

STABLE SEAS:

SULU & CELEBES SEAS



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STABLE SEAS: SULU & CELEBES SEAS

Authors:

Alexandra Amling

Curtis Bell

Asyura Salleh

Jay Benson

Sean Duncan

Contributing Authors:

Sarah M. Glaser

Lydelle Joubert

Richard N. Muallil

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INTRODUCTION

The Southeast Asian Archipelago, the world's largest island group, stretches more than 6,500 kilometers across more than a dozen distinct seas,¹ numerous archipelagic waterways, and tens of thousands of islands. This expanse is divided by several sovereign countries and recognized autonomous areas that spread from Aceh, on the northwestern tip of Sumatra, to the archipelago's southeastern extreme in Papua New Guinea. This area also includes the world's busiest shipping lanes, its most biodiverse marine environment, and many of the global leaders in fisheries production. Simply stated, no other maritime region combines the geographic and political complexity of this area. These characteristics make the Southeast Asian Archipelago one of the world's most challenging maritime security environments.

The maritime security challenge is especially daunting around the Sulu and Celebes Seas. Here, the region's three most populous states, Indonesia, Malaysia, and the Philippines, converge in a tri-border area with a complex political history and a long legacy of illicit maritime activity. Though many of the coastal communities in this area are thriving due to their productive sea-based economies, significant security threats persist. These waters have been renowned for piracy and maritime kidnappings for ransom since the pre-colonial period. Even today, the islands at the heart of this region are home to globally recognized terrorist organizations like the Abu Sayyaf Group and regional affiliates of the Islamic State.

The costs of maritime insecurity are widespread and severe. The fragile ecosystem is being damaged by unregulated and illegal fishing practices that devastate fish stocks and destroy reefs and breeding grounds. Piracy and armed robbery threaten vital shipping lanes that carry some 70 percent of the commerce exchanged between Australia and East Asia and vital local trade among the littoral states.² Widely reported kidnappings at sea and attacks on coastal resorts have prevented idyllic reefs and beaches from fully realizing their potential as leading destinations for divers and other tourists.

Stronger maritime governance requires enacting solutions to complicated and interrelated problems like poor coastal economic welfare, rooted shadow economies, human trafficking, and organized political violence against soft coastal and offshore targets.

Fortunately, the governments of Indonesia, Malaysia, and the Philippines are working independently, tri-laterally, and with international partners to provide stronger maritime governance in the Sulu and Celebes region. The establishment of the Trilateral Cooperative Agreement in 2016 was an important step toward overcoming regional tensions and instilling new efforts to address maritime crimes like piracy and armed robbery at sea. As of early 2019, these initiatives are being further strengthened with the establishment of a Contact Group on Maritime Crime in the Sulu and Celebes Seas. Drawing from experiences with the Contact Group on Piracy off the Coast of Somalia, this new group, initiated by the United Nations Office on Drugs and Crime (UNODC), brings in international partners to foster regional cooperation and advance the shared goal of securing these seas for the economic and physical welfare of coastal populations and the safe and sustainable development of the regional "blue economy."

This report adopts a holistic, rigorous, and politically impartial approach to analyze linkages between maritime governance and maritime security challenges.

Stable Seas: Sulu and Celebes Seas is an effort to contribute to these positive developments through rigorous and politically impartial research on this complex maritime region. Stronger maritime governance requires enacting solutions to complicated and interrelated problems like poor coastal economic welfare, rooted shadow economies, human trafficking, and organized political violence against soft coastal and offshore targets. This report shows how such problems relate to each other and, importantly, how the improvement or worsening of any one issue area can have downstream consequences for seemingly unrelated maritime security threats. This holistic approach to the topic can facilitate stronger cooperation, both within and across governments, for the ultimate purpose of sustainable maritime security. In turn, this progress should hamper the illicit networks and violent political organizations that have used the poor security environment to finance and facilitate their efforts.

THE SULU AND CELEBES SEAS AND SURROUNDING REGION



A NOTE ON TERMINOLOGY

Many names are given to the geographical features and political entities in this region. For example, the island group that spans the entire region has been called the “East Indian Archipelago,” “Malay Archipelago,” and “Maritime Southeast Asia.” The “Celebes Sea” and “Sulawesi Sea” are two terms referring to a body of water that is one and the same. Additionally, the “South China Sea” and “West Philippine Sea” also refer to the same expanse of water north of the Celebes Sea.

This report adopts the following language to be inclusive and to match the preferred terminology of international bodies such as the United Nations and the International Hydrographic Organization. The sea north of the island of Sulawesi is described here as the Celebes Sea. Throughout the report, “Kalimantan” is used to refer to the Indonesian political administrative regions of Borneo, but “Borneo” or “northeastern Borneo” are terms employed to describe the geographic region that Malaysia, Indonesia, and Brunei share. Meanwhile, “Sabah” refers to the Malaysian territory located in northeastern Sabah. “East Sabah” would refer to the series of towns stretching along the east coast of Sabah, from Kudat to Tawau. “West Sabah” refers to the west side of Sabah and is marked by the capital Kota Kinabalu. When describing the entire archipelago, the report uses “Southeast Asian Archipelago.” “Sulu Archipelago” is used to describe the Philippine-controlled islands from Tawi-Tawi province in the west to the Zamboanga peninsula in the east.

This report is the product of several months of desk research, field research, and interviews with regional authorities in Indonesia, Malaysia, the Philippines, Singapore, Thailand, Australia, and elsewhere. Many experts graciously gave their time to discuss their experiences in the region and to supplement the report with their informed perspectives. Specific informants are not named in order to protect their anonymity, but the list of organizations consulted in the creation of the report includes the following (in addition to others who wish not to be named).

In Indonesia:

Maritime Security Agency (BAKAMLA)
 Institute for Policy Analysis of Conflict
 Ministry of Foreign Affairs
 Prosecutor's Office
 Australian Border Force
 Embassy of the United Kingdom

In the Philippines:

Philippine Coast Guard
 National Coast Watch Council
 Asia Pacific Pathways to Progress Foundation
 Australian Border Force
 Mindanao State University

In Malaysia:

Maritime Institute of Malaysia (MIMA)
 Malaysian Maritime Enforcement Agency (MMEA)
 Institute of Strategic and International Studies (ISIS)
 National Defence University of Malaysia
 (Universiti Pertahanan Nasional Malaysia, UPNM)

In Singapore:

S. Rajaratnam School of International Studies (RSIS)
 ISEAS-Yusof Ishak Institute

The report also benefited greatly from the assistance of several academics and experts in the region, including Professor Dato' Dr. BA Hamzah (UPNM), Dr. Ian J. Storey (ISEAS), Dr. Collin Koh Swee Lean (RSIS), Kenneth Yeo Yaoren (RSIS), Dr. Zachary Abuza (National War College), Dr. Aries Arugay (University of the Philippines Diliman), Dr. Richard N. Muallil (Mindanao State University), Captain Martin A. Sebastian (MIMA), Captain Jean-René Degans (Marine Nationale/French Navy), Dr. Jon Altamirano (SEAFDEC Philippines), Julio Amador III (Asia Pacific Pathways to Progress Foundation, Inc.), and Dr. Eric Frécon (Southeast Asia Observatory, Asia Centre, Paris). The report would not have been possible without the support of the UNODC's Global Maritime Crime Programme and MIMA.

Chapter Outline

The report is organized into nine chapters, each focusing on a unique aspect of the maritime security environment in the Sulu and Celebes region. The first chapter, **BLUE ECONOMY**, examines the region's promising maritime industries, which include coastal tourism, offshore oil and gas, fishing, and shipping. This region includes some of Southeast Asia's fastest-growing states and provinces, but it is also threatened by declining oil and gas production, environmental threats to reefs and fisheries, and the continued presence of violent non-state actors and extortionists operating in the Sulu Archipelago. Addressing these threats in order to promote further economic development requires coordination across the many agencies and governments that have an interest in the sustainable development of these coastal economies.

The second chapter, **COASTAL WELFARE**, juxtaposes the economic promise of the Sulu and Celebes blue economy against the security challenges faced by those living there. The periphery of this region includes communities with relatively high levels of economic and physical security, yet the Sulu Archipelago is being left behind. The residents of that region suffer the area's lowest levels of economic development, the highest levels of violence, and the greatest presence of transnational criminal networks and violent non-state actors. As the Sulu Archipelago is geographically centered between the Sulu and Celebes Seas, the presence of criminal actors poses an immediate threat to all other Sulu and Celebes coasts.

The third chapter shows how the illicit networks that threaten coastal welfare thrive by undermining the local **RULE OF LAW**. The Indonesian, Malaysian, and Filipino residents of this region live very far from the political and economic hubs of their countries. Consequently, state presence is relatively weak in many parts of the tri-border area and sentiments of political separatism are accentuated. In such an environment, shadow economies can thrive and opportunities for bribe-seeking and judicial corruption thrive. In this way, a weak rule of law simultaneously hampers the development of the legal economy and further entrenches transnational criminal networks.

Chapters 4 through 7 examine four specific maritime security challenges in the Sulu and Celebes Seas. Chapter 4 covers **PIRACY AND ARMED ROBBERY**, a topic which has attracted global attention to this region. Though kidnapping for ransom has become less prevalent since 2016, it persists as an important threat that has, in the recent past, financed terrorism and onshore political violence. This chapter outlines the long history of piracy and hostage-taking here, documents the more recent attacks on seafarers and coastal tourists, and discusses government efforts to combat this threat.

The chapter on **ILLCIT TRADES** delves deeper into the shadow economy and provides new information on the trafficking and smuggling of weapons, drugs, contraband, and wildlife products. It highlights how these illegal economic activities are both causes and consequences of the political challenges that states face here. Inadequate maritime domain awareness and government presence allow for the establishment of illicit networks which then work to subvert the government presence and legal economy. In turn, this empowers these networks and increases local dependence on the illegal economy.

The sixth chapter looks more closely at **MARITIME MIXED MIGRATION**, which includes the voluntary and involuntary movement of persons across the Sulu and Celebes Seas. Some economic migrants transit this porous region in search of greater economic opportunities while others fall victim to sex trafficking and forced labor. Law enforcement authorities face the challenge of identifying victims of trafficking and curbing these crimes without inhibiting the legal and voluntary economic migration that fuels the regional economy.

Chapter 7, **FISHERIES**, explores the challenge of protecting regional fish stocks in this productive yet fragile marine ecosystem. The Philippines, Indonesia, and Malaysia each rank among the top 11 marine fishing countries in the world and the health of the reefs and breeding grounds in the Sulu and Celebes Seas are critical for fisheries production across the Indo-Pacific. Problems such as overfishing, environmental damage, and IUUF—illegal, unreported, and unregulated fishing—threaten regional food security and the sustainability of one of Southeast Asia’s most important economic sectors.

The last two substantive chapters look at what countries are doing, both alone and in coordination, to eliminate these threats and realize the economic potential described in the opening chapter. **MARITIME ENFORCEMENT CAPACITY** assesses regional governments’ capabilities, noting that all three states have pressing priorities drawing naval and coast guard resources to distant regions like the South China Sea and the Malacca Straits. **INTERNATIONAL COOPERATION** surveys the many ways the governments of Indonesia, Malaysia, and the Philippines are working together and with the broader international community to bring improved safety and security to these seas. The chapter concludes with specific recommendations for more effective cooperation on these issues.

Finally, a brief **CONCLUSION** chapter synthesizes the key findings and shows how successfully addressing any one of these issues can have positive spillover effects for the other issues. This section highlights the interdependencies between the issues discussed in each chapter and suggests next steps regional policymakers can take as they work to improve security in the Sulu and Celebes region.

