near and through the Indonesian archipelago. This trenchant review focuses on Indonesian organization and capabilities in the maritime sector.

Indonesia's War on Terror, by William Wise describes the threat from international terrorism and Jakarta's response. The desirability of law reform and improving Indonesia's intelligence capabilities are highlighted.

The unifying thread that binds the papers is the congruence of U.S. and Indonesian national interests in addressing these security challenges.

The authors of the monographs are acknowledged experts in their fields of research. They were given complete latitude to pursue their investigations and develop their analysis, conclusions and recommendations. USINDO believes that this project substantially contributes to an enhanced understanding of the important dimensions of regional and national security. The opinions and conclusions expressed by the authors are their own, however, and do not necessarily reflect the views of USINDO or its Board of Trustees.

ALPHONSE F. LA PORTA
PRESIDENT

INTRODUCTION

Indonesia and the United States share an interest in improving maritime security in the Strait of Malacca. This pirate-infested Strait is open to a dramatic and costly maritime terrorist attack. Through this Strait flows as much as 40 percent of the world's trade and 80 percent of China's oil imports, as well as 80 percent of Japan, Taiwan and South Korea's oil and gas imports. An attack by terrorists could send a shock wave through the economies of neighboring countries, raise freight and insurance rates, and divert commercial shipping to expensive alternative routes. Pressure, particularly in times of tight energy markets, would quickly mount on maritime powers external to the region to intervene to protect commercial shipping. Such external intervention is an outcome that Indonesia, deeply concerned about maintaining sovereignty in its territorial waters, hopes will never come to pass.

Japan and the United States have highlighted the threats of piracy and terrorism respectively. Singapore is alarmed, and has rapidly responded to these threats. With an economy even more trade dependent than Singapore's, Malaysia is now beginning to appreciate the problems it faces. Indonesia, with inadequate maritime security resources and a perception that it has less at stake than its neighbors, as well as many other pressing problems, has been a cautious participant in an evolving coalition to improve maritime security.

Piracy has imposed growing, if difficult to measure, costs on commercial

shipping and neighboring economies over the past decade, but its familiarity has tended to dampen concern in the region about maritime security as a whole. The bombing of a ferry in Philippine waters, the most deadly maritime terrorist attack in recent years, has also failed to entirely overcome complacency in neighboring countries. However, a maritime terrorist attack in the Strait of Malacca chokepoint, though less likely than another bombing on land, would probably have a greater political and economic impact than any number of pirate attacks or a repetition of the Bali or Jakarta terrorist bombings in Indonesia.

Regional cooperation to assure maritime security in the Strait is essential, but sensitivity to sovereignty issues, as well as differing priorities and capabilities, have slowed the formation of an entente among the littoral states. The acute sensitivity to proposals that could be interpreted as questioning Indonesian or Malaysian sovereignty and an abiding suspicion that the United States, in its efforts to counter terrorism, would be prepared to violate other states' sovereignty, were on display in ill-informed reactions to press stories about U.S. thinking on maritime security in April 2004. Moreover, until Indonesian–U.S. ties improved in the wake of the election of a new Indonesian President and U.S. assistance following a devastating Indian Ocean tsunami, Indonesian public opinion, largely in response to developments in Iraq, was deeply suspicious of American motives in combating terrorism in the Muslim world. In fact, both Japan and the United States have understood and respected sovereignty concerns, while seeking to highlight the issue of maritime security and to encourage the Malacca Strait littoral states to take the lead in “calming the waters” so troubled by piracy. With distrust now dampened, the primary constraint for Indonesia is determining the Strait of Malacca's priority among other pressing issues, including competing maritime security issues throughout Indonesia's sprawling archipelago.

For the United States, maritime security and counter terrorism priorities in Southeast Asia overlap with Jakarta's economic and security interests in the Strait of Malacca. The issue now is how to focus attention on the principal threat and, at the same time, rapidly bridge the gap between perceptions and priorities in Jakarta and Washington so that both countries cooperate to protect their mutual interests.

THE SETTING

For more than a thousand years, trade, religion and the civilizations of India, China, the Muslim world and finally the West, have flowed through the Strait of Malacca. A great maritime empire, Srivijaya, and famous coastal cities such as Malacca and Aceh, grew rich and powerful by managing this trade.

Trade and piracy were two sides of the same coin. Throughout recorded history when established maritime powers lost control over the Strait, the security of the people and products passing through the Strait came under attack. In the early nineteenth century, concern about the “sovereignty” implications of anti-piracy campaigns by either Holland or Britain left the Riau islands, just south of modern Singapore, as a pirate lair. Sulu pirates swept out of territory claimed as a sphere of influence, but not administered, by Britain, Holland and Spain.¹ A British adventurer founded an independent State on Borneo while allegedly suppressing piracy. Only when boundaries were clearly demarcated and colonial authority firmly established on the coasts, could ships safely pass through the Strait. And when that authority diminished, so did security, as when Indonesians fighting for independence smuggled arms past the Dutch blockade in the late 1940s. In the mid 1980s, Thai trawlers preyed not just on defenseless Vietnamese “boat people” in the South China Sea, but on small Malaysian and Indonesian fishermen on the other side of the Malaysian peninsula.² Thus smuggling and piracy are old and familiar problems, often part of

the fabric of life for inhabitants of poor coastal villages in times of disorder and economic hardship. They have been on the upsurge in the Strait of Malacca for the past decade.

This Strait is the world's most important maritime chokepoint. 550 miles long and 300 miles wide at its northwest end, it is shaped like a funnel that eventually narrows into the Strait of Singapore and the Phillips Channel, only 1.5 miles wide at its narrowest point. Between the island of Sumatra and the Malay peninsula, along its coasts are not only the major cities of Singapore, Penang, and the ports for Kuala Lumpur and Medan, but the often rebellious Indonesian province of Aceh and innumerable rivers, bays and mangrove marshes that hide small towns and villages. The Strait is shallow, confining much of its busy traffic to predictable routes and major commercial shipping to designated channels as the Strait starts to narrow. Every day, an estimated 80,000 people cross the Strait.

The Strait is the principal maritime route between the Pacific and Indian Oceans. It connects energy-poor East Asia, including the new manufacturing center of China, with the energy producing Middle East. Now 80 percent of the oil and gas imports of Japan, Taiwan and South Korea move through the Strait, and at least 80 percent of the oil imported by China.³ Within the next twenty years, it is estimated, two-thirds of China's petroleum imports, which will have quadrupled, will flow from the Middle East, and most probably through this Strait.⁴ In 2005, somewhere between 50,000 and 60,000 ships weighing 300 tons or more are expected to pass through the Strait, slightly less than half of the world's entire merchant fleet. Roughly 600 freighters loaded with everything from Japanese nuclear waste bound for reprocessing facilities in Europe to raw materials for China's booming economy traverse this chokepoint daily.⁵ More than 2,500 LNG/LPG voyages pass through, or originate in, the Strait of Malacca each year. Two-thirds of the world's liquefied natural gas (LNG) trade passes through the Strait.⁶ Each year, goods valued at more than \$1 trillion, several times the entire Gross Domestic Product of Indonesia, pass through the Strait.⁷

THE THREAT

PIRACY

All but unknown in Southeast Asia at the end of the Cold War, by the early 1990s piracy was on an upsurge.⁸ Its rise was temporarily checked in Indonesia in 1992 through a comb-out of pirate lairs ordered by Indonesia's autocrat, President Suharto, who temporarily established control in the pirates' bases on land.⁹ After the 1997–98 Asian Financial Crisis and the overthrow of the Suharto regime in Indonesia, piracy began a predictable upswing.

Piracy is a controversial subject. Reliable statistics on piracy in Southeast Asia are not available. Published figures on piracy may not reflect the true extent of the problem. Some experts believe the true number of attempted and actual attacks could be close to double the official figure.¹⁰ The ownership and identity of commercial vessels is notoriously opaque and owners often prefer to negotiate the release of crew or ships and their cargo rather than absorb the costs, both in time and money, of reporting acts of piracy to local authorities.¹¹

An additional problem in assessing piracy is definitional. The term “modern piracy” is often used to cover both “piracy” and “armed robbery” at sea. Some Indonesians, among others, stress the distinction between “piracy” and “armed robbery,” the name for piracy when it occurs within a country's twelve-mile territorial sea. Moreover, apologists for security authorities' dismal record

in combating piracy in Southeast Asia often claim that the amount of piracy is exaggerated, even if attacks within the twelve-mile limit are acknowledged to be a form of “modern piracy.” They point to anecdotal reports of “pirates” simply boarding a ship and robbing a crew as little different from crime on land, and often argue that attacks on ships mostly consist of armed robbery of ships in port. In fact, in 2002, of the actual and attempted pirate attacks in Southeast Asian water, 73 percent were within ports. The following year, of the 187 attacks, only 37 percent occurred within ports. Between the two years, the total number of attacks increased by 26. In the first quarter of 2004, of the 41 reported attacks, only one-third were committed in ports.”¹²

However piracy is defined, Indonesian waters, including part of the Strait of Malacca, are clearly among the most dangerous in the world.