BLUE ECONOMY



BLUE ECONOMY

Residents of the Sulu and Celebes region rely on the health of marine resources and the strength of maritime industries. On rural islands, artisanal fishing sustains livelihoods, and small landing sites are vital lifelines to larger regional markets. In more developed areas, seaports connect to the global economy and support an expansive fisheries sector. Elsewhere, beaches and reefs attract tourists, offshore extractives bolster incomes, and mariculture and marine biomedical research continue to expand. The sustainable development of this diverse ocean-based “blue economy” is critical for further growth.



The benefits of a strong blue economy extend far beyond these seas. International shipping lanes bisect the area, including the Mindoro-Makassar route that carries cargo to East Asian and Australian markets. Fishing efforts sustain some of the world’s most productive fishing economies. In fact, the Food and Agriculture Organization (FAO) ranks Indonesia (2nd), the Philippines (10th), and Malaysia (11th) among the world leaders in marine capture production.³ This is one of the most biodiverse marine areas on the planet, with over 1,200 species of fish⁴ and 76 percent of the world’s coral species.⁵ Many species are migratory, so the health of the Sulu and Celebes Seas has consequences for the greater Indo-Pacific.

This chapter tours the development of the blue economy around the periphery of these seas. Region by region, it highlights the maritime industries that propel coastal economies, describes threats to further development, and discusses emerging opportunities that could improve the region’s economy in the future.

Key Findings

- World-renowned **CORAL REEFS SUPPORT TOURISM, FISHING, AND REEF-SOURCED BIOMEDICAL INDUSTRIES**, but these sectors are threatened by unsustainable fishing practices and environmental damage.
- Though **SUBSTANTIAL INTERNATIONAL SHIPPING TRAFFIC CROSSES THE SULU AND CELEBES SEAS, MOST OF THIS TRAFFIC DOES NOT STOP**. The region’s largest ports are on opposite sides of the islands framing these seas. The combination of distant major ports and abundant shipping traffic puts the region at risk of poor maritime safety and slow response times to shipping disasters like oil spills or vessel-threatening storms.
- Though the number of instances of violence at sea and kidnapping for ransom are below recent highs, the presence of the organized illicit actors that perpetuate these crimes continues to **DISINCENTIVIZE GREATER INVESTMENT** in maritime infrastructure, tourism, coastal development, and new blue economy opportunities.

MARITIME BOUNDARIES AND OFFSHORE ECONOMIC ACTIVITY

Littoral states cannot optimize their blue economies without having shared understandings of maritime boundaries and states' legal rights within their offshore jurisdictions. Disagreement over these issues can inhibit international cooperation over marine resource management, instigate sovereignty disputes among neighbors, and delay investments in offshore industries. Malaysia, Indonesia, and the Philippines are in broad agreement about boundaries and jurisdictions in this area, but any friction over these issues could be exploited by the unregulated foreign fishing fleets and illicit transnational trafficking networks that can quickly undermine a legal and sustainable blue economy.

International standards for defining offshore boundaries and rights are outlined by the United Nations Convention on the Law of the Sea (UNCLOS), to which all of the states bordering the Sulu and Celebes Seas are party. Under UNCLOS, states maintain sovereignty over their territorial waters, which generally extend 12 nautical miles from the shoreline. States have economic rights over an exclusive economic zone (EEZ) that extends as far as 200 nautical miles offshore. These definitions require further negotiation when littoral states are proximate enough to allow for overlapping EEZ claims.

UNCLOS makes exceptions for archipelagos, which UNCLOS defines as island group features “which are so closely interrelated that such islands, waters and other natural features form an intrinsic geographical, economic and political entity, or which historically have been regarded as such.”⁶ An archipelagic state can exercise sovereignty rights over its entire archipelagic waters, even if individual islands in that archipelago are separated by more than 24 nautical miles.⁷

Control of even the smallest islands can be sufficient to support claims over the resources of vast maritime spaces. Philippine control of Tawi-Tawi and Mapun, small islands just off the northeast coast of Borneo, bolsters the argument that nearly all of the Sulu Sea lies in Philippine archipelagic waters. In this way, the limits set by UNCLOS can dramatically intensify the stakes of territorial disagreements over rocks and low-tide elevations that might otherwise be neglected.



Sabah

The Malaysian state of Sabah, with a 2017 per capita gross regional domestic product (pcGRDP) of roughly RM24,000 (\$5,750), remains substantially less developed than its neighboring state of Sarawak (RM49,000/\$11,800), but its economy is growing very quickly. In 2017 Sabah's annual economic growth rate of 8.2 percent was the fastest of any Malaysian state and 40 percent higher than Malaysia's national growth rate of 5.9 percent.⁸ Increased economic activity in the Sulu Sea is partially responsible for this growth. Sandakan, the largest Malaysian city on the Sulu coast, is an important port for exports of cacao and palm oil. It also receives Filipino migrants who come to Borneo to work in these industries.

Sabah's lucrative oil and gas industry is concentrated on the northeastern side of Borneo, which is where nearly all relevant infrastructure is located. However, the Malaysian government does extract some gas from the eastern shore of Sabah and the area is primed for expansion due to its close proximity to existing infrastructure in neighboring Sarawak. The boundary between Malaysian and Philippine waters in the Sulu Sea remains unsettled, so formalizing this boundary could accelerate further development of offshore oil and gas on the eastern side of the island.

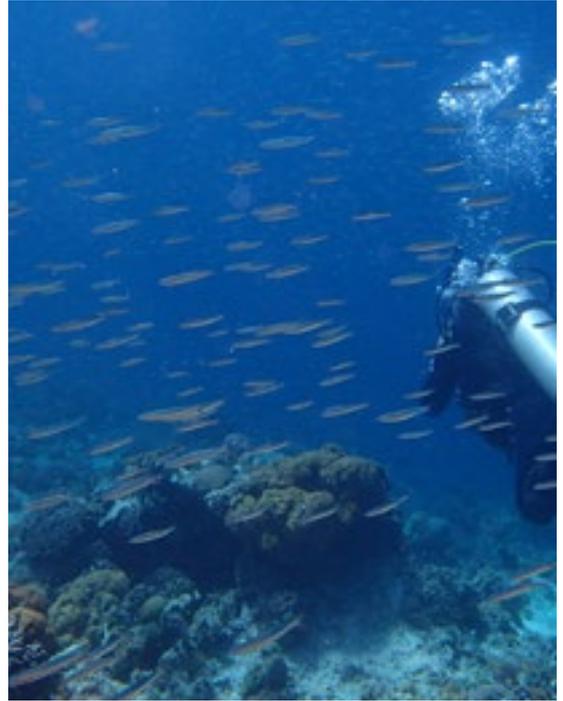


Photo: Richard N. Muallil

This interest in offshore extractives must be balanced against the threat this industry could pose to other sectors of the blue economy, including fishing and tourism. Sipadan Island, situated roughly 30 kilometers from Sabah in the northwestern Celebes Sea, is commonly recognized as one of the world's best sites for scuba diving. This is one of many reefs that draw upwards of 600,000 tourists per year to Malaysia's marine areas.⁹ Reef-related businesses alone generate \$635 million per year for the Malaysian economy,¹⁰ and tourism throughout the country is expected to grow to 14.4 percent of total gross domestic product—or RM296.3 billion (\$68.4 billion) by 2028.¹¹ Indeed, the travel and tourism industries already account for roughly 11.8 percent of total employment—1,704,500 jobs—and are expected to increase to 13.2 percent of total employment—2,356,000 jobs—by 2028.¹²

The Malaysian government is proactively addressing threats to blue economy industries in Sabah. In 2013, following a coastal attack by militants from across the Sulu Sea, the Malaysian government called for curfews in high-risk areas and provided increased maritime enforcement capacity. These additional security measures have been extremely successful and should attract increased investment in Sabah's maritime sectors.



Children traverse raised walkways in a village in coastal Sabah. Photo: Sung Ming Whang.

North and East Kalimantan

South of Sabah on the island of Borneo, the Indonesian provinces of North Kalimantan and East Kalimantan form the western edge of the Celebes Sea. Though the region's primary cities of Balikpapan, Bontang, and Samarinda are found southwest of the Celebes Sea on the Makassar Strait, the Celebes coast of Borneo is economically dependent on industries including offshore extractives and shipping.

Borneo's unique geology makes the Tarakan Basin, found off the coast of North Kalimantan, an especially productive source of oil and gas. However, the region has been producing for more than 100 years,¹³ and Indonesian oil and gas production is in decline. According to the Indonesian Petroleum Association, oil production has dropped by roughly 50 percent since 2000.¹⁴ Waning production and low crude oil prices have caused some foreign oil companies to exit the Kalimantan area.¹⁵ While all of this suggests that this geology may play a smaller role in Kalimantan's economy in the future, new research also suggests that the geological characteristics of the area could bring new opportunities in new industries such as carbon dioxide sequestration and sub-surface storage.¹⁶

Above the surface, North and East Kalimantan rely on the large coal trade between Borneo and the Philippines. Seventy percent of the coal used by the Philippines and supplied by Indonesia moves through the Sulu and Celebes Seas.¹⁷ While most of Kalimantan's reserves consist of low-quality coal, industry analysts note that Indonesia is committed to expanding domestic coal use and the development of "clean coal" technologies such as the increased use of coalbed methane.¹⁸

This industry is particularly vulnerable to security threats in the Sulu Sea because slow-moving tugboats pulling coal barges are easy targets for non-state actors engaging in kidnapping for ransom. In 2016 Indonesia suspended its coal shipments to the Philippines over safety concerns.¹⁹ Consequently, both Indonesia and the Philippines suffered from the negative impacts of kidnappings and armed robberies.

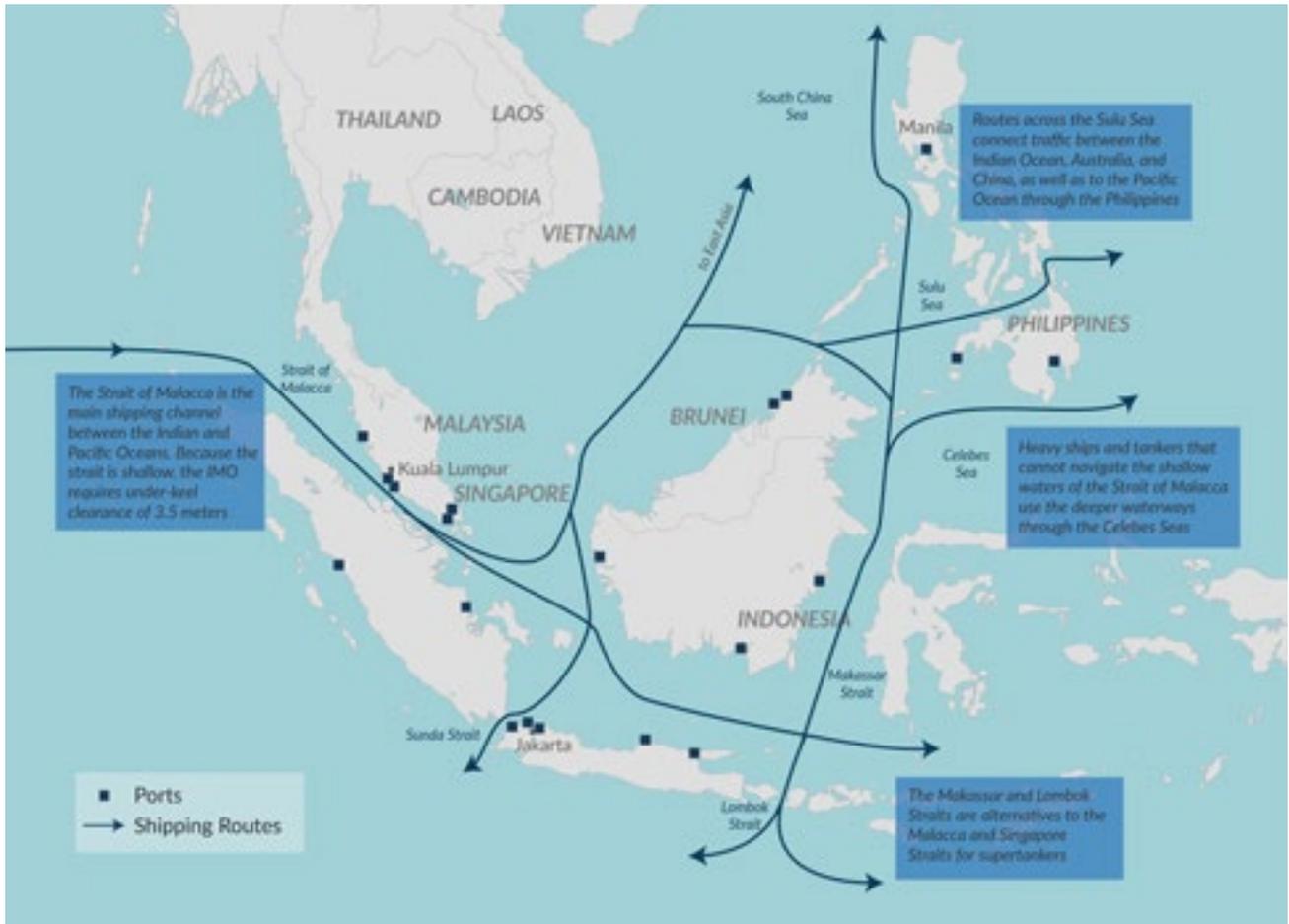
Northern Sulawesi and the Sangihe Islands

The long peninsula of northern Sulawesi bends north and then east for nearly 800 kilometers to form the southern boundary of the Celebes Sea. This is a remote region with few significant population centers. The only major city on this coast, Manado, is found at the tip of the peninsula nearly 1,800 kilometers by road from Sulawesi's principal city of Makassar. The dominant blue economy sectors in this region include fishing and the shipping of coconut oil, which is northern Sulawesi's primary agricultural export.²⁰ Relative to the provinces of Kalimantan, northern Sulawesi is substantially poorer, with per capita incomes around 20–25 percent lower.²¹

One reason for the low incomes is that the economy is largely based on the extraction of raw natural products that are not processed locally. Data from the Indonesian Vessel Monitoring System²² show that nearly all of Indonesia's fishing efforts in the Celebes Sea occur off the northeastern edge of the peninsula and throughout the Sangihe Islands, yet local officials say Indonesians frequently travel from Sulawesi to General Santos City in the southern Philippines to work in canneries. This indicates insufficient fish-processing capacity in northern Sulawesi and suggests an opportunity to invest in the local fisheries supply chain.

While fishing efforts are concentrated in the east, significant international shipping traffic crosses the western edge of this region. Unfortunately, nearly all of it passes by without contributing to the local economy. Due to under-keel clearance limitations imposed by the Malacca Straits Traffic Separation Scheme,²³ heavy ships and near-capacity tankers sometimes make use of the deeper waterways across the Celebes Sea as an alternative to shallower maritime passages elsewhere in the East Indian Archipelago. Multiple officials interviewed for this report perceive the routes crossing the Sulu and Celebes Seas to be second only to the Straits of Malacca route in global shipping traffic. Though global shipping data indicate more traffic crosses other maritime chokepoints around the world, more than \$40 billion worth of goods (2012 estimate) pass through the area each year.²⁴ The local overestimation of Celebes shipping traffic highlights its perceived importance in the Sulu and Celebes blue economy.²⁵

MAJOR SHIPPING ROUTES IN THE REGION



There may not be immediate local economic benefits from this global shipping traffic, but the shipping volume in this fragile and valuable marine environment necessitates undertaking adequate maritime safety measures. Indonesia, Malaysia, and the Philippines could suffer immensely should a shipping disaster or oil spill occur. The major ports in Malaysia and the Indonesia are located on different sides of Borneo and Sulawesi. This could slow response times should an emergency occur and any resulting delays could endanger other maritime industries.

The Southern and Central Philippines

Finally, the eastern and northern periphery of this region is bordered by the Philippines. The southern stretch of this frontier includes the west coast of Mindanao and the Autonomous Region in Muslim Mindanao (ARMM). This area is known for separatist organizations and radical groups that have historically resorted to hostage-taking, armed robbery, petty theft, fuel siphoning, and other forms of extortion at sea to finance their activities. Such groups have aimed to weaken state presence by targeting maritime infrastructure like ferries and wharfs. This activity simultaneously boosts illegal maritime activity and deters major investments in the legal blue economy.

Poor development of the blue economy is likely both a cause and consequence of the insecure environment in the southern Philippines. Nearly one in five residents of the ARMM rely on subsistence fishing and the region's official poverty rate is 48 percent (2015 data).²⁶ The ARMM is much more dependent on fishing than other parts of the Philippines are,

which is problematic because the nationwide poverty rate among Filipino fisherfolk (34 percent) is nearly 60 percent higher than it is for those employed in other sectors (21.6 percent).²⁷ The Philippine government reported that between 1997 and 2009 life expectancy at birth fell from 53.6 years to 46.8 years in Tawi-Tawi, ARMM.²⁸ The relatively high poverty rate is a likely driver of illicit economic activity and radical political organization, and in turn these responses to poverty undermine the development of more profitable blue economy sectors, which completes the poverty–conflict cycle.

It is difficult to estimate what this illicit economic activity costs the Philippine blue economy, but anecdotal evidence points to substantial losses of income. Security concerns stemming from recent kidnappings hamper expansion of coastal tourism. For example, the recent actions of the Abu Sayyaf Group (ASG) in Marawi City led to massive declines in tourism in Bohol, which may have caused between tens of millions of dollars in lost revenue between January and April 2017.²⁹ The threat of illicit activity deters tourism across the entire region. Websites encouraging scuba tourism continue to warn potential tourists about the dangers of Sipadan Island (Malaysia) following a foiled 2017 attempt by ASG to take foreign hostages there.³⁰



A fishing dock in the Philippines. Photo: Richard N. Muallil.

Recent evidence from West Africa shows how illicit activity could be undermining the shipping industry. In 2011 over 20 piracy attacks were recorded off the coast of Benin and the port of Cotonou—which handles roughly 90 percent of the country’s foreign trade—experienced a 70 percent decline in traffic volumes as a result.³¹ This caused an estimated \$81 million dollar loss in customs revenue as ships diverted to other ports in the Gulf of Guinea.³² This was possible because nearby ports could handle the increase in traffic volume—a context similar to ports in Southeast Asia. One could reasonably conclude that Indonesian and the Philippine investment in port infrastructure may not achieve the desired economic benefits if security threats are not also assuaged.

Beyond the ARMM region, the Philippines’ largest cities on the Sulu Sea rely on maritime industries. Zamboanga City, a sardine canning capital, has doubled its sardine catch and the number of cannery workers employed over the last decade.³³ However, in the last few years the government has had to suspend some fishing activity and in 2016 the region suffered an 8 percent decline in fisheries production.³⁴ To the north, Iloilo City has the largest port on the Sulu Sea³⁵ and anchors the Philippines’ top region for industrial fisheries production.³⁶ North on the reef-surrounded island of Palawan, the 2001 Dos Palmas Resort kidnappings, inadequate infrastructure, and a relatively high rate of mosquito-transmitted disease detract from pristine beaches with unrealized potential as an international tourist destination.

According to one Filipino policy analyst, a nationwide problem is that labor in the maritime sector is not as organized as it is in other economic sectors, and thus has little political leverage to make greater demands and to advocate for broad investment in the blue economy. Given that more than 98 percent of inter-regional trade in the Philippines is sea-based,³⁷ the absence of a strong blue economy agenda is quite indicative of the weak labor organization and political underinvestment of many coastal areas.

The Future of the Sulu and Celebes Blue Economy

The Sulu and Celebes Seas have geological and ecological characteristics that endow this region with enormous economic potential. In some areas, this potential is already being realized. Offshore oil and gas have made East Kalimantan one of the wealthiest provinces in Indonesia, all three countries are among the global leaders in fisheries production, and the tourism industry is expanding. However, several threats cast a shadow on the future development of the blue economy.

The first threat is overexploitation. The rise and fall of offshore oil and gas extraction efforts in this area illustrate the shortcomings of unsustainable blue economy sectors. Other non-renewable resources like coal dominate the economies of large portions of these coasts. Transitioning to exportable renewables, creating a carbon sequestration industry in spent oil fields, developing renewable sources of domestic energy like geothermal and tidal power, and implementing best practices for the management of renewable resources like palm oil and fish stocks will reduce this overexploitation and extend the life of the blue economy. Fisheries management is discussed in much greater depth in the Fisheries chapter of this report.

Second, many maritime sectors are threatened by global-scale climate change, ocean acidification, rising sea levels, and coral bleaching. Nearly every reef in these seas is threatened or harmed by human activity.³⁸ While this problem has global causes, regional states can mitigate local sources of pollution and boost emergency response capacities to better prepare for the possibility of future oil spills and shipping accidents. Indonesia's recent hosting of the Our Ocean conference and participation in international environmental initiatives give hope for greater attention to this issue in the future.

Finally, illicit activities perpetuated by organized non-state actors are threatening maritime sectors across the Sulu Sea and preventing the region from reaching its full economic potential. Even if the countries surrounding the Sulu and Celebes Seas can transition to models of sustainable development, the threat posed by such groups must be addressed. The next chapter examines these groups more closely along with the economic and physical welfare of those living in these coastal areas.

The Sulu-Celebes Sea region has enormous economic potential, but it is threatened by overexploitation of resources, climate change, and illicit activities.



Clean up of an oil spill off the island of Borneo that led to the deaths of five people and the declaration of a national emergency.
Photo: AFP/Getty Images

COASTAL WELFARE



COASTAL WELFARE

The coastal areas encircling the Sulu and Celebes Seas have diverse economies due to the particular offshore and onshore industries active in each region. Many local economies are dominated by raw natural resources including oil, gas, minerals, palm and coconut products, cacao, and other agricultural goods. This means the welfare of some coastal populations is tied to the state of the global market for that coast's dominant commodities and that coast's ability to continue to compete. New sector-specific investment can bring rapid economic growth, while adverse market changes can have deleterious effects for very specific provinces.

The stakes of rapid economic development are raised by local legacies of political separatism, terrorism, religious marginalization, shadow economies, and cross-border organized crime. Governing authorities have made substantial progress against these kinds of threats to coastal welfare, but poor economic conditions could favor the quick reemergence of these problems.

It is for this reason that the welfare of coastal populations is imperative to improved maritime governance in the Sulu and Celebes Seas. Resilient and productive economies decrease the role of black markets and the illicit actors who profit from them. Violent non-state actors recruiting based on historical economic and political grievances are undercut when coastal communities are thriving and national governments are visibly promoting accelerating growth. This chapter reviews the current state of coastal welfare in terms of both economic and physical security. It also shows that progress toward sustainable maritime security is difficult or impossible to achieve without simultaneously improving welfare on the coasts.