For our purposes, by piracy we mean all acts of robbery or the seizure of cargo or vessels in ports, territorial waters, exclusive economic zones, and on the high seas, in accordance with the statistics compiled by the Kuala Lumpur, Malaysia based International Maritime Bureau.¹³

From 1991 to 2001, of the reported 2,375 actual and attempted pirate attacks worldwide, 66 percent occurred in Southeast Asia.¹⁴ The table on the following page lists recorded pirate attacks from 2000 through 2004.¹⁵

In 2005, after a two-month hiatus in the wake of the December 26, 2004 tsunami that devastated parts of Indonesia and Thailand, piracy resumed with full force. In the first three months of 2005, Indonesia’s waters were the most “pirate-infested in the world,” according to the IMB, with 16 of the total of 56 pirate attacks worldwide, and 4 in the Strait of Malacca.¹⁶ A review of the press shows that in less than six weeks after February 28, six known pirate attacks took place in the Strait of Malacca. Private security firms have reportedly begun to provide armed escorts to ships, at a cost of about \$50,000 per mission.¹⁷

To cite two recent examples:

In mid-March, a Japanese-flagged tug towing a barge was attacked by pirates using three fishing boats southwest of Penang, and three crewmembers, including two Japanese, were held as hostages.

RECORDED PIRACY ATTACKS

	2000	2001	2002	2003	2004
Global Attacks	469	335	370	445	325
Attacks in Southeast Asia	167	257	170	170	189
Attacks in Indonesia	119			121	93
Attacks in the Strait of Malacca	75	17	16	28	37

In early April, seven small fishing boats surrounded a 150,000-ton tanker and attempted to board where the southern tip of the Strait of Malacca joins the Singapore Strait, but the ship escaped by increasing speed.

Piracy has long been violent in Southeast Asia. “Of the 69 people murdered at sea in 1999, 67 of the murders took place in the waters of Southeast Asia.”¹⁸ Worldwide, in 2003, “ship owners reported 445 attacks, in which 92 seafarers were killed or reported missing and 359 were assaulted and taken hostage ... from 2002 to 2003 the number of those killed and taken hostage nearly doubled.”¹⁹ “The number of ship personnel and passengers killed, for example, doubled to 21 in 2003, while the official missing (and presumed dead) list grew to 79.”²⁰ “Between January and June 2003, Indonesia and the Malacca Straits collectively ranked first for incidents involving the use of guns (50.9 percent of the world’s total).”²¹

Pirates are also mobile. For example, “right up to March 2003, an attack was reported almost daily along the Gaspar Strait which is the vital waterway between the Indonesian islands of Bangka and Belitung and the fastest route for ships heading from Singapore to Jakarta or Western Australia.”²² At least some of these pirates, who had retreated deeper into Indonesian waters, appear to have returned to the Strait of Malacca in 2004 and 2005. Piracy has also shifted as targets become more attractive or counter-piracy measures take effect. For example, in a 21-day period in June 2004, there were seven attacks off the coast of North Sumatra.

Pirate’s tactics have also changed over the past decade. The hijacking of entire ships, which were then reregistered and re-flagged, dropped rapidly after Chinese authorities cracked-down and dried up the market in southern China

in the late 1990s. In the 21st century, piracy more typically ranges from robbery of the crew to holding boats, captains, crew, and cargo for ransom. A figure of \$100,000 was usually cited in the press as the standard going rate, but press reporting suggests that recent ransom demands have reached as high as \$250,000 for a kidnapped Japanese tugboat captain.

A recent increase in attacks in the northern Strait by well-armed pirates has led to speculation that the Gerakan Aceh Merdeka (GAM), which has led an insurgency for Acehnese independence since 1976, is involved in piracy. The Government of Indonesia has often sought to characterize GAM as a terrorist organization. According to one report, in “August 2003, pirates claiming membership in GAM attacked a fully laden oil tanker 19 km from Port Klang in Malaysia.”²³ In an article in *Foreign Affairs*, the authors claim that “uniformed members of the Free Aceh Movement, an Indonesian separatist group that is also one of the most radical Islamist movements in the world, have been hijacking vessels and taking their crews hostage at an increasing rate. . . . In some cases, the Free Aceh Movement has demanded the release of members detained by the government in exchange for hostages.”²⁴ GAM has vehemently and repeatedly denied involvement in piracy, most recently when a GAM spokesman told the press “We are not involved in activities outside Aceh, let alone in piracy. We are freedom fighters, not pirates.”²⁵ Academic experts have said “if there are GAM members participating in this kind of activity they are doing it for money. They are not doing it for political reasons.”²⁶ The United States government has repeatedly declined to label GAM a terrorist organization. Moreover, convincing, publicly available evidence of GAM involvement in piracy is not available. Instead, it seems that criminal gangs based in Medan, its port of Belawan, and Dumai along the Sumatran coast probably organize most acts of piracy in the northern part of the Strait of Malacca.²⁷

Finally, many observers suspect that the pirates receive protection from local authorities. As one author put it “anecdotal evidence suggested that elements of these same under-funded security forces (the Indonesian Navy and Marine Police) might also at times have been complicit in maritime crime.”²⁸

MARITIME TERRORISM

Piracy and maritime terrorism are often lumped together. However, no relationship between piracy and modern terrorism has been demonstrated in Southeast Asia. One experienced American terrorism expert argues that an “increase in piracy attacks is no indicator of the increase in terrorist threat.”²⁹ Moreover, as a respected Southeast Asian maritime expert reportedly commented, “piracy does not equate to terrorism.”³⁰ Those who dismiss the maritime terrorist threat in Southeast Asia as alarmist, often argue that pirates have no interest in a terrorist attack that would draw attention to their lucrative activities.³¹

On the other side of the coin, those who warn of the potential for terrorism in the Strait of Malacca cite planned or actual attacks by al Qaeda and its affiliates on ships elsewhere, as well acts of piracy that continue to plague this waterway. They also point to Al Qaeda’s long involvement in Southeast Asia and its close links to the Southeast Asian regional terrorist network known as the Jema’ah Islamiyah (JI).

However, whether terrorists and one or more group of pirates cooperate or not, pirates in the target-rich Strait have convincingly demonstrated the ease with which terrorists could, should they choose to do so, at least temporarily cut this crucial artery of international trade. Moreover, similar maritime security measures are required to suppress both piracy and terrorism.³²

Al-Qaeda has a well-known record of terrorism at sea, including the October 2000 bombing of the moored *USS Cole* in Yemen and the attack on the *Limburg* oil tanker off the Yemeni coast in October 2002. An advanced al Qaeda plan to attack warships in the Strait of Gibraltar was discovered in mid-2002. Al-Qaeda’s former naval expert, Al-Nasheri, who was captured in Yemen in November 2002, is said to “have admitted to playing a key role in organizing the attacks on the *USS Cole* and the *Limburg*” and “to have confessed to planning attacks on shipping in the Strait of Gibraltar.”³³ He is rumored to have been planning to travel to Southeast Asia at the time of his capture.³⁴ There is no credible known evidence to support extensive press speculation about an Al Qaeda owned or controlled navy.

Perhaps of more relevance than al Qaeda's attacks elsewhere were terrorists' plans to attack shipping in Southeast Asia. When Singapore began investigating the presence of the Jema'ah Islamiyah in its midst in December 2001, it learned of the group's plans for suicide attacks on visiting U.S. warships. Moreover, former Indonesian state intelligence chief Hendropriyono warned publicly in August 2004 that captured Jema'ah Islamiyah members had confessed to planning maritime attacks in the Strait of Malacca.³⁵

In addition, the most deadly recent act of maritime terrorism in the world took place in Southeast Asia in February 2004, when the al Qaeda and Jema'ah Islamiyah linked Abu Sayyaf Group (ASG) bombed a "super-ferry" off Manila in the Philippines, killing more than 100 passengers.

Less often cited and perhaps less convincing assertions about maritime terrorism in Southeast Asia include a claim that "the planning for the attack on the *USS Cole* in October 2000 began in Malaysia. The attack was directed by Roshayd bin Attash, who was also planning an attack on a U.S. ship visiting a Malaysian port in 2000. Less than a year later, Malaysian intelligence foiled a plan to attack a second U.S. ship."³⁶ There has also been a claim that "senior al-Qaeda operative, Omar al-Faruq, who is now in American custody, also told officials of plans to attack an American naval ship in Surabaya, Indonesia's second largest port."³⁷ Finally, those searching for evidence of preparations for maritime terrorism often cite the March 2003 hijacking of the Indonesian chemical tanker, the *Dewi Madrim*, when the armed men who seized the vessel steered it for nearly an hour through the busy Straits of Malacca and then left the ship with equipment and technical documents.

Maritime Terrorism: The Options Although there is no public information suggesting that networks of terrorists associated with Al Qaeda or the Jema'ah Islamiyah, with degraded but still dangerous capabilities, are planning an attack on ships in Southeast Asia, it is enlightening to consider how terrorists might strike in the Strait of Malacca, should they choose to do so. Jema'ah Islamiyah, which has used boats to smuggle arms and terrorists throughout Southeast Asia and to escape capture, is thoroughly familiar with the maritime environment.

If it or one of its affiliates decided to attack, how would it do so? Would it hijack a ship or simply charter one, which it could, theoretically, then “weaponize” at its leisure. Would it seek a “media event,” which might draw the United States to initiate counter-terrorism patrols, with all their political implications, or focus on undermining the economies of littoral states? Goals would influence tactical choices. Considering the options available to terrorists is necessarily speculative, since only government officials with access to information unavailable to the public would be in a position to judge what might be practical. However, drawing on publicly available information, the options may include the following:

LNG Many journalists and politicians are apparently entranced with the image of a Liquefied Natural Gas (LNG) or Liquefied Petroleum Gas (LPG) tanker exploding within or approaching a major port, with some even claiming that such an explosion might destroy the port. In November 2003 Singapore Admiral Teo reportedly warned that terrorists might turn “supertankers, LPG (Liquefied Petroleum Gas), LNG (Liquefied Natural Gas), or chemical carriers into floating bombs.”³⁸ In fact, though a recent study does suggest that such an explosion is possible (and the potential damage could be extensive),³⁹ experts also point to the extreme technical difficulty of achieving exactly the right gas/air mixture, which would allow the mixture to be ignited and thus cause the explosion of an LNG tanker. A fire is possible, but more likely than that would be pollution of surrounding waters.⁴⁰ LPG tankers may pose different technical problems. The vulnerability of these types of ships is a subject of debate, but it does seem that terrorists would confront major technical hurdles if they attempted to use LNG/LPG tankers as “floating bombs.”

It may be easier to ignite a gas pumping and storage facility on land or while the gas is being pumped into a ship, than a ship full of LNG or LPG.⁴¹

Ammonium Nitrate Ammonium nitrate, the basis for several terrorist bombs in Southeast Asia, is shipped in substantial quantities throughout the region. Theoretically, it might be possible to transform a ship into a floating bomb, but this option has not been addressed in the literature and may be technically impossible.

Chemical Laden Ships Although ships with chemicals have been pirated in the Strait of Malacca⁴² and a chemical laden ship has often been mentioned by the press as a possible terrorist weapon, it is difficult to assess the threat posed by chemicals. The nature of the threat would appear to depend on the type of chemical, the weather conditions (including prevailing winds), and the location of the ship. A chemical laden ship may be an unpredictable and unreliable weapon in a terrorist's arsenal.

Small Boat Attacks Al Qaeda's attacks on the *USS Cole* and the *Limburg*, as well as its plans for the Strait of Gibraltar, were implemented by small boats approaching the target. Jema'ah Islamiyah planned the same tactics for Singapore. The sophistication of many recent small boat pirate attacks in the Strait of Malacca suggests that an attack by terrorists, whether to capture a ship or to sink it through a suicide attack, would be relatively easy to carry out. Naval vessels, even with excellent radars, would find it difficult to detect and avoid a high-speed small boat attack. These boats are readily available in the region.

Sea Mines In terms of efficiency, mines should be a terrorist's preferred weapons against shipping in the Strait of Malacca. This Strait is relatively shallow, with sandy coastal waters off Malaysia reportedly ideal for the laying of mines. Mines are, moreover, inexpensive and readily available. They can be quietly laid from an innocuous boat. In addition, modern mines can be employed selectively against passing ships.⁴³ A senior leader of the Indonesian navy emphasized mines as the most dangerous of the potential tools in a terrorists' arsenal.⁴⁴ Even the public threat of mines in the Strait could slow commercial traffic, and the reality could, albeit temporarily, sow panic.

Containers Planting a bomb in a container could have a significant economic impact, though its value for a terrorist as a media event in Southeast Asia would be limited. Although a container ship may not be worth it as a target, the threat of a bomb in an unknown container, it has been alleged, could shut down Singapore. The U.S. Container Security Initiative (CSI) conducts security checks only on U.S.-bound containers. Moreover, because containers are only searched at the major port, there is no guarantee that they can't be waylaid in route after that point."⁴⁵ Not only Singapore, but also Malaysia's Port

Klang and Tanjung Pelepas ports are included in the U.S. Container Security Initiative program. Finally, in the event of a credible terrorist threat to containers in Singapore, the vast majority of Indonesia's container traffic could grind to halt, since it passes largely through Singapore. It is, however, difficult to see why a Southeast Asian based terrorist organization would seek to plant a bomb in a container, for which it would receive little attention if and when the bomb was discovered thousands of miles away.

TERRORISM VS. PIRACY: MEASURING TERRORISM'S GREATER IMPACT

Most observers agree that equally damaging attacks by pirates and terrorist would have different economic and political consequences. Whereas another pirate attack might be shrugged off, a similar attack by terrorists could have an enormous economic, psychological, and political impact, causing insurance rates to soar and frightening away potential investors in neighboring countries.

However, estimates of the cost of piracy and terrorism vary wildly. In these murky waters, all that is available are estimates that don't add up. For example:

“Although estimates are difficult to calculate, it is believed that the financial losses from maritime crime totaled \$25 billion in 2002. This figure represents almost a 40 percent increase in losses from three years prior in 1999, but some estimates place losses as \$30–50 billion in 2003.”⁴⁶

“Cargo worth millions of dollars has simply vanished, with acts of piracy alone incurring an estimated annual cost of more than US\$25 billion.”⁴⁷

“The total damage caused by piracy—due to losses of ships and cargo and rising insurance costs now amounts to \$16 billion per year.”⁴⁸

“I have never seen trade or insurance rates affected by piracy. The insurance market always adjusts.”⁴⁹

If one adds up the costs of ransoms and escalating insurance costs, the alleged \$16 billion cost of piracy throughout the world, which seems to be quoted word for word in several articles on piracy, would appear to be an exaggeration.

For example, a shipper in Singapore was quoted in the press as stating “All they have to do is pirate three or four vessels a month. Each averages about \$100,000 for them, so they bring in about \$4 million a year. That's a lot of

money and they can well afford to pay people off,” said the shipper, who declined to be identified.⁵⁰

Since almost 60 percent of all recorded piracy took place in Southeast Asia in 2004, if the \$1.7 billion that commercial shipping companies will pay over five years to improve security on ships and in ports worldwide under the new International Ship and Port Facility Security (ISPS) code is included, at most \$200 million annually could be ascribed to the costs of improved security for ships transiting Southeast Asia.

Information on the costs of lost ships and cargo and increased maritime insurance (though by one estimate insurance premiums have risen almost 30 percent) and freight rates is not available, but the cost of piracy in Southeast Asia, let alone along the Strait of Malacca, must be a considerably smaller number than 60 percent of \$16 billion.

Terrorism, however, is different. Estimating the probable cost of a maritime terrorist attack in the Strait of Malacca is exceedingly difficult, in part because no maritime terrorist attack has yet taken place. Moreover, the cost would depend on the nature and location of the attack. Nonetheless, some guidance is provided by the following facts:

- ★ In the past few years, insurance premiums for ships sailing in Southeast Asia have risen almost 30 percent (whether this can be ascribed to piracy or potential terrorism is unclear.)⁵¹
- ★ In the wake of the October 2002 bombing of a nightclub in Bali, Lloyd’s marine underwriters reportedly canceled the insurance of any ship calling at Indonesian ports, at least temporarily.⁵²
- ★ After the attack on the *Limburg*, insurance rates tripled for ships at ports calling in Yemen “for a few months.”⁵³
- ★ Bypassing Indonesia means another expensive week at sea, with an estimated cost of \$500,000 per tanker.⁵⁴

Moreover, a terrorism attack in the Straits could have a wide ripple effect, leading to:

- ★ Higher insurance costs
- ★ Costs of higher inventory levels due to fear of bottlenecks in delivery systems

- ★ Increasing investment risk premiums, which raise the short term interest rates
- ★ Financial market volatility
- ★ Exchange rate volatility
- ★ Enhanced security costs at Southeast Asian ports
- ★ Increased competition for oil and natural gas, as well as rising prices⁵⁵

The impact of a maritime terrorist attack would depend on the reactions of governments and private business, but it could also have a significant impact on energy markets. As one commentator has noted, “if a single oil tanker were attacked on the high seas, the impact on the energy market would be marginal. But were terrorists or pirates to hijack a large bulk carrier or oil tanker, sail it into one of the chokepoints, and scuttle it to block a sea-lane, the consequences for the global economy would be severe.”⁵⁶

THE CURRENT RESPONSE

Piracy is a growing problem. Terrorism is a transnational threat. Neither the Association of Southeast Asian Nations (ASEAN) nor the ASEAN Regional Forum (ARF) have played a substantive role in enhancing maritime security, though both have proven useful in providing “political cover” for decisions made by individual states. The ASEAN Regional Forum, however, may be moving towards hosting a maritime security exercise.