Key Findings

- **COASTAL POVERTY IS A KEY DRIVER OF ILLICIT MARITIME ACTIVITY**, and in turn, illicit maritime activity suppresses opportunities for legal coastal economic development. This cycle must be broken by deliberate state intervention that focuses on both maritime enforcement and coastal development.
- While most of the region is developing quickly, the **AUTONOMOUS REGION IN MUSLIM MINDANAO (ARMM) CONTINUES TO BE LEFT BEHIND**. Because it is at the geographic center of the Sulu and Celebes region, failure to improve coastal welfare in the ARMM will suppress growth in other parts of the region.
- **EAST SABAH IS AN IMPORTANT SUCCESS STORY**. The Malaysian government has proactively responded to security threats with investments in the coastal economy and the security sector. As a result, the region is booming and providing an example that could be emulated in other parts of the Sulu and Celebes region.

Economic Security in the Sulu and Celebes Region

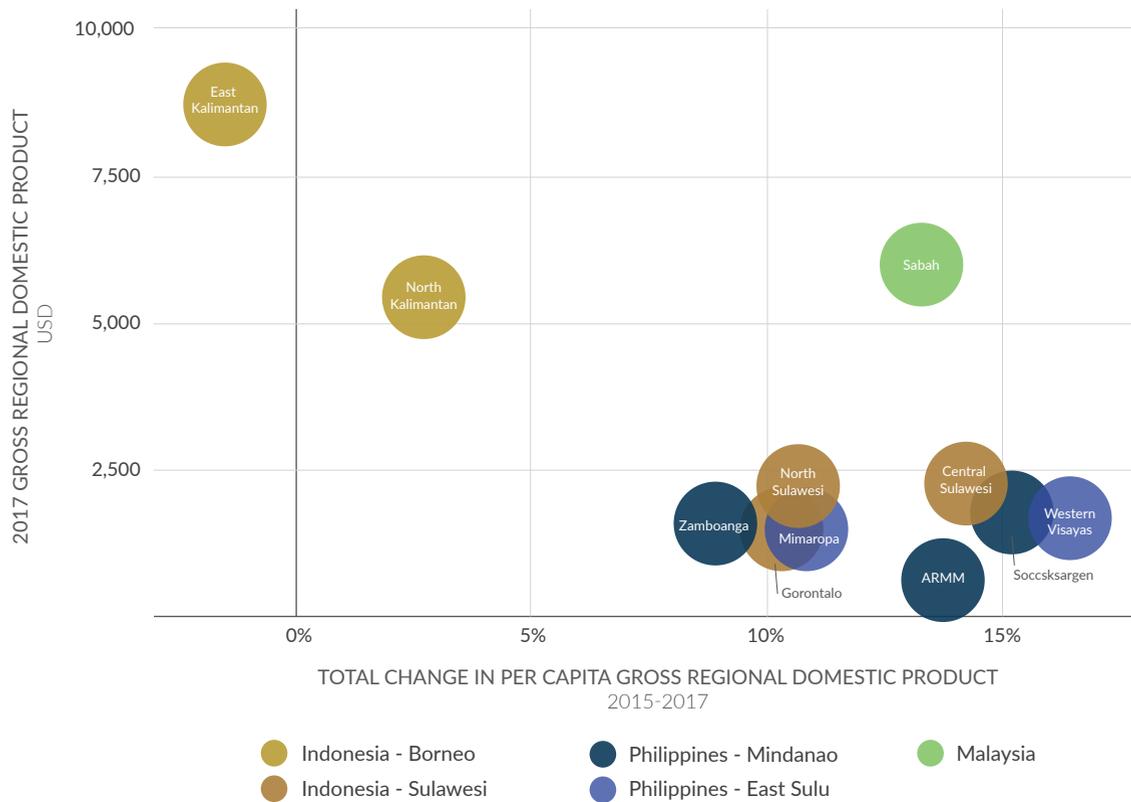
This section makes two generalizations about this region's economic development as of the beginning of 2019. First, income inequality across the states and provinces in the Malaysian, Indonesian, and Philippine portions of the Sulu and Celebes region is currently decreasing. With a few exceptions, the wealthiest areas rely on commodity markets in decline while poorer areas are rising on surging commodities. This is causing a negative association between wealth and growth around these seas, with areas typically being either poorer and relatively vibrant or wealthier and relatively stagnant.

The second generalization qualifies the first. While poorer regions are generally improving, the gap between the ARMM and the rest of the Philippines is expanding. Though its economy is growing, this part of the Philippines continues to suffer from exceptionally low per capita incomes and a high level of violence. This relative deprivation gives life to the illicit economic activities and organized kidnappings and violence that suppress greater economic growth in industries like coastal ecotourism. Because the ARMM is located in the geographical center of the Sulu-Celebes region, security threats emerging from here have consequences for the rest of the region.

The three countries of the Sulu and Celebes region regularly report subnational statistics that enable close analysis of socioeconomic conditions throughout the area. This chapter examines province-level data in Indonesia (e.g., East Kalimantan) and state-level data in Malaysia (e.g., Sabah). Most information on the Philippines is available at the province level (e.g., Iloilo), though some statistics are region-level and agglomerate adjacent provinces into larger groupings (e.g., Western Visayas). The ARMM is separated as a unique unit in all discussion of Philippine data. Values are reported in US dollars unless otherwise noted.³⁹

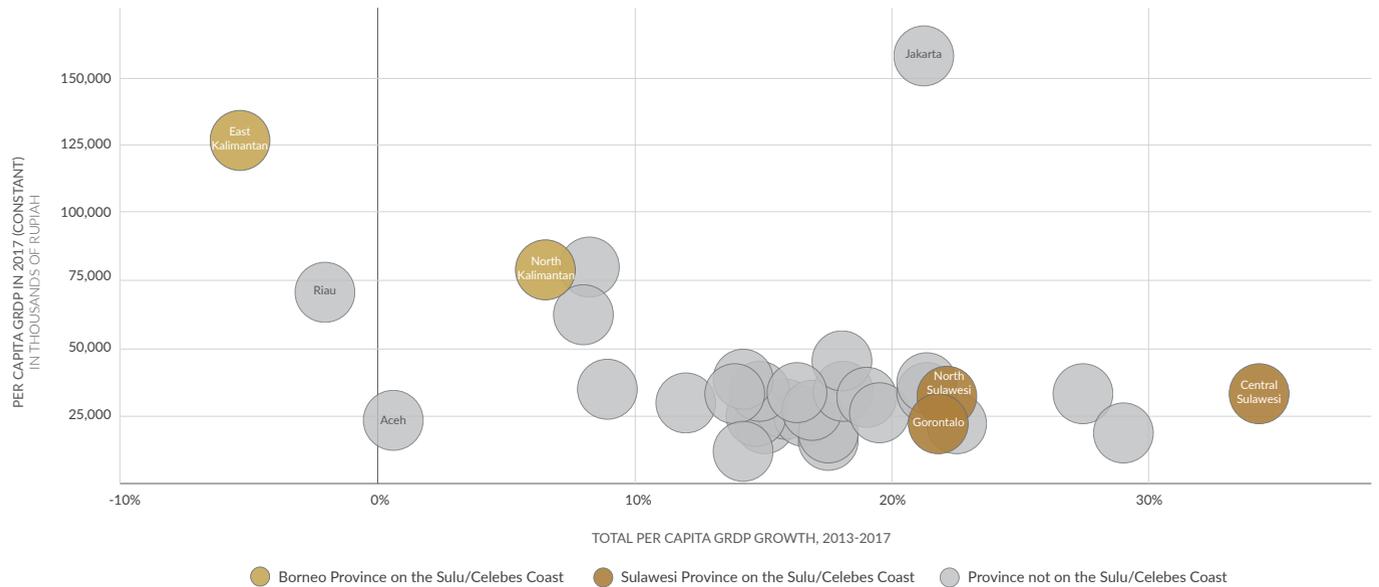
Wealth versus Growth

Economic development, measured as per capita gross regional domestic product (pcGRDP), ranges from more than \$8,500 per year in East Kalimantan to well below one-tenth of that (\$600) in the ARMM. Growth rates are as high as 7–9 percent per year in parts of the Philippines, Sabah, and Sulawesi, but have been stagnant or even negative in Kalimantan. Perhaps most interestingly, wealthier areas are growing more slowly than poorer areas. This is creating a general convergence in economic conditions around the region.



Today pcGRDP is roughly four times higher in East Kalimantan than it is in most of the region’s Indonesian and Philippine provinces. However, the Indonesian government estimates that oil and gas income is directly responsible for 25 percent of the East Kalimantan economy.⁴⁰ Declining prices and production are rapidly eroding this economic advantage. The value of Indonesian oil and gas exports fell 75 percent between 2011 and 2016.⁴¹ Though East Kalimantan remains Indonesia’s wealthiest region outside of Jakarta, it is also suffering the country’s sharpest economic contraction; 33 of the country’s 34 other provinces have enjoyed economic growth since 2013.

A TALE OF TWO ISLANDS: ECONOMIC GROWTH & DEVELOPMENT IN THE INDONESIAN PROVINCES



East Kalimantan has historically relied on oil and gas production, but prices and production are falling. Photo: Pixabay.

The three provinces on the northern peninsula of Sulawesi have some of Indonesia's highest five-year growth rates.⁴² This is attributable to having a lower dependence on declining industries like oil and gas. Instead, Central Sulawesi's mining sector has enjoyed double-digit growth rates for several years.⁴³ This extraordinary growth helped Indonesia more than triple its nickel production and double its copper output between 2010 and 2015.⁴⁴ Mining now accounts for around 20 percent of Indonesian exports.⁴⁵ As a result, pcGRDP in northern Sulawesi's three coastal provinces has recently surpassed that of most Philippine provinces on the Sulu and Celebes Seas. If Sulawesi can diversify its rapidly growing economy, it may prove to be less vulnerable to the boom and bust cycles of global raw commodity markets.