The three littoral countries share responsibility for maritime security in the Strait, as do, many argue, others who use this key maritime chokepoint. Singapore and, haltingly, Malaysia are taking steps to enhance maritime security in their parts of these waters. In July 2004, Indonesia, Malaysia and Singapore initiated coordinated patrols in the Strait. Japan and the United States have highlighted the threats of piracy and terrorism respectively, and provided training. Japan’s efforts have led to agreement to establish an Anti-Piracy Information Sharing Center in Singapore and a Japanese offer to provide patrol boats to the Indonesian marine police. U.S. initiatives are gathering steam. However, none of these initiatives have yet produced a measurable increase in maritime security.

The fundamental constraint continues to be that the littoral states of Indonesia and Malaysia jealously guard their sovereignty over territorial waters and deny cross-boundary “pursuit and entry,” often colloquially known as “hot pursuit,” by their neighbors. Although there is precedent for “hot pursuit” in other

parts of the world, and the United States has offered to share its experience in negotiating a wide variety of “hot pursuit” agreements in the Caribbean, the high priority Indonesia and Malaysia place on “sovereignty” may not be modified unless a maritime terrorism attack takes place in Southeast Asia.

EXTERNAL POWERS AS THE DRIVING FORCE

Japan and Piracy Piracy threatens Japan’s economic and energy security, and the safety of its citizens. Southeast Asian sea-lane security, long a Japanese concern, became a major domestic political issue in 1999 with the Alondra Rainbow (aluminum ingot carrier) seizure by pirates.⁵⁷ At that time, extensive media coverage of high profile cases of piracy combined with institutional interests led to an official government policy in support of an “anti-piracy role for Japanese maritime forces in Southeast Asia.” Three consecutive Japanese Prime Ministers have now supported anti-piracy initiatives in Southeast Asia.

In a pattern that was, at first, repeated in the subsequent U.S. initiative to combat potential maritime terrorism in the Strait of Malacca, Tokyo learned that establishing a multilateral regime that addresses the different interests of the littoral states of Indonesia, Malaysia, and Singapore would be a bridge too far. Instead, Japanese policy makers were compelled to focus on short-term bilateral ties, and the establishment of an “information sharing” center in Singapore. They also learned that Singaporean, Malaysian and Indonesian cost-benefit analysis differed sharply, with Indonesia not only the Southeast Asian state least receptive to Japanese initiatives, but also least interested in the issue of maritime security.

Japan’s anti-piracy initiative kicked off in 1999 with the Prime Minister’s proposal at the ASEAN+3 Summit (thus excluding the United States) for joint patrols by the Japanese Coast Guard and Southeast Asian maritime forces, as well as the establishment of a “regional coast guard body.” With this proposal dead on arrival in Southeast Asia and Beijing questioning the need for cooperation against piracy, Tokyo turned to bilateral arrangements, which led to a series of bilateral anti-piracy training exercises from 2000 to 2004 by the Japanese Coast Guard with several Southeast Asian countries. In 2003 Tokyo pro-

posed a trilateral training exercise with Singapore and Indonesia, a proposal on which Jakarta demurred.

In 2001 at the ASEAN+3 Summit, Japanese Prime Minister Koizumi proposed a “Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia” (RECAAP), the text of which was finally adopted in November 2004 (although only four states have signed and no state has ratified this Agreement). At the same time, agreement was also reached to establish a primarily Japanese-funded, piracy-related Information Sharing Center in Singapore. In March 2005, Singapore’s Defense Minister was quoted as looking forward to the establishment of this Information Sharing Center very soon.⁵⁸

In December 2004, Tokyo was reportedly considering a request by Singapore and Malaysia for the sale of decommissioned destroyers and Japanese Coast Guard patrol boats to fight piracy and terrorism, which would require exceptions to Japanese export regulations.⁵⁹

In March 2005, Malaysia rejected a proposal by Japan’s Land, Infrastructure and Transport Minister to contribute Japanese Coast Guard patrol boats to help patrol the Strait of Malacca. Indonesia also rejected this offer a few days later.

On March 16, 2005, Japanese Foreign Minister Machimura announced that Japan had offered Indonesia high-speed patrol boats as part of Japan’s official development assistance. These patrol boats, to be provided to the Indonesian police, would probably consist of two or three mid-sized 20 meter patrol boats, which could be delivered in 2006, paid for by Japanese ODA, and stripped of their weapons, “since the ODA charter stipulates that ODA funds should not be used for foreign nation’s military aims or to promote international conflicts.”⁶⁰

In a commentary entitled “Strait-Talking Japan,” an Indonesian magazine wrote, “Japanese Ambassador to Indonesia Yutaka Iimura requested that Indonesia increase security in the Strait. More than a mere demand, Japan also intended to donate patrol boats for safeguarding the Malacca Strait. But since the Japanese constitution prohibits the granting of military aid to other countries, the boats will be donated to the police or other civilian agencies instead of the military. In addition, next month, Shirota—a special envoy of the

Japanese government for hijacking and counter-terrorism affairs—will arrive in Jakarta to discuss the matter with the Indonesian government.”⁶¹

The United States and Terrorism The 9/11 al Qaeda attacks in New York and Washington rocketed terrorism to the forefront of American, and to a lesser extent, international concern. The first public lifting of the veil on al Qaeda’s Southeast Asian ally, the Jema’ah Islamiyah (JI), in December 2001, and subsequent revelations, caught Washington’s eye. The American focus on terrorism in Southeast Asia became so intense that the region was labeled the “second front” in the “Global War on Terrorism.” For the first time since 1975, the dominant national security issue in U.S. global policy became the unifying and energizing principle of U.S. strategy in Southeast Asia. The new importance of the region was symbolized in President Bush’ visit to Thailand for the 2003 APEC Summit, and subsequently to several other Southeast Asian states.

However, in contrast with Japanese anti-piracy initiatives launched at the Prime Ministerial level, the U.S. maritime security initiatives for the Malacca Straits were designed and largely implemented by enterprising mid-level diplomats and navy officers within their respective bureaucracies. By early 2003, following the approval of Deputy Secretary Armitage, the U.S. Department of State began to consider how to forge a maritime anti-terrorism coalition of Singapore, Malaysia and Indonesia, to which the United States would provide training and assistance. U.S. concerns about maritime security were first raised with members of the Association of Southeast Asian States (ASEAN) at a counter-terrorism meeting in May 2003 and at the ASEAN Regional Forum (ARF) in Cambodia in June 2003. In a separate initiative, Admiral Fargo, commander of the U.S. Pacific Command (PACOM), in June 2003 publicly called in Singapore for increased maritime cooperation to address the threats of terrorism and arms proliferation. Subsequently, the U.S. government reconciled PACOM’s “Southeast Asia Maritime Security” plan, later labeled the Regional Maritime Security Initiative (RMSI), with its ambitious goal of overcoming all maritime security problems throughout the Pacific and Indian Oceans, with more focused plans to encourage the formation of a partnership of littoral states to enhance maritime security in the Strait of Malacca. In addition, launched well before

and completely separate from RMSI, but also designed to enhance Indonesia's maritime security capabilities, is an effective U.S.-funded training program for the Indonesian Marine Police.

Indonesia and Malaysia reacted negatively to a press report that misrepresented⁶² Admiral Fargo's testimony of March 31, 2004 before the U.S. House Armed Services Committee, initiating a frenzy of inaccurate press speculation when these countries reacted to press interpretations of Fargo's comments that suggested RMSI included plans for unilateral actions against vessels used by terrorists by the United States in the Strait of Malacca. Admiral Fargo "attempted unsuccessfully to assuage these regional concerns, emphasizing that RMSI was still embryonic and that it was mainly concerned with sharing information rather than the deployment of U.S. forces to the region."⁶³ Subsequent diplomacy, by Admiral Fargo as well as U.S. diplomats, reassured the coastal states of the Strait of Malacca that the United States intended to follow their lead, and that no U.S. initiative would violate international law or involve unilateral action by the United States. Through several subsequent ASEAN and ASEAN Regional Forum (ARF) conferences and bilateral consultations, U.S. officials have reassured their Southeast Asian interlocutors. A September 2004 ARF maritime security workshop in Kuala Lumpur, co-sponsored by Malaysia, Indonesia, and the United States, set the stage for a particularly constructive March 2005 ARF "confidence building" conference in Singapore on regional cooperation in maritime security. At the diplomatic and operational levels, Malaysia has apparently expressed interest in maritime domain awareness (MDA) and Indonesia in "elements of the now re-named RMSI,"⁶⁴ which has now taken on the title of Regional Maritime Security Cooperation (RMSC). Nonetheless, as was the pattern with the Japanese anti-piracy initiative, overall Singapore's reaction has been enthusiastically supportive, Malaysia has been ambivalent and Indonesia has been cautious. More problematic than suspicion in the relevant Indonesian bureaucracies, has been the conspicuous absence of interest in maritime security on the part of an element of the Jakarta elite.

A Note on China Increasing dependent on oil flowing through and from Southeast Asia, China has an interest in safe passage through the Strait of

Malacca. However, Beijing is in the midst of an extensive and successful diplomatic campaign to increase its influence in Southeast Asia, in part by reaffirming its support for the sovereignty of individual Southeast Asian states. Beijing has not been supportive of either Japan's anti-piracy initiatives or the U.S. Regional Maritime Security Initiative (RMSI), but has kept a low profile. Its opposition to the U.S. initiative has been ambivalent and indirect, and may be undergoing reevaluation.

China reportedly questioned the necessity of Japan's anti-piracy initiative in the ASEAN+3 in 1999, and opposed joint patrols and multilateral solutions in 2000.⁶⁵ Although Chinese military officials have allegedly criticized RMSI as an example of U.S. unilateralism, Chinese Foreign Ministry officials voiced no objection to U.S. plans to assist the littoral states in enhancing maritime security, though they did ask to be informed of developments in U.S. counter-terrorism policy in the region.⁶⁶ Other senior Chinese officials have reportedly pointed to China's agreement with ASEAN on non-traditional security, or suggested that they would prefer not to be identified with a U.S. effort that could, perversely, attract terrorists.⁶⁷ More recently, Chinese anxiety has reportedly declined and they have expressed a "certain level of comfort" with the evolving partnership.⁶⁸ During Chinese President Hu Jintao's March 2005 visit to Indonesia, China and Indonesia signed a document on maritime cooperation.⁶⁹

Malaysia and Singapore Practical cooperation among the littoral states of the Strait of Malacca has long been based on "coordinated" patrols between Indonesia and Singapore (Indosin, initiated in 1992) and Malaysia and Indonesia (Malindo). In July 2004, Indonesia, Malaysia, and Singapore agreed to trilateral "coordinated" patrols (Malsindo). The practical meaning of "coordinated patrols" is not entirely clear. Press reports indicated that approximately 15 ships from the three countries participate. Another source said that under the trilateral agreement, "in theory, they tell each other where their assets are."⁷⁰ Although these ships are not permitted to enter another state's waters, there have been rumors that pursuit has been authorized in individual cases.⁷¹ Communications also appear to have been upgraded between Indonesian centers at Batam and Belawan, and Singaporean Changi and Malaysian Lumut commu-

nications centers. Singapore may have contributed communications equipment for the Indonesian center on Batam to allow the transmission of “real time” information on the Singapore Strait (part of the Malacca Strait).⁷² The International Maritime Organization’s (IMO) Secretary General called for a “framework for permanent joint coordinated patrols in the Malacca Straits” at the ASEAN Regional Forum (ARF) conference on “confidence building” measures in Singapore in March 2005.⁷³ Indonesia, Singapore and Malaysia have declared that they will soon form a Ministerial-level tripartite forum to discuss security issues in the Strait of Malacca.⁷⁴

Both publicly and privately, Singapore has encouraged the formation of a coalition to improve maritime security in the Strait of Malacca, has welcomed Japanese and U.S. initiatives, has undertaken extensive measures to police its own limited waters, and has planned and practiced countermeasures should pirates or terrorists seize a ship in its waters. Reportedly, the “Singapore Navy will escort certain ships through the Strait of Malacca, and teams of eight armed sailors will ride aboard others.”⁷⁵ As the world’s 19th largest trading nation and the 5th most trade dependent country, Singapore is acutely aware of the threat to its citizens and the city-state’s economy. Singapore is also well aware of its larger neighbors’ sensitivities, but maritime security has been identified as a priority security issue for Singapore. It is difficult to identify additional measures that Singapore might implement at this time.

Kuala Lumpur’s ambivalence has been reflected in public assertions that it will not compromise its “sovereignty,” which has not been questioned, combined with practical measures to improve maritime security. As the 4th most trade dependent nation in the world (just ahead of Singapore), 90 percent of whose exports and imports move by sea,⁷⁶ Malaysia is rapidly recognizing its vulnerabilities. Meanwhile, its hesitancy in the Strait of Malacca stands in stark contrast with its determination to enhance maritime security, a commitment reinforced with adequate maritime resources, in the waters between Sabah and the southern Philippines, home of Jema’ah Islamiyah linked Abu Sayyaf Group (ASG). The ASG, several years ago, kidnapped Malaysian citizens from Malaysia’s shores. With regard to the Strait of Malacca, the basic problem appears to be,

despite the creation of a new Malaysian Coast Guard and increased recognition of the importance of maritime security in the Malaysian Prime Minister's Department and Defense Ministry, that some within the Malaysian Foreign Ministry remain mired in Mahathir-era assumptions and suspicions. Malaysia rejected a March 2005 proposal by Japan's Land, Infrastructure and Transport Minister to contribute Japanese Coast Guard patrol boats to help patrol the Strait of Malacca, if requested by Malaysia.⁷⁷ On the other hand, Defense Minister Najib publicly called a few weeks later for Indonesia to "give top priority to eradicating" piracy, before the "international community . . . interferes."⁷⁸

INDONESIA AND MARITIME SECURITY

Malaysia and Singapore are stable, wealthy, trade-dependent states. The small, rich city-state of Singapore, with less than 2 percent of Indonesia's population, is the world's largest port. Malaysia is much larger than Singapore, but its population is only 1/10th of Indonesia's, and its people are at least three times as wealthy as Indonesians.

Indonesia, in contrast, is the largest archipelagic country in the world with over 17,500 islands and 50,000 miles of coastline spread over 17 million square miles. Indonesia is not among the world's 20 most trade dependent countries. It is relatively poor, and only now strengthening its democracy as its economy recovers from the devastating Asian financial crisis of 1998. Viewed from Jakarta, maritime security throughout the vast archipelago looks different than it does in neighboring countries centered on the Strait. Indonesia has maritime security interests that are not shared by its neighbors or major external maritime powers such as Japan and the United States.

Indonesia has been the most cautious of the littoral countries, in response to external efforts to promote maritime security in the Strait of Malacca, for the following reasons:

- ★ Indonesian maritime security resources are inadequate.
- ★ Jakarta believes Indonesia has much less at stake in the Strait than its neighbors.

- ★ Indonesia is struggling with several other major problems, including a devastating tsunami.
- ★ Because maritime security has not become an issue for the political elite, Jakarta has yet to complete a cost/benefit analysis on maritime security and foreign policy.

INDONESIA'S RESPONSE

Although Indonesia's new President, Susilo Bambang Yudhoyono, has drawn a link between security and foreign investment in his public statements, anecdotal evidence suggests and polling demonstrates that the Indonesian public rates the suppression of terrorism as a low priority in a crowded field of national problems.

By 2003, piracy had surfaced as an issue in Indonesian provinces directly affected by this scourge, and had become a sufficiently important issue at the national level for former Indonesian President Megawati Sukarnoputri to ask Japanese Prime Minister Koizumi to provide patrol boats to curb piracy attacks.⁷⁹ It may also have played a role in the drafting of a plan to rationalize interagency responsibilities for maritime security that was presented, in 2003, to then-Coordinating Minister for Security Susilo Bambang Yudhoyono. However, with so many other issues, including national elections, crowding the Indonesian agenda, this initiative "lost its priority" in comparison with other problems, and was temporarily shelved.⁸⁰ In 2003 the Indonesian Foreign Ministry (DEPLU) rejected a Japanese proposal for trilateral anti-piracy exercises among Japan, Singapore, and Indonesia.

As a leading Indonesian foreign policy analyst commented in November 2004, maritime security "needs a champion in Jakarta" to become a national issue for the Indonesian political class.⁸¹

Indonesian Defense Minister Sudarsono has spoken of "rebalancing" the assets of Indonesia's armed forces to better suit the country's geography and the regional environment. A few Indonesian political-military experts have begun to argue, mostly in private, that Indonesia's armed forces should be restructured to reflect modern threats to the country's national security. Although

Indonesia continues to face an insurrection in Aceh and scattered violent ethnic conflict elsewhere, for the past several decades there has been no credible conventional external threat. Instead, defense intellectuals point to non-traditional issues, such as terrorism, piracy, and smuggling, as the real threats to the country's security. The archipelagic nature of the state would suggest that control of the nation's waters must become a priority if such non-traditional threats are to be adequately addressed.

This argument is strengthened by the March/April 2005 confrontation between Malaysia and Indonesia over the Ligatan and Sipadan islands off the coast of Borneo, and the dangerous dispatch of Malaysian and Indonesian naval forces. In 1996, Indonesia and Malaysia decided to refer their dispute to the International Court of Justice in the Hague, the Netherlands. In 2002, the court handed down a decision. The World Court "ruled in favor of Malaysia over Indonesia in awarding ownership of Ligatan and Sipadan to Malaysia based on the principle of continued exercise of authority over the islands."⁸² This is particularly difficult for Jakarta because the islands are located south of what Indonesia considers its base line to determine the maritime boundary between Indonesia and Malaysia, which has implications for the exploitation of natural resources. For Indonesia, the court's decision would appear to be a painful example of the costs of failing to pay sufficient attention to maritime issues.

However, the Army has always dominated Indonesia's Armed Forces (TNI). Debate about "reform" within the armed forces and of their historic political role absorbs part of the political class, scattered in the Defense Ministry, the relevant committees of parliament, research institutions and universities, and senior levels of the Armed Forces itself. The current dominant issue is the process by which individual services, which have traditionally augmented their formal budgets with "off-budget" funds from businesses and "corruption," will relinquish their business interest to the Ministry of Defense. The Defense Minister was recently quoted as saying "What I am looking at is a holding company, like Temasek Holdings (in Singapore), where all the businesses related to defense will be merged and run by professionals in business, banking and finance."⁸³ Armed Forces commander Sutarto has pledged to not only comply

with parliament's demand that the military get out of business by 2009, but also to advance the date to 2007.