Sabah is Malaysia's only state along the Sulu Sea and it continues to lag somewhat behind Sarawak, but it is the most prominent exception to this generalization about wealth and growth. Incomes in Sabah are high and similar to those across the border in North Kalimantan, but Sabah's annual growth rate of 8.2 percent is the highest of any region in Malaysia.⁴⁶ Some of this success can be attributed to a booming ecotourism industry and the government's proactive efforts to protect maritime activity. Over the last decade, Malaysia has boosted regional security both onshore and offshore with naval facilities in Sandakan and increased investment in the Eastern Sabah Security Command (ESSCOM). Fears of terrorism and kidnapping may be deterring some international tourism, but Sabah received 17.8 million tourists in 2017,⁴⁷ an annual increase of nearly 8 percent,⁴⁸ and tourism now contributes over 10 percent of Sabah's economy.⁴⁹

THE EASTERN SABAH SECURITY COMMAND

The Eastern Sabah Security Command (ESSCOM) was established in early 2013 in reaction to an increase in activity by kidnap-for-ransom groups and the Lahad Datu incursion by fighters claiming loyalty to the Sulu Sultanate. ESSCOM monitors the Eastern Sabah Security Zone through a strong military presence which includes security upgrades and redeployments such as additional police and army facilities, special police and army units, island forward-operating and sea bases, coastal patrol vessels, and helicopter assets. In addition, upgrades have been or are being made to coastal radar and balloon surveillance systems in order to enhance maritime domain awareness. This heightened security posture has been accompanied by additional training exercises focused on amphibious operations and urban warfare⁵⁰ as well as the imposition of a dawn-to-dusk curfew at sea, which is intended to help monitor suspicious maritime activity.⁵¹



This increased presence has contributed to lower levels of maritime crime. There have been several successful responses to instances of suspicious activity and kidnapping attempts.⁵² While there were 12 kidnapping incidents resulting in the taking of 33 hostages between 2014 and 2016,⁵³ there had been no kidnapping incidents for nearly two years until a September 2018 incident in which two Indonesian fishermen were kidnapped off the coast of Semporna.⁵⁴ This was followed by another incident in December 2018 in which two Indonesian fishermen and one Malaysian fisherman were abducted and brought to Laminusa island in the Sulu province.⁵⁵ This recent improvement in the security situation appears to be benefiting economic conditions, particularly via recent increases in tourism.⁵⁶ However, continued presence and vigilance remain vital as there are reports that the Abu Sayyaf Group still seeks to undertake kidnapping operations against high-value targets of opportunity off the coast of Sabah.⁵⁷

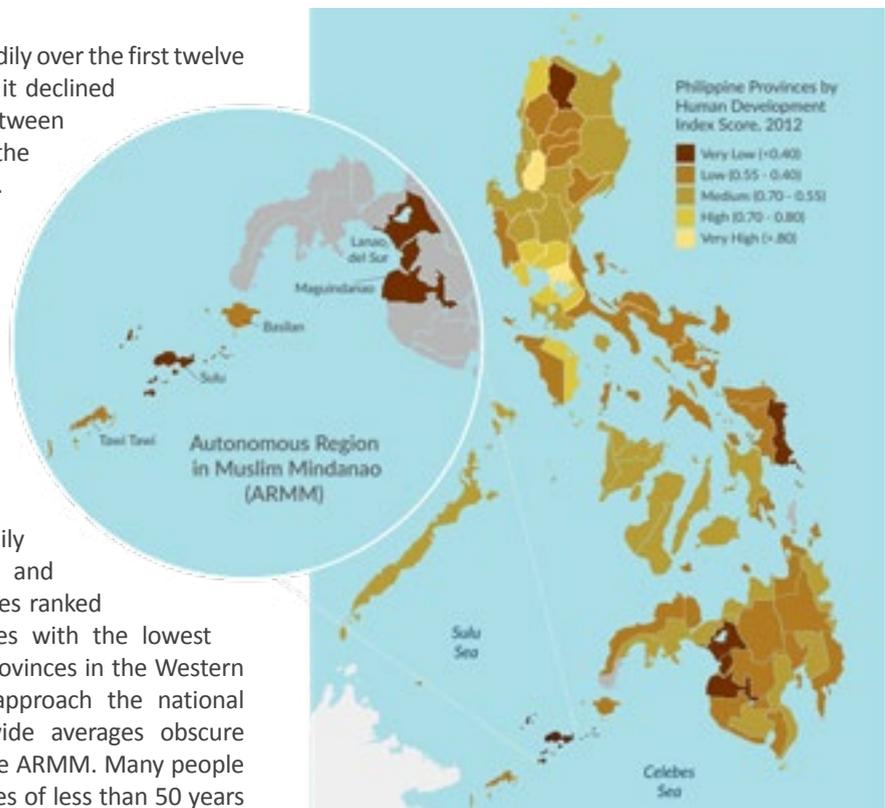
One initiative that is being pursued to ensure sustainable security in East Sabah is the KESBAN at Sea framework. Pioneered by the Maritime Institute of Malaysia, the Sabah National Security Council, and the Universiti Malaysia Sabah, KESBAN at Sea was modeled after the *Program Keselamatan dan Pembangunan* (Security and Development Program, KESBAN) approach that successfully deterred Communist insurgents in the early 1970s. KESBAN at Sea prides itself on pursuing economic, socio-political, marine enforcement, and security-defense strategies. Engaging in a more holistic manner, stakeholders from law enforcement agencies, maritime sectors, and the coastal community will eventually reduce the frequency of military operations and ensure broad-based and enduring security. Through this framework, KESBAN at Sea aims to safeguard the blue economy in the tri-border region, tackle organized crime syndicates that exploit the coastal communities, and synergize the apparatus for maritime security awareness by building on the strength of various stakeholders.

One Region Left Behind

The ARMM, located at the center of the Sulu and Celebes region, faces uniquely low levels of economic security. Incomes are a fraction of what they are elsewhere in the Philippines. In fact, the Philippine Statistics Authority estimates 2017 pcGRDP in the ARMM (30,557 pesos/\$580) to be around one-fifteenth of that in metro Manila (465,691 pesos/\$8,840) and one-fifth of that in nearby Davao City (141,430 pesos/\$2,680). According to this metric, this region of the Philippines ranks last in economic development, falling more than 40 percent below the country's second-poorest region of Bicol (52,927 pesos/\$1,000).⁵⁸

Since the late 1990s, the Philippine government has sought to improve its understanding of province-level economic security by calculating a local-level Human Development Index (HDI) for all parts of the country.⁵⁹ These estimates, modeled after the United Nations Development Programme metric, broaden the definition of economic security to include measures of quality of life such as health and education. The *HDI* ranges from 0 to 1 with higher scores indicating greater levels of human development.

While national-level *HDI* increased steadily over the first twelve years of the 2000s from .616 to .644, it declined in the ARMM. As a result, the gap between the ARMM and other provinces on the Sulu and Celebes coasts has widened. In 2000, the ARMM was the country's poorest region, but the provinces of the ARMM with the highest levels of human development, including Lanao del Sur (.429) and Maguindanao (.371), were comparable to nearby provinces in Mindanao like Sarangani (.388) and Sultan Kudarat (.419). Twelve years later, *HDI* in these ARMM provinces fell to .217 and .309, while it climbed steadily in the Mindanao provinces to 0.438 and 0.443. By 2012 all five ARMM provinces ranked among the seven Philippine provinces with the lowest *HDI*, while Sulu and Celebes coastal provinces in the Western Visayas and Mindanao climbed to approach the national average. Worse yet, the province-wide averages obscure growing economic inequality within the ARMM. Many people here are suffering from life expectancies of less than 50 years and poor access to education and health care.⁶⁰



The rapid economic development of most of the Philippine provinces along the Sulu and Celebes coasts is encouraging, but the ARMM is being left behind. Growth beyond the ARMM could benefit this impoverished area if increased state resources are used to develop the ARMM, but any perceived failure to share this wealth could amplify the local feelings of political marginalization that have historically given rise to separatist movements, and, in some cases, terrorism and organized political violence. The next section outlines this threat in greater detail and draws links between the region's economic insecurity and threats to the region's physical security.

Economic Insecurity as a Driver of Physical Insecurity

The relative economic plight of the ARMM is layered onto long-standing ethnic, religious, and political faultlines that increase the risk of economic insecurity undermining the region's physical security. Economic hardship amplifies these identity-based grievances and in this way accelerates political resistance movements. The long history of these problems can suggest that they are intractable, yet the ARMM is increasingly stable and poised for a more peaceful future if economic development can continue. This section discusses the two most divisive motivators of violence in this region: centuries-old movements for political autonomy and faith-based conflict between the Muslim minority and Christian majority.

The Long Fight for Autonomy

The roots of the region's present political autonomy movements can be traced back for several hundred years. This long period witnessed countless local political realignments, the arrival of Islam in the 14th century, the organization of several strong regional Sultanates, subsequent colonization by Europeans that was formalized in the 19th century, and finally political and economic decolonization over the last several decades. A comprehensive discussion of this history is beyond the scope of this report, yet a summary of this historical backdrop is necessary context for understanding the region's coastal welfare. The Sultanate of Sulu, which remains active today, is the starting point for this summary.

By the 17th century, the Muslim population of the Sulu and Celebes region had been politically consolidated into a Sultanate of Sulu based in the islands of the modern ARMM. At its peak, the Sultanate controlled nearly all of the western Sulu-Celebes region, including the western half of Palawan, the Sulu Archipelago, and parts of Mindanao and Borneo. The skilled seafarers from this maritime sultanate earned a reputation for piracy and raiding, a reputation that grew with the arrival of rich and easy European targets during the early colonial period.

As Dutch, Chinese, British, Spanish, and American traders, among others, frequented these seas for spices and other goods, the political unity of the sultanate began to unravel. Territory was lost to foreign powers, sometimes in voluntary concessions of frontier areas like Palawan and in other cases only after violent battles. Most importantly, though, these losses resulted in the lasting political separation of northeastern Borneo (including Sabah) from what would become the westernmost islands of the Philippines.

As recently as 2013, armed militants from Tawi-Tawi, Philippines, landed at Lahad Datu, Malaysia, in an effort to reunite the estranged territories in the name of the sultanate. The Malaysian and Philippine governments intervened without serious escalation between the two states, but this instance led to further securitization of the area and greater politicization of these historical grievances.⁶¹ Lingering disagreement between Malaysia and the Philippines thwarts the formalization of the maritime boundary in the Sulu Sea. The issue has been raised at the International Court of Justice and remains a point of contention.⁶²

Legal disagreements persist, but relations between these countries are much less strained than they were in the first decades of Malaysian independence. The new government of Malaysia offered training, refuge, and material support to militant separatist groups throughout the 1960s and 1970s. The most important of these at that time, the Moro National



Top: Sultan of Sulu, image taken by British North Borneo Chartered Company, 1899.

Bottom: Illustration of a lanong, the main warships used by the navies of the Sultanates of Sulu and Maguindanao for piracy raids in the late 18th century.

Liberation Front (MNLF), was founded in Malaysia and then waged a long war against Philippine control of the Sulu region. According to the Philippine government, this armed conflict ultimately resulted in more than 100,000 deaths.⁶³ The group’s strength had waned substantially by the mid-1990s, but not before the issue of Sulu sovereignty became intertwined with the global transnational network of groups turning to violence in the name of political Islam.

Separatism and Radicalization

The MNLF and the Philippine government engaged in negotiations several times between the group’s formation in 1972 and the landmark peace agreement of 1996. The MNLF retreated from demands for full independence and instead compromised for management of an autonomous region in the Sulu Sea. The legal framework for what would become the Autonomous Region in Muslim Mindanao was drafted into law in 1989 and peace between the MNLF and the government followed in 1996. The founder of the MNLF, Nur Misuari, governed the ARMM from 1996 to 2001. Unfortunately, by that time several other significant violent non-state actors had emerged.

Compromises between the MNLF and the Philippine government were never universally accepted within the movement. From the earliest agreements in the mid-1970s, factions advocating for less compromising positions formed splinter groups. Internal competition among these groups, often aligning with regional clans and ethnic identities, resulted in political assassinations and communal violence throughout the southern Philippines. As often happens in these contexts, some groups grew close to foreign organizations with similar ideologies and more extreme tactics.⁶⁴

The first major split occurred in the mid-1970s, when a dissatisfied member of the MNLF leadership, Hashim Salamat, split in order to create the “New MNLF.” Salamat secured his faction by explicitly identifying the New MNLF as an Islamist group representing a regional front of a global religious movement. This strategy resulted in the receipt of substantial foreign support, including training of New MNLF fighters in Afghanistan alongside the insurgents combating the Soviet invasion of that country in the early 1980s. In 1984, this platform shift was institutionalized by renaming the group



MAJOR ATTACKS ON CIVILIANS SINCE 1990

1991: ASG conducts a grenade attack on a missionary ship at port in Zamboanga City, Philippines, resulting in four deaths and dozens injured

2000: MILF plants an incendiary device on a ferry in Oramiz City, Philippines, killing 44 passengers and injuring more than 100

2000: ASG storms a resort in Sipadan, Malaysia, killing 21 and inciting a six-month hostage crisis

2001: ASG raids a resort in Honda Bay, Philippines, leading to a prolonged hostage situation and the deaths of several hostages and dozens of Philippine security personnel

2003: MILF conducts a bomb attack at a wharf in Davao City, Philippines, killing 16 and injuring dozens

2004: ASG plants a bomb on a ferry leaving Manila, killing 116 onboard

2012: Unidentified gunmen kill 15 fishermen at sea off Sibango Island, Philippines; believed to be an extortion operation

2013: Approximately 200 fighters claiming loyalty to the Sulu Sultanate attack the area around Lahad Datu, Malaysia, by sea; ensuing battles with security forces result in 68 deaths

2017: Fighters from ASG and the Maute Group engage in five months of fighting with security forces in the city of Marawi, Philippines, resulting in hundreds of battle deaths, dozens of civilian deaths, and approximately one million civilians being displaced

2019: ASG claims responsibility for the twin bombings at the Roman Catholic Cathedral of Our Lady of Mount Carmel in Jolo, Sulu, which resulted in at least 20 civilian deaths and around 100 injured civilians; sparking a fresh military offensive between the Philippines military and ASG

the Moro Islamic Liberation Front (MILF).⁶⁵ After many years of presenting as more fundamentalist on issues of Moro independence, the MILF also transitioned to compromising with the Philippine government. The group formally cut ties with al Qaeda and other international violent Islamist movements in the early 2000s and signed a formal peace agreement with the government in 2014.⁶⁶

The most globally renowned of the major non-state organizations operating in this part of the Philippines, the Abu Sayyaf Group (ASG), is better known for its extremely violent tactics than for any specific political agenda. The group, which later disintegrated into various factions, was founded on and still continues to claim an Islamist ideology and an ideological affiliation with the Islamic State, but today regional military and law enforcement authorities are much more apt to view the group as a profit-motivated violent criminal enterprise than a platform-driven political movement. International perspectives also reflect this. Both the United States and the United Nations formally designate ASG as a terrorist organization.

Under the leadership of ASG's founder, Abdurajak Janjalani, the group tied close links to al Qaeda and planned major terrorist attacks on civilians, including a foiled 1995 plot to down a dozen commercial aircraft over the Pacific Ocean. The group proved unable to fully recover from three shocks it suffered over the next decade. First, the killing of Janjalani in 1998 divided the group into factions, each weaker than the original organization. Second, the attacks of September 11, 2001, initiated the global War on Terror and the beginning of a significant American effort to assist the Philippines in the permanent defeat of ASG and other al Qaeda affiliates. Finally, the 2006 killing of Janjalani's brother and heir, Khadafi Janjalani, significantly weakened the group and marked a shift in focus from major terrorist operations to revenue-generating crimes such as weapons and drug trafficking, piracy and armed robbery at sea, and kidnapping hostages for ransom. Much of this activity has occurred against the Christian minority in Basilan.

The Sulu and Celebes region is a decade removed from Abu Sayyaf's deadliest attacks on civilians, yet the threat of violence continues to deter investment and curb economic growth. Hundreds were killed in violence involving these non-state actors between 2016 and 2018, with the vast majority of those deaths occurring in the ARMM provinces of Sulu, Basilan, and Lanao del Sur.⁶⁷ ASG pledged allegiance to the Islamic State in 2014 and, alongside the jihadist Maute Group, fought the Philippine military in a five-month urban battle over Marawi City in 2017 and in the recent military offensive that began in 2019. The militants were attempting to establish an Islamic State caliphate based in the ARMM province of Lanao del Sur. This battle suggests that the rhetoric of the Islamic State is finding an audience in the Philippines. Law enforcement authorities there are concerned that radicalized Filipinos have traveled to Syria to fight for the Islamic State and will return as battle-trained veterans. This stokes fears of having a new generation of jihadis and terrorists in the Sulu region. Numerous Malaysians and Indonesians were also fighting in Marawi City and were captured fighting for the Islamic State in the Middle East, so these fears are shared across Southeast Asia.



A Philippine soldier passes pro-Maute and ISIS graffiti during the battle of Marawi City. Photo: Jes Aznar, Getty Images.

Conclusion

The Sulu and Celebes region is developing rapidly, but legacies of political exclusion, religious radicalism, and endemic poverty interact to create political and economic insecurity in the ARMM. Attacks as far away as East Sabah and Palawan show that the threat emanating from this area can have consequences for all of the states and provinces abutting the Sulu and Celebes Seas.

Prior to the 2017 Marawi City siege in Mindanao, the informal maritime economies of the Sulu region were primarily viewed through the prism of historical ties among the ethnic groups living across borders. However, law enforcement agencies are increasingly linking this shadow economy with inadequate opportunity in the legal economy, the empowerment of transnational organized crime, and the persistence of regional security threats. Income generated by ocean-based trafficking or smuggling makes maritime insecurity a driver of crime and political violence on land. Conversely, economic and physical insecurity on shore fuel illicit activities in the maritime domain. Greater investment in the welfare of coastal populations can boost the legal economy while also weakening the maleficent actors who benefit from transborder illicit trades. This will, in turn, reduce the threat of violence across the region and increase incentives for further economic investment and development.

Turning the vicious cycle of economic and physical insecurity into a virtuous cycle of economic investment and political resilience requires substantial state presence, fair and judicious institutions, local feelings of representation and inclusion, and freedom from corruption. The next chapter discusses the state of the rule of law and shows how addressing these issues is a prerequisite for sustainable economic and political stability in the Sulu and Celebes area.

RULE OF LAW



RULE OF LAW

Several compounding factors impede good governance in many parts of the Sulu and Celebes region. Where governments struggle to establish law and order far from their capitals, illicit organizations can fill the vacuums with subversive economic and political activities. Isolated officials are vulnerable to corruption, and this increases local animosity toward the central government. Concomitantly, under-resourced legal systems are prone to bribery and extrajudicial actions that delegitimize the state even more. Taken together, these factors mean governments must invest more in this region to raise awareness and achieve the same standards of good governance that are more easily maintained elsewhere.

To be sure, many areas of Sulu and Celebes do not suffer the myriad problems described above. As was documented in the previous chapter, coastal welfare is quite good in many areas. However, as is shown in the chapters that follow, the absence of a strong rule of law in any one part of the region can attract malign actors that endanger the welfare of the greater area. There are strong political and economic incentives for each of the three states to strengthen the rule of law wherever it is presently weak.

This chapter traces the links between capital–frontier discord and the corruption of local officials to show that these threats to the rule of law are complementary and reinforcing. It also argues that common responses to these threats can be antagonistic. Strategies for addressing local grievances, including decentralization, can inadvertently worsen corruption. Centralized anti-corruption campaigns can disempower local officials and harden regional identities. Finding comprehensive solutions to these threats to the rule of law is necessary if states are to improve governance in these regions over the long term.

Key Findings

- **GREAT DISTANCES AND COMPLEX MARITIME GEOGRAPHY UNDERMINE EFFECTIVE LAW ENFORCEMENT** while enabling non-state actors, smugglers, and traffickers.
- Feelings of **POLITICAL AND ECONOMIC DISENFRANCHISEMENT FUEL CALLS FOR GREATER REGIONAL AUTONOMY** and cause residents to identify more strongly with their local regions than they do with distant central governments.
- Though Indonesia and the Philippines have made great strides toward building political institutions, **CORRUPTION REMAINS ENDEMIC** and decentralization has not solved this problem.

Governing Distant Regions

The Sulu and Celebes Seas are the convergence point for the most populous countries in the Southeast Asian Archipelago, but this area is a frontier to all three states. North Kalimantan is the least populated of Indonesia’s 34 provinces and its principal city of Tarakan is roughly 1,600 kilometers by air from Jakarta. Kuala Lumpur is more than 1,800 kilometers by air from Semporna and Sandakan on the coast of Sabah. Even in the Philippines, which controls nearly all of the Sulu Sea as archipelagic waters, Davao City is 1,000 kilometers from Manila, and the western reaches of the Autonomous Region in Muslim Mindanao (ARMM) are farther still.

The challenge of maintaining an adequate presence in distant borderlands is not only operational, but also political. Peripheral areas with fewer voters are not always central to political platforms, and they thus receive inconsistent attention. One Malaysian policy analyst interviewed for this report stressed that political transitions can interrupt funding streams for important investment projects and this problem is especially acute if national parties and politicians use projects to benefit specific regional allies. This is a considerable obstacle to the long-term investment that is needed to build a stronger state presence in remote regions.

DISTANCES FROM CAPITALS TO CITIES ALONG THE SULU AND CELEBES COAST



Importantly, past efforts to tighten the hold central governments have over their remote territories have generated longstanding feelings of political alienation. Strong regional identities underlie these feelings and, in many areas, intractable distrust of the central government must be overcome for a stronger rule of law to prevail. The next sections discuss these particular grievances in Indonesia, Malaysia, and the Philippines.

Indonesia

The Indonesian government faces the formidable challenge of governing the world's largest archipelagic state and fourth-largest population. Indonesia's population and economic activities are concentrated on the western-edge islands of Sumatra and Java, which together account for more than 80 percent of Indonesia's economic output⁶⁸ and more than 75 percent of its 265 million citizens.⁶⁹ Most provinces east of these islands are distant, relatively poorer, and more reliant upon extractive economies. They have also suffered long periods of political marginalization.

At times, the marginalization experienced by the outer islands has resulted in communal violence, including in provinces on the Sulu and Celebes Seas. This kind of violence is less likely now than it was in the past, yet understanding the historical legacy of these outbreaks is necessary for appreciating the barriers to establishing a strong rule of law in the region today.

After Indonesia achieved independence, its central government in Java endeavored to tighten its control over the economic and political ruling classes of the outer islands, primarily through Soeharto's New Order initiative in 1966. This initiative relied on relationships with tightly-knit networks of power brokers who remained loyal to and dependent upon the central government. These networks were layered upon ethnic and religious communities that were either beneficiaries of or marginalized by these arrangements. These power brokers also introduced elites from other islands who could be deployed to distant frontiers to ensure loyalty to the central government.⁷⁰

Following the fall of the Soeharto regime in 1998, these alliances crumbled and communal conflicts erupted in West and Central Kalimantan, North Sulawesi, North Maluku, and elsewhere. The unraveling relationships between the loyal local elites and the Soeharto government underpinned post-Soeharto communal violence just as much as cultural identities did.⁷¹ The governments of the late 1990s and early 2000s pursued rapid decentralization, which led to greater local autonomy and satisfied some separatist movements. However, drawbacks to decentralization have included increased corruption and reduced regulations on extractive industries.⁷²

A second point of contention between the central government and the outer islands was the gradual marginalization of indigenous communities during the controversial transmigration programs that commenced in the 1960s.⁷³ This is particularly true for Kalimantan, home to a majority of the Dayak community. A steady increase in transmigration led to a drastic population shift that, by the time the transmigration program was abolished in 2000, consisted of 21 percent of the non-indigenous population of Kalimantan.⁷⁴ Violent conflicts have erupted between the Dayak and the small minority Madurese population. More broadly, historical legacies of social engineering from Java, inter-communal conflict, and the economic marginalization⁷⁵ that followed this influx of migrants have created entrenched and enduring resentments toward the central government among some living in Indonesia's outer islands.⁷⁶ Though such resentments are unlikely to reemerge as points of violent conflict, they continue to fuel demands for regional autonomy and questions about the legitimacy of the central government.