Meanwhile, the official Indonesian defense budget for 2005 is only \$2.33 billion, less than half of the defense budget of Singapore.⁸⁴ Defense Minister Sudarsono has "acknowledged that allocations from the state budget would continue to fall short of what the military needed. He estimated that \$5.6 billion was necessary to meet the salary, operational and equipment costs of an effective military."⁸⁵ The consensus of expert opinion is that the official defense budget covers approximately one-third of the military's expenses, with the balance provided through "off-budget" resources. The Indonesian navy and marines, however, derive a larger share of their funds from the official budget.

The Indonesian Navy and Marine Police are not oblivious to piracy, or the potential for maritime terrorism, but their capacity to act is hampered by inadequate equipment and training, and, it is widely believed, their own involvement in efforts to supplement their formal budgets.⁸⁶ In addition to the July 2004 "coordinated" patrols with its Singaporean and Malaysian counterparts, the Indonesian Navy has attempted to suppress piracy in the waters off the rebellious province of Aceh and allocated funds from its limited resources to upgrade communications. The Marine Police have received extensive training from the United States, and will eventually receive a few patrol boats from Japan.

Resources Indonesia may have only twenty functioning patrol boats and one or two functioning airplanes to attempt to combat terrorism, piracy, illegal fishing, and smuggling in the waters of the world's largest archipelago.⁸⁷ The Indonesian Navy can afford to allocate only six patrol boats to patrol against illegal fishing.⁸⁸

The Indonesian Navy, Sea Communications Directorate General, and the Marine Police are the most prominent of the nine Indonesian agencies claiming jurisdiction in the maritime sector. These agencies reportedly do not share intelligence or resources, and often fail to communicate with each other. In addition, individual Indonesian provinces have offered to fund maritime security assets to combat piracy.

Indonesia possesses the largest navy in Southeast Asia. The Navy employs about 56,000 men and women, including 16,000 well-regarded Marines, or slightly less than one-sixth of the entire Indonesian armed forces. However, the Indonesian fleet, for decades a heterogeneous collection of ships, has deteriorated rapidly since the Asian financial crisis of 1997–98. Its formal budget was “cut by two-thirds in 1998.”⁸⁹ Particularly outrageous was perhaps the worst defense acquisition decision in Indonesian history when Minister (later President) Habibie required the Navy to accept 39 ships purchased from the defunct East German fleet, of which only 4 are now operational.⁹⁰ Admiral Sondakh, then Navy Chief of Staff, reportedly underlined that many of the Navy’s few operational ships “are definitely obsolete, with some of them built in the 1960s.”⁹¹ With inadequate funding, more than half of the current fleet of about 120 ships (which includes 57 patrol boats) is reportedly either in maintenance or inoperable. According to Admiral Sondakh, in 2003 only one third of the fleet was seaworthy at any one time due to lack of maintenance funds. Other reports claim “only 30 percent of the Indonesian Navy’s ships are seaworthy”⁹² or that “60 percent could be considered seaworthy, but only 30 percent are able to patrol at any one time.” Admiral Sondakh recently told the press that Indonesia plans to construct 40-meter patrol boats, armed with guided missiles, which will be ready for sea trials in 2007, in addition to the five 36-meter patrol boats to be constructed each year.⁹³ He has commented in the past that the Navy has “done what it can in the Strait of Malacca,” with only two surveillance planes and two operational helicopters available.⁹⁴

The Sea Communications Guard and Rescue (KPLP) directorate, part of the Ministry of Communications, shares with the Marine Police the responsibility for all archipelagic waters, harbors and the coastline out to 12 nautical miles. It claims primary responsibility for security in ports and their approaches, as well as for search and rescue. Its inventory of approximately 125 ships and boats includes nine larger than 40 meters. Many of the KPLP’s vessels are well past serviceability. Sea Communications also administers the Indonesian Maritime Institute (IMI), which is similar to the U.S. Merchant Marine Academy. The KPLP is reportedly Indonesia’s major point of contact

on piracy issues, including with the International Maritime Organization.

The small marine police force claims primary law enforcement responsibility for territorial waters (out to 12 miles off the coast.) About 4,700 police personnel man about 230 ships and boats longer than 6 meters, including two new 60-meter patrol boats and six 48-meter boats. No marine police helicopters are reportedly operational. The marine police, recipients of extensive foreign assistance, have received training from the United States and will probably receive 2 or 3 patrol boats from Japan.

With rapid post-Suharto decentralization, Indonesian provinces have found new authority and resources at their command. Several have stepped forward to offer to purchase patrol boats for the Navy. Jakarta, however, has stated that “questions of defense priorities” must be decided at the national level, and declined to allow the Navy to accept these funds.⁹⁵

In short, most experts believe Indonesia could muster sufficient ships, albeit now scattered through several agencies, to deploy adequate forces to respond to piracy and terrorism in high-threat areas such as the Strait of Malacca. To do so, however, it would have to overcome interagency and maintenance problems and leave other parts its own waters even less protected.⁹⁶

Jakarta’s Stake in the Strait of Malacca Although the Strait of Malacca, several hundred miles from Java, does not play the same dominant role in the economic life of Indonesia that it does for Singapore and Malaysia, it is still important, perhaps more so than is fully realized by some in Jakarta.

One senior Indonesian official reportedly commented that “not one percent of the traffic in the Strait of Malacca”⁹⁷ is composed of Indonesian exports and imports. However, if the estimates of the total traffic through the Strait are correct, one percent of that traffic probably amounts to more than \$10 billion in goods on ships. The true figure may be impossible to calculate, but Sumatra transferred several billion dollars to Jakarta annually throughout the Suharto autocracy in taxes and other “compensation.” Sumatra’s current exports of LNG and petroleum, as well as other primary products from that island’s plantations and forests, again both legally and illegally, continue to run into the billions of U.S. dollars. Moreover, independent experts claim that Indonesia loses

about \$600 million each year from rampant smuggling from Singapore's free port into Indonesia in the Strait of Singapore, itself only a tiny part of the Strait of Malacca.⁹⁸ In addition, the vast majority of Indonesia's exports and imports via containers pass through Singapore, and thus often through at least part of the Strait. Maritime terrorism in the Strait, particularly since it may be perpetrated from Indonesian shores, could not only devastate Singapore's economy, but also quickly reverberate through the Indonesian economy.

"Indonesia does not see piracy or other types of maritime crime in the Strait of Malacca as a particularly serious threat."⁹⁹ Pirates, however, do not just attack non-Indonesian ships. "The North Sumatra Fishing Office said in May 2004 that two-thirds of the fishing boats in North Sumatra are not operating because of piracy concerns in and around Aceh and the Strait of Malacca."¹⁰⁰ Within the past month, an Indonesian chemical tanker was high jacked off North Sumatra.

In addition, the Strait of Malacca is uniquely important from an Indonesian political perspective. The international reaction to the terrorist bombing of a ferry off Manila suggests that no maritime power external to the region is likely to consider unilateral intervention in the event of a maritime terrorist incident within the depths of the Indonesian archipelago, but should such an attack take place in the world's busiest shipping lane, pressure for an intrusive international reaction may become intense.

Competing Priorities A nation of 230 million people, Indonesia has forged a successful democracy. However, it is still attempting to recover from the Asia financial crisis and absorb millions of new entrants into a labor market already saturated with the unemployed and underemployed, and is now seeking to rebuild after a tsunami killed almost a quarter million people and destroyed much of northern and western portions of the province of the Aceh. Moreover, weak institutions and an inherited culture of corruption (Indonesia is ranked fifth worst in Transparency International's global corruption rankings)¹⁰¹ mean that policy decisions can flounder as Jakarta seeks to have them implemented in the provinces.

Within the TNI and the Police (which was separated from the Armed Forces in 1999), the Navy and the Marine Police must compete for resources. Although

the Marine Police benefit from extensive foreign assistance, the Navy doesn't. Moreover, the Navy and Air Force are more technically oriented than the Army, and the equipment they need to fulfill their missions is more expensive, particularly in foreign exchange terms, than the Army's. Finally, "off-budget" and "illegal" funds are not used just for "corruption," but to carry out the services' missions and to feed and house soldiers, sailors, and marines, as well as their families. In such a budget climate, individual parts of the Navy (and other services) will turn to many sources for funds, including newly enriched provincial legislatures. For example, Admiral Sondakh was prepared to accept funds from the province of Riau, on the Strait of Malacca, until the Ministry of Defense insisted that such funding challenged the authority of the national government in Jakarta.¹⁰²

Moreover, under Indonesian law, "the Navy has responsibility for a lot of things besides just going to war."¹⁰³ In fact, the Navy has both "war fighting" and "law enforcement" functions, though it shares the latter with several other Indonesian agencies. This helps explain why the Navy, Sea Communications and the Police have repeatedly and categorically rejected suggestions from Japanese and American experts that Indonesia consider establishing a "Coast Guard," a solution its Malaysian neighbor has recently adopted. But multiple missions can complicate procurement decisions. For example, press reporting in 2003 suggested that Indonesia was prepared to purchase four submarines from South Korea at a cost of over \$1 billion by 2008, to replace its two current, 1980s-era submarines, and Indonesian Armed Forces commander Sutarto was even quoted in April 2005 as "considering the possibility of purchasing submarines from China to renew its naval fleet."¹⁰⁴ While regional navies, including Malaysia and Singapore, are concentrating on rapidly upgrading their war fighting capabilities,¹⁰⁵ Indonesia's Navy may not be able to afford to both follow this trend and fulfill the "law enforcement" responsibilities it so jealously guards.