Malaysia

Many of the factors that drive feelings of political exclusion in Indonesia are also present in the Malaysian state of Sabah. Like Kalimantan and Sulawesi, Sabah is far to the east of the capital, has distinctive demographic characteristics, and relies on an extractive-resource-based economy that is very different from that in other parts of the country. Though tensions with the central government are not as strong in Sabah as they are elsewhere in the Sulu and Celebes region, a history of aggressive efforts over several decades to assimilate Sabah has created resentments similar to those found in parts of Indonesia.



Fishing Village on Mabul Island by the Bajau Laut community, a maritime nomadic group that moves freely between islands on the Sulu and Celebes Seas. Photo: Jared Kelly.

The Malaysian government has worked since its independence to reduce sentiments of political, economic, and regional exclusion. Its greatest challenge in this regard has been assuaging the economic resentment between the Chinese minority, which is generally wealthier, and the constellation of groups that identify as native to peninsular Malaysia, Sarawak, and Sabah. These tensions have been known to trigger violence between these communities in the past. In 1969, for example, one of Malaysia's first general elections prompted massive race riots that claimed hundreds of Chinese lives, sparked the exit of Malaysia's first prime minister, and motivated much more aggressive legislation from the Malaysian government.

The policy from this period with the most enduring effect was the New Economic Policy of 1971. Among other policy changes, the New Economic Policy formalized the privileges bestowed to members of the *bumiputera*, a state-defined social group that includes Malays⁷⁷ and natives of Sabah⁷⁸ and Sarawak. Preferential treatment for bumiputeras includes greater opportunity for employment in public service, privileged access to education, and racial quotas for business ownership and employment in many lucrative economic sectors. These reforms have had a profound effect on the diverse population of Sabah.

Sabah, with a population of 3.9 million, is Malaysia's third most populous state. Recognized bumiputera groups constitute 2.3 million people (about 60 percent), although Sabah is also home to 1.15 million non-citizens.⁷⁹ This ratio is dramatically different from that in the rest of Malaysia. Whereas Sabah is home to roughly 11 percent of the country's bumiputeras, it hosts 35 percent of Malaysia's 3.3 million non-citizens.⁸⁰ This extraordinarily high number is driven by large flows of migrants from the southern Philippines and Kalimantan.⁸¹

Despite this heavy-handed social economic policy, ethnic tensions in Sabah remain low. A 2018 survey reports that less than 10 percent of any distinct ethnic or religious community in Sabah believes relations among groups there to be bad, while 64 percent of the total population believes inter-group relations have improved over the last five years. Rather, efforts from the government to reshape Sabah's population and economy have resulted in a very strong regional identity. The same survey found that only 58 percent of respondents agreed that Sabah was better for having joined Malaysia in 1963. Two in three Sabahans identify as Sabahan first, while just one in four identify first as Malaysian. A strong majority across all groups surveyed agreed that Sabah must have greater autonomy from the federal government.⁸²

Two points of tension challenge good relations between Sabah and the central government. First, the distribution of oil and gas royalties is a major regional political issue. Together, the Borneo states of Sabah and Sarawak generate 60 percent of Malaysia's oil, yet see only 5 percent of the revenue.⁸³ The perception that local wealth is being extracted for the benefit of Peninsular Malaysia has caused economic policy and state-level management of the oil and gas sector to be the policy area over which Sabahans demand the greatest autonomy from the federal government.⁸⁴

Second, the relatively high non-Muslim population in Sabah largely resents that the central government has sought to aggressively change the religious composition of the Sabahan state. It has done so with major policy initiatives, such as "Project IC," in which Malaysian citizenship was granted very generously to Sabah's irregular Muslim migrants.⁸⁵ Such policies alienate non-Muslim Sabahans and non-Malay populations for two reasons. First, these policies sharply increased the Muslim population in historically multi-ethnic and multi-religious communities. Second, turning former irregular migrants into "new bumiputeras" in return for favorable votes may amplify competition for resources among minority groups, alter the balance of political power, and cause non-Muslim bumiputeras to question the integrity of the government.⁸⁶ It should be no surprise that demands for greater regional autonomy are greatest among Sabah's non-Muslim bumiputera population.⁸⁷

The Philippines

Tension between the central government and its Sulu-Celebes provinces is significantly stronger in parts of the Philippines than it is in Indonesia and Malaysia. While the latter countries have suffered periodic communal and inter-group violence with limited implications for the broader region, grievances against the Philippine government have sustained decades of political separatism with frequent escalations into organized political violence, terrorism, and attacks motivated by religion

against Christian communities. Organizations like the Abu Sayyaf Group and the Islamic State constitute an ongoing and significant threat to the physical and economic security of populations on all shores of the Sulu Sea. Accordingly, these grievances are thoroughly documented in the previous chapter, Coastal Welfare, and are not restated here.

However, one emerging development has the potential to sharply alter the relationship between the Philippine government and its Sulu provinces. The current administrative structure of the ARMM, which was implemented as part of the peace agreement between the Moro National Liberation Front (MILF) and the Philippine government, will soon be superseded by the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). This is an outcome of the 2012 Comprehensive Peace Agreement between the MILF and the Philippine government. The January 2019 plebiscite determines if the current administrative units of the ARMM will join the BARMM and the other municipalities and towns (e.g. Cotabato City) that also want to be included in BARMM.⁸⁸ In the first round of votes on January 21, 2019, 85 percent of registered voters in the ARMM cast a yes vote, thus ratifying the Bangsamoro Organic Law (Republic Act 11054) and confirming the establishment of the BARMM.⁸⁹ The MILF will receive transitory autonomy over executive, legislative, and fiscal policy while defense, security, and foreign policy will remain within the powers of the Government of the Philippines until elections in 2022.⁹⁰ The positive outcome of the referendum was overshadowed by the twin bombings of a Catholic church in the island province of Sulu,⁹¹ which confirmed suspicion among regional academics and government officials that Sulu continues to be a stronghold of pro-Islamic State, radical elements that oppose the MILF.



Chief Peace Negotiator for the MILF casts his vote, along with nearly three million Filipinos in Mindanao, in the January 21 plebiscite on the Bangsamoro Organic Law. Photo: Jez Aznar, Getty Images.

Decentralization and Corruption

Each of the governments in the tri-border area has offered concessions to diffuse local grievances; however, some of these concessions have triggered other problems. Generally speaking, having more local control has not substantially improved economic development or the efficiency of public spending. In fact, the kind of local economic control sought by some in Sabah and Sarawak has instead contributed to well-documented local-level corruption and decreasing public service provision in Indonesia's outer provinces and the ARMM region of the Philippines. This section explains why greater regional autonomy has enabled corrupt government agents and discusses its effect on maritime governance in the tri-border area.

Experts discuss three primary reasons why corruption can be especially ubiquitous in decentralized systems. First, isolated government agents become de facto gatekeepers who can easily exploit their positions for personal enrichment.⁹² Government agents are able to control the population that lives and works under their jurisdiction. Therefore, the public has little choice but to tolerate the consequences.⁹³ In Indonesia, one consequence is the inefficient use of public funds. Although financial transfers from the central government to the outlying provinces have increased more than 750 percent since 2001,⁹⁴ the income gap between Java and the rest of the country is widening,⁹⁵ as are differences in health outcomes.⁹⁶

Second, when central governments give their districts more authority to enforce regulations and greater rights to the taxes and fees they collect, the responsibility for curtailing bribery and rent-seeking shifts to lower administrative units with less investigative capacity. Though corruption could severely hinder the rule of law in a distant province, the central government is no longer responsible for the affected government functions that have been delegated to provincial or district governments. Successful local anti-corruption campaigns have emerged in some places,⁹⁷ but on the whole, corruption is prevalent at the local level.⁹⁸

When local administrative units become more responsible for legal functions, corruption extends into the local judiciary. Bribes for favorable decisions are common⁹⁹ and corruptible judges can be drawn into rivalries between local politicians and business elites.¹⁰⁰ Several interviewees consulted for this report hinted that one result of judicial corruption is a turn toward extrajudicial measures that include killings without due legal processes. One interviewee explained that the problem is pervasive in the Philippines, where thousands have been killed in the government's war on drugs.¹⁰¹ Especially problematic, according to this regional expert, are the processes for prosecutor case assignment and compensation. Prosecutors are assigned cases through a lottery system.¹⁰² This gives prosecutors little time to prepare and generally grants the defense an advantage. In addition, prosecutors are paid a commission based on how many cases they have on hand rather than how many cases they file or push through the system. This compensation scheme disincentivizes them to work a case toward a sentence. Concerns over extrajudicial actions in some parts of the Philippines are echoed in several reports from international organizations and foreign governments.¹⁰³

Finally, the third link between decentralization and corruption is that the division of regulatory authority across small districts sometimes creates a local-level "race to the bottom." Districts must either deregulate in their pursuit of economic investment or accept small payments to ignore violations. In this way, businesses can force districts to compete to become exceptionally business-friendly or pay local officials for their complicity. Where this occurs, the end results typically include less regulation, lower tax revenue, and more corruption of local regulatory agencies.¹⁰⁴ In areas that rely on environmentally damaging industries, such as Kalimantan and Sulawesi, the consequences can include intensifying deforestation and more harmful mining practices.¹⁰⁵

This is not to say that the effects of decentralized governance have been uniformly negative. Decentralization can empower local anti-corruption efforts that, given adequate funding for local legal bureaucracies, can make progress against corruption at the local level.¹⁰⁶ The solution to this problem is not a sharp turn toward centralization. Rather, decentralized countries like Indonesia and the Philippines can build on recent reforms that have lessened the downsides of local governance. Well-funded and transparent local judiciaries, press freedoms, new intelligence technologies, and the inclusion of local non-governmental anti-corruption organizations are especially important.

Consequences for Maritime Security

A strong rule of law is fundamental to good maritime governance. When corruption appears in local maritime enforcement entities,¹⁰⁷ their effectiveness is compromised. The Indonesia National Shipowners' Association, for example, estimates that bribes paid to maritime law enforcement during interdictions costs the industry an estimated 7 trillion Indonesian rupiah (\$490 million) per year.¹⁰⁸ Though it is difficult to corroborate with official data, several regional state officials and academics interviewed for this report claimed law enforcement officials provide information to kidnapping-for-ransom groups for financial rewards.¹⁰⁹ These same interviewees also described cases in which officials confiscated smuggled goods during a bust only to sell them for profit.

Other maritime authorities vulnerable to corruption include the port and customs administrators who can abuse their positions to facilitate the trafficking of drugs, weapons, wildlife products, and other contraband. This problem is especially severe when coupled with corruption in the local judicial sector, which can prevent prosecution for a bribe. Corruption in ports has made recent headlines across the region,¹¹⁰ as have government efforts to proactively address this important problem.¹¹¹

Conclusion

States cannot effectively ensure good governance in the region without curbing local corruption, ensuring judicial integrity, maintaining the state presence necessary to enforce the law, and creating inclusive societies in which men and women of all ethnicities, languages, and religions have access to the political and economic rights necessary for building livelihoods without entering the shadow economy. In some parts of this region, doing so will require states to overcome local distrust rooted in historical, political, and religious grievances without enabling corruption or empowering subversive regional political organizations.

States cannot effectively ensure good governance in the region without curbing local corruption, ensuring judicial integrity, maintaining the state presence necessary to enforce the law, and creating inclusive societies.