Finally, for Indonesia's under-funded maritime security agencies, piracy (and potential maritime terrorism) is only one concern among many old and familiar problems, often including illegal fishing and extensive, and widely

reported, smuggling. For example, in 2002, a former U.S. Defense Attaché wrote, “commercial fishing vessels have long exploited the area (eastern Indonesian waters) with near impunity. Some estimates suggest that lost maritime resources exceed \$3 billion per annum.”¹⁰⁶ The Director General for the Promotion of Institutional Capacity and Marketing of the Maritime and Fisheries Ministry recently said “Indonesia loses about \$8 billion worth of stolen fish every year to foreign fishing vessels.”¹⁰⁷ It is not surprising, therefore, to find experts on the Indonesian armed forces insisting that the “Navy is more concerned with Eastern Indonesian waters, and (national) territorial integrity in Aceh and Papua, than it is with the Strait of Malacca.”¹⁰⁸

Maritime Security is Not Yet A Political Issue; Therefore, Jakarta has Not Designed a Policy Response In explaining Japanese anti-piracy initiatives in Southeast Asia, John Bradford drew on the academic literature to distinguish between Japanese and individual Southeast Asian states’ responses to piracy in the Strait of Malacca. He argued that “based on the discourse which surrounds it, a public policy issue can be classified as non-politicized, politicized, or securitized. A non-politicized issue is one that is excluded from the policy debate and ignored by policy. A politicized issue is identified as a matter of public importance, brought into the policy discourse, and requires the commitment of public resources. A securitized issue is identified as a potential threat to the continued existence of the state.” He argues that Japan and Singapore have “securitized” piracy, which remains essentially “non-politicized in Indonesia.”¹⁰⁹

In Indonesia, recent events suggest that maritime security as a whole, if not “piracy,” has received increased attention, but has not yet been “politicized,” much less “securitized.” Nonetheless, the trend is positive. Recent developments include:

- ★ Although Indonesia does not have a coordinated plan to address maritime security, the plan presented in 2003 to define maritime security responsibilities among the many agencies that claim a piece of that pie has reportedly moved further through the Indonesian bureaucracy. Apparently roughly equivalent to a U.S. presidential decision memorandum, the plan is reportedly now on the desk of Admiral Widodo, current Coordinating Minister for Political, Justice, and Security Affairs. It is not clear whether it will clarify the “jungle of

regulations, which all conflict in the 12 mile zone”¹¹⁰ or whether it will revive the moribund Coordinating Agency for Maritime Security (BAKORKAMLA).¹¹¹

★ Although the Indonesian Foreign Ministry (DEPLU) reportedly continues to focus on “sovereignty” issues, rather than opportunities to rapidly improve relations with the United States and Japan through maritime security cooperation, in a major development, Indonesia has agreed to co-sponsor an International Maritime Organization Ministerial Conference on maritime security in Jakarta in August 2005.

★ The Indonesian Navy has allocated funds from its limited budget to upgrade communications capabilities in the Strait of Malacca (\$8 million has been allocated, for a project expected to cost between \$15 million and \$28 million).¹¹²

★ In July 2005, the U.S. and Indonesian Navies “Cooperation Afloat Readiness and Training (CARAT)” exercise, not held since 2000, will resume in the waters off East Java. For this exercise, 500 Indonesian navy personnel in ships, planes and helicopters will join 1,000 Americans on three U.S. Navy ships.¹¹³

★ In May 2005, Indonesian marines and U.S. Navy Seals participated in a joint counter-terrorism exercise to combat threats to Indonesian waters, including piracy and terrorism.¹¹⁴

★ In May 2005, Admiral Fallon, the new U.S. commander of PACOM, met with President Susilo Bambang Yudhoyono and TNI commander Endriartono Sutarto in Jakarta. Sutarto was quoted as commenting, “We will not turn a blind eye to the fact that some day we will need help from other countries . . . the world has an obligation to contribute to securing the Malacca Strait . . . but there will be no troop assistance.”¹¹⁵

★ In May 2005, the Indonesian Foreign Ministry announced that it would establish an information center in cooperation with the International Maritime Bureau on Batam island across from Singapore.¹¹⁶

★ Indonesia and Japan appear to be moving forward on patrol boats to the Indonesian Marine Police. “Japan’s Foreign Minister Machimura told Indonesian Vice President Kalla when they met in January 2005, that Japan would send a fact-finding team tasked with deciding the type of boat in fiscal 2005, starting April 1.”¹¹⁷

★ The debilitating effect of budget cuts on the Indonesian Navy is beginning to be recognized. For example, the Chairman of Parliament's Commission I, overseeing Foreign Affairs, Defense, and Security issues, estimated that the Navy "has only 30 percent of what its needs and only half of that is working," and suggested that the United States might consider "export credits" to supplement Indonesian rupiah funds for the acquisition of U.S. equipment, since the national budget can only "afford to provide about 20 percent of the Navy's needs."¹¹⁸

On the other hand, a politically well-connected Indonesian intellectual commented, albeit before Indonesians elected Susilo Bambang Yudhoyono as their President, that the likely Indonesian public reaction to terrorism in the Strait of Malacca would be "first some kind of denial, then a conspiracy theory that the United States engineered the attack, and then it depends on the government."¹¹⁹ In the wake of U.S. assistance after the devastating tsunami of December 2004 and improving U.S.-Indonesian relations, this comment would probably no longer apply. However, public opinion in Indonesia and the United States remains far apart on the issue of terrorism.

THE ROLE OF THE UNITED STATES

The United States has good reasons to help Indonesia improve maritime security in the Strait of Malacca. There, three core U.S. interests in Southeast Asia overlap. They are:

- ★ Indonesia, the world's 3rd largest democracy, 4th largest state, and the state with the largest Muslim population in the world, is inherently important for the United States.
- ★ Indonesia is crucial to countering terrorism. Counter-terrorism is the central organizing principle of U.S. foreign policy in Southeast Asia.
- ★ The Strait of Malacca is the world's most important maritime chokepoint. Sea-lane security in Southeast Asia has, since World War II, been one of the three fundamental interests of the United States in the region.

As explained earlier, operational levels of the U.S. bureaucracy have been the driving force behind the U.S. initiative, and have achieved some success, but maritime security in the Strait of Malacca does not fall naturally to the responsibility of one part of the U.S. government. In the Department of State, this initiative did not fit into the bureaucratic structure of bilaterally oriented "desks," and, in general, U.S. Embassies in the region reflected their host countries' interest in the issue. On the military side, Admiral Fargo and the U.S. Pacific Command's counter-terrorism office, with little reference to the U.S. Navy or the Pentagon, took the lead, though RMSI lost its focus when it was

temporarily diffused into a plan to solve a host of counter-terrorism, counter-proliferation, and counter-narcotics maritime problems throughout Asia. In addition to these natural structural problems, U.S. congressional restrictions on assistance to the Indonesian armed forces constrained executive branch efforts to design a cohesive program.

Nonetheless, the United States has recognized the domestic political obstacles constraining Indonesian and Malaysian participation in counter-terrorism focused maritime security initiatives, and has adjusted the public focus of its capacity building assistance towards law enforcement against transnational crime. The skill-sets developed through U.S. training to enhance maritime domain awareness should facilitate littoral countries' ability to track and deter a range of transnational maritime crime. Despite teething troubles, the bottom line for the United States has always been to help Indonesia, Malaysia, and Singapore enhance their own capabilities, and help each other if possible.

Current U.S. programs consist of:

- ★ Somewhere between \$6.7 and \$8 million has been allocated over several fiscal years for training the Indonesian Marine Police through the International Criminal Investigative Training Assistance Program (ICITAP) program administered through the U.S. Embassy in Jakarta. Substantial additional funds are in the pipeline. All indications are that this is a well-regarded and effective program.
- ★ U.S.-supported conferences, training and exercises, often administered by the U.S. Pacific Command, as well as more general training opportunities through the E-IMET and Regional Defense Counter-terrorism (RDCT) program.
- ★ U.S. Coast Guard and other U.S. government studies that either address directly or touch on Indonesian maritime security needs, which have been provided to the appropriate Indonesian authorities.
- ★ \$1 million in Foreign Military Financing (FMF) for the Indonesian Navy in FY05.
- ★ Private U.S. companies have received contracts to upgrade the Indonesian Navy's communications in the Strait of Malacca and to provide "simulators" to the Indonesian Maritime Academy.¹²⁰

CONCLUSIONS AND RECOMMENDATIONS

Modern terrorists have seldom successfully launched maritime terrorist attacks, and the probability of such an attack in the Strait of Malacca is difficult to assess. Nonetheless, a particularly successful attack could, at least temporarily, devastate the economies of Singapore and Malaysia, and significantly impact Indonesia's trade, much of which flows through Singapore. The economic impact is difficult to calculate, since it depends not just on the nature of the attack and its success, but also on the reactions of the media, private companies, and governments. Almost any attack in the Strait would have a substantially greater impact than in other Indonesian waters, and than any number of pirate attacks. The economic costs to countries bordering the Strait of Malacca could range into the hundreds of millions of dollars.

Since an act of terrorism could originate from Indonesian shores, Jakarta stands the risks of being subjected to a torrent of criticism and panic-induced withdrawal of investments from Indonesia should a maritime terrorist attack take place. Moreover, if it is correct that natural gas and perhaps oil are more vulnerable targets before they are on ships, ships docked at shore-based facilities administered by major U.S. companies in Aceh and Riau, both located on the Indonesian side of the Strait of Malacca, might be attractive targets. However, only security experts could gauge whether these are, in fact, vulnerable to attack by terrorists.

An additional concern is the possible foreign policy consequences of maritime terrorism. Just as domestic political pressure mounted on the Japanese government after each spectacular piracy incident involving Japanese ships in the Strait of Malacca, an act of maritime terrorism would bring pressure on external maritime powers to intervene, an outcome that Jakarta has sought to avoid. Finally, a spectacular terrorist attack also could be widely perceived as a serious setback for American policy in Southeast Asia.

Although resource constraints will need to be overcome to enhance Indonesia's contribution to maritime security in the region, even more important are a number of organizational steps that could rapidly improve the operational effectiveness of those agencies responsible for maritime security. These include, first and foremost, a clarification of the roles and missions of Indonesia's principal maritime security agencies, an essential first step to improve inter-agency coordination. A subsequent step would be to consider reorganization of Indonesia's limited maritime platforms to more effectively fulfill its stated goal of improved cooperation with Malaysia and Singapore. None of this is possible without acknowledgement of the problem of maritime security at the political level in Jakarta. As mentioned before, if maritime security is to become "politicized" as an important issue for Indonesia, a prominent Indonesian with political influence must step forward.

The United States has launched a series of initiatives to address the issues, but now needs to make maritime security a priority issue in U.S.-Indonesian relations.

Much will depend on the new American team, principally PACOM's new commander, Admiral Fallon, and the new Department of State Assistant Secretary for East Asia and the Pacific, as well as the relatively new U.S. Ambassador to Indonesia. Apparently, PACOM is giving some thought to the possibility of reorganizing responsibility for the Regional Maritime Security Cooperation (RMSC) plan within its own structure.

As the United States re-engages with the armed forces of a democratic Indonesia, public discussion will probably continue to focus on the U.S. International Military Education and Training (IMET) program. While all parts of

the Indonesian military will warrant attention, priority should be given not just to re-establishing personal relationships. The Indonesian military does not, in fact, play a significant role in combating terrorism, which is a police and intelligence agency responsibility. The Indonesian Navy, however, has a security function beyond territorial waters that can't be replicated by any other branch of the government. Given U.S. counter-terrorism and sea lane concerns, as ties with the armed forces as a whole are rebuilt, priority might go to developing connections to the Indonesian Navy, which has not been tarred with the human rights violations associated with parts of the Indonesian Army.

Within the U.S. Embassy, only leadership from the Ambassador can drive the Embassy's maritime security team to work as closely together as possible, given the different agendas, cultures, and programs among the Departments of State, Defense and Justice, and the U.S. Pacific Command. One possible way to signal the new priority assigned to maritime issues would be to assign a U.S. navy officer as the next Defense Attaché in Jakarta, for symbolic as well as other reasons. Another would be to assign a naval officer to head the Office of Defense Cooperation (ODC) or restore the position of a Navy "program manager" in the ODC. A third option, which has been considered in the past, would be a U.S. Coast Guard billet. The U.S. Coast Guard, which is thoroughly familiar with maritime domain awareness and has participated in relevant ARF meetings, may have a major role to play. One idea is to "chop" a Coast Guard cutter and its crew to the U.S. Navy for training with Southeast Asian maritime security forces.

Finally, in addition to the continuation of current and highly successful ICITAP training program for the small marine police force, which is primarily responsible for maritime security within territorial waters, it is essential to build on Congress' own initiative in approving \$1 million in FMF for the Indonesian Navy in FY05. The Department of State, at one point, considered requesting \$6 million in FMF for the Indonesian Navy, though it eventually placed a greater priority on securing funds to support the Indonesian Air Force's acquisition of spare parts for its C-130 transport aircraft.¹²¹ The Japanese constitution restricts Tokyo's ability to assist foreign militaries. The U.S. could step forthrightly into

the gap, with the executive branch not just considering but also requesting Congressional approval for \$6 million in U.S. assistance for the Indonesian Navy. This could be wrapped, preferably, into a comprehensive five year \$30 million plan that would include not only training for the Navy, but also support for communications upgrades (a U.S. company is reportedly already involved), and an information/maritime intelligence fusion center and a modern operations center, capable of operating in conjunction with Malaysia, Singapore, the new anti-piracy center in Singapore, and U.S. facilities. Given that U.S. maritime security interests are focused on the Strait of Malacca, the United States could ask to have the operations center located along that Strait rather than in Jakarta, possibly on Batam, an island across from Singapore.

The interests of the United States, Indonesia and Japan are linked in the Strait of Malacca. Indonesia has broad maritime security concerns throughout its archipelago, which it can't address fully on its own. Piracy in the Strait is the issue for Japan, driven in large part by Japanese public opinion. The potential for maritime terrorism is the issue for the United States, largely in reaction to 9/11. Both the United States and Japan recognize the Indonesian "red lines," or issues that Indonesia is not prepared to discuss. These are retention of Indonesian "command and control" over maritime forces and no additional maritime organization, such as an Indonesian Coast Guard. The international reaction to piracy outside the main shipping lanes and to the only known case of maritime terrorism in Southeast Asia, in Philippine waters, strongly suggest that external powers will not be as interested in piracy or even in terrorism deep within Indonesia's archipelago as they are in the Strait. Although it is always difficult to determine the level of resources that should be committed to combating a low probability/high cost risk, the benefits of working with the littoral countries and securing assistance from the United States and Japan to improve maritime security would appear to outweigh any discernible costs for Indonesia.

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CONCLUSIONS AND RECOMMENDATIONS

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GLOSSARY

Abu Sayyaf Group (ASG) A small, violent Muslim terrorist/criminal group in the southern Philippines, the ASG has a reputation for kidnapping for ransom, bombings, assassinations, and extortion.

Asian Financial Crisis A 1997–1998 financial crisis that began in Thailand and spread through much of East Asia. Indonesia experienced a dramatic decline in GDP. Indonesia's autocratic ruler, President Suharto, was forced to resign.

Asia Pacific Economic Cooperation (APEC) Organizes an annual Summit, which usually provides the sole opportunity for the U.S. President to meet with most of his Asian counterparts.

Association of Southeast Asian States (ASEAN) Founded in 1967, and now including all Southeast Asian states except East Timor, ASEAN was designed to dampen conflict between states within Southeast Asia and enhance their collective influence. It failed to play a significant role in response to the Asian Financial Crisis or the East Timor crisis of 1999–2000.

ASEAN+3 ASEAN states plus China, Japan and Korea.

ASEAN Regional Forum (ARF) An ASEAN initiated forum created in 1994 to increase discussion of security issues, consisting of 23 members including China, Japan and the United States.

Foreign Military Financing A U.S. program that provides low-cost credit to allied or friendly governments for the purchase of military equipment through direct government-to-government arrangements.

Gerakan Aceh Merdeka (GAM) Since 1976, its armed fighters have conducted a separatist insurgency against the central administration of Indonesia.

International Criminal Investigative Training Assistance Program (ICITAP) A U.S. Department of Justice program to train and assist police forces around the world.

International Maritime Bureau (IMB) The IMB, a division of the International Chamber of Commerce, established a small piracy reporting center in Kuala Lumpur, Malaysia in 1992.

International Maritime Organization (IMO) The IMO is the London-based, United Nations specialized agency responsible for the safety and security of shipping.

Jema'ah Islamiyah (JI) Southeast Asia's largest and most effective terrorists network with extensive ties to al Qaeda.

PACOM U.S. Pacific Command, the theater combat command covering the huge region from the west coast of the United States all the way to the Indian Ocean. The theater commander, usually a four-star admiral, controls a wide variety of training initiatives, seminars, and conferences for military forces within the PACOM region.

Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (RECAAP) A Japanese-designed agreement, initiated through the ASEAN+3 mechanism, to cooperate against piracy and support a primarily Japanese-funded, piracy-related Information Sharing Center in Singapore.

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