This chapter has shown that these are significant problems without easy solutions. Great attention must be given to how central governments can balance calls for regional political and financial independence without creating distant corruption-prone environments. Striking this balance is a necessary prerequisite to addressing the several threats to good maritime governance present in the Sulu and Celebes Seas. These threats, which include piracy and armed robbery, illicit trades, smuggling and trafficking in persons, and illegal fishing, are discussed in the next four chapters.

PIRACY & ARMED ROBBERY AT SEA



PIRACY AND ARMED ROBBERY AT SEA

Its long history of piracy and armed robbery at sea has given rise to the perception that the Sulu and Celebes region is exceptionally dangerous for seafarers. More recently, these waters attracted global attention once again, this time because attacks in the area have been linked to extremist organizations that have committed deadly acts of terrorism in the name of radical Islamism. The terrible violence suffered by hostages has received extensive global media coverage. Inhumane conditions are common and some high-profile victims have been gruesomely executed by beheading. The kinds of attacks at sea occurring in some parts of the region are uniquely vicious.

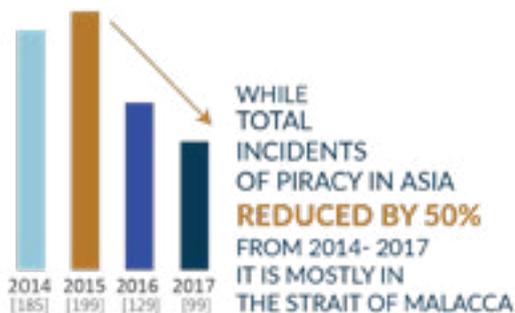
But fortunately, this region is also known for world-class institutions that are leading the fight against piracy and armed robbery in Asian waters. These institutions, in coordination with the region's maritime enforcement agencies and navies, have successfully curtailed the number of attacks in Southeast Asia over the last several years.¹¹² Still, One Earth Future's Oceans Beyond Piracy program reported that more incidents occurred in Southeast Asia in 2017 (99) than in any other global piracy hotspot.¹¹³

Continuing this progress against piracy and armed robbery at sea is necessary if the tri-border states are to overcome this reputation and attract more tourism and business investment. As long as armed non-state actors have safe havens in the Sulu Archipelago, governments must continue to invest heavily in counter-piracy programs and maritime domain awareness. Initiatives discussed in earlier chapters, such as the Eastern Sabah Security Command and the new Contact Group on Maritime Crime in the Sulu and Celebes Seas, are critically important to this effort.

This chapter summarizes the recent trends in piracy and armed robbery in this area and then investigates the 2016 spike in kidnapping-for-ransom activity by the Abu Sayyaf Group (ASG). The chapter concludes with a discussion of recent attacks, which may be aberrations or may signal the reemergence of kidnappings for ransom at sea as a pressing regional maritime security threat.

Key Findings

- While instances of piracy and armed robbery have dropped sharply across Southeast Asia, much of this reduction occurred in the Malacca Straits. The **THREAT REMAINS VERY SERIOUS IN THE SULU AND CELEBES SEAS.**
- Most incidents in Southeast Asia are non-violent robberies, but **THE PRIMARY ATTACK TYPE IN THE SULU AND CELEBES AREA IS KIDNAPPING FOR RANSOM.** Many ransom payments support the ASG, a terrorist organization with financial and ideological links to the Islamic State.
- **TRILATERAL COOPERATION AROUND THESE ISSUES IS FORMALIZING** and adapting best practices from successful counter-piracy agreements in the Western Indian Ocean and the Malacca Straits.

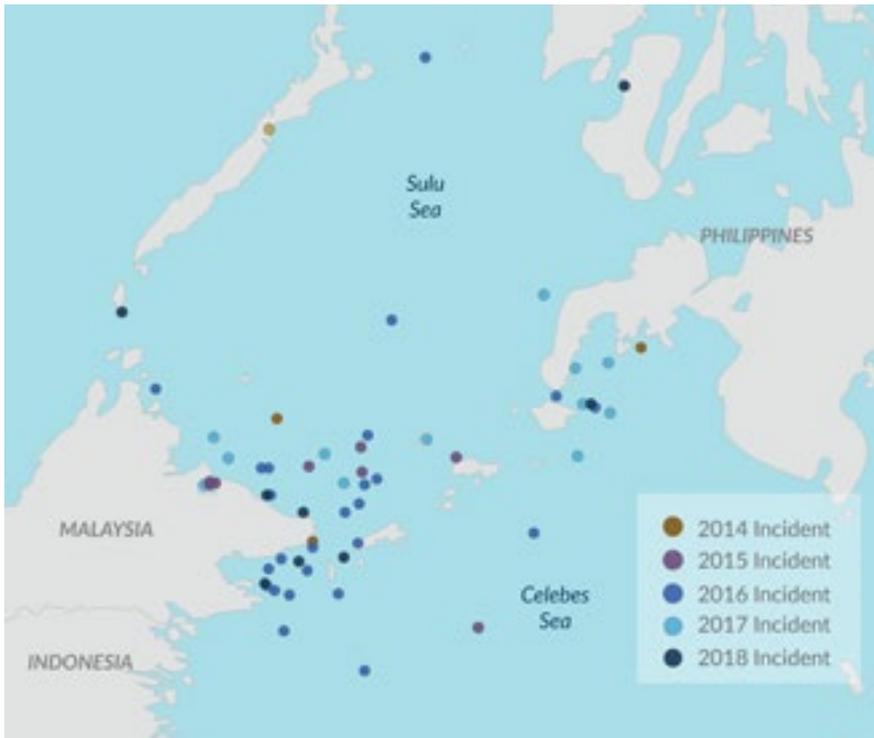


Recent Trends in Piracy, Armed Robbery, and Regional Maritime Enforcement

Between 2014 and 2018, Southeast Asia saw sharp declines in piracy and armed robbery at sea. Oceans Beyond Piracy reported nearly 200 attacks per year in 2014 and 2015, yet this number fell to 129 in 2016 and declined further to 99 in 2017.¹¹⁴

Regional maritime security experts attribute this 50 percent reduction in incidents of piracy and armed robbery over the last few years to closer coordination among the littoral states. Improved

INCIDENTS OF PIRACY AND ARMED ROBBERY, 2014-2018

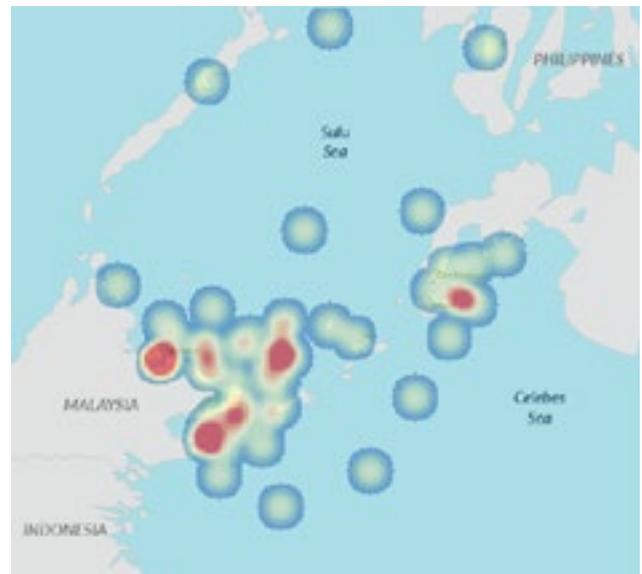


incident reporting and response coordination is facilitated by several institutions, including the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (more commonly known as ReCAAP), the International Maritime Bureau's Piracy Reporting Centre in Kuala Lumpur, and the Information Fusion Centre in Singapore. These information-sharing bodies have enabled close coordination among regional maritime enforcement agencies. Declines in armed robbery have been especially sharp in the Malacca and Singapore Straits, the world's busiest shipping chokepoint.

While the trend across Southeast Asia has been encouraging, more troubling patterns have emerged in the Sulu and Celebes region. As recently as 2015, the typical attack in waterways in Asia featured

unarmed or lightly armed assailants committing acts of robbery in the Malacca Straits.¹¹⁵ Kidnappings in this area were uncommon, as the attackers were more interested in siphoning fuel and petty theft from ships than they were in the risky logistics of transporting and holding hostages for ransom. In 2016 the geography and modus operandi of attacks in Asia shifted abruptly. The ASG, operating from the Sulu Archipelago, seized seafarers in more than a dozen separate incidents, demanded exorbitant ransoms, and subjected their hostages to alarming cruelty. Kidnappings fell again in 2017, but authorities interviewed for this report do not consider the problem to be solved. After no incidents through the first eight months of 2018, one attack in September¹¹⁶ and two more in December stoked fears that early 2018 represented a short reprieve rather than a true turning point. ReCAAP warned on 30 October 2018 that a group of ten ASG members is planning to abduct businessmen or crew from foreign vessels in the Sabah region.¹¹⁷

A more hopeful trend in the Sulu and Celebes Seas is much closer maritime enforcement cooperation among the Indonesian, Malaysian, and Philippine governments. These countries formalized a Trilateral Cooperative Agreement in June 2017¹¹⁸ and also initiated joint sea and air patrols.¹¹⁹ The most recent annual publication from ReCAAP reports that each of the three countries has established a Maritime Command Centre. These are found in Tawau (Malaysia),



HEAT MAP OF PIRACY AND ARMED ROBBERY INCIDENTS, 2014-2018

A NOTE ON TERMINOLOGY

Though the term “piracy” is commonly used to describe attacks at sea and their perpetrators are often called “pirates,” neither of these terms reflects the proper definition established in international maritime law. Piracy, by definition, can occur only on the high seas. Piracy-like acts occurring within territorial or archipelagic waters, including the Malacca Straits and the entirety of the Sulu Sea, are legally classified as instances of armed robbery.

The distinction is important because it defines states’ legal rights and responsibilities to respond to attacks and pursue assailants. Most law enforcement officials in this region are quick to point out that all kidnappings in the Sulu Sea are considered armed robbery, and are therefore sovereign affairs. International law supports such assertions, so this report refrains from using the terms “piracy” or “pirate” as catch-alls for acts and perpetrators of both piracy and armed robbery at sea. The report does, however, use “armed robbery” to refer to piracy-like events within territorial and archipelagic waters regardless of whether it can be confirmed that the assailants were, in fact, armed.

Tarakan (Indonesia), and Bongao (Philippines).¹²⁰ Mimicking the efforts that successfully reduced piracy off the coast of Somalia in the early 2010s, these countries are demarcating and patrolling preferred transit corridors between the Sulu and Celebes Seas.¹²¹ The countries are currently working with the United Nations Office on Drugs and Crime to establish a new Contact Group that will strengthen coordinated efforts to fight maritime crime in the region.

At the time of writing, there remains uncertainty around the future of piracy and armed robbery in the Sulu and Celebes area. More research is needed to better understand why the kidnapping-for-ransom model that was so effective in 2016 all but disappeared in 2017 and early 2018. A much closer study of this trend, in close collaboration with local maritime law enforcement officials, is required. The next section investigates the rise and fall of kidnapping in the Sulu and Celebes Seas, giving special attention to the capacities and motivations of the ASG.

Abu Sayyaf and Kidnapping for Ransom

The chapter on Coastal Welfare described the rise of the ASG and the evolution of their tactics to include terrorism against soft maritime targets. The Philippines has not recently suffered the large-scale bombings of ferries and wharfs that it experienced in the early 2000s, but the new scourge of kidnapping for ransom (KFR) is stoking fears that ASG is exploiting poor maritime domain awareness in Philippine waters to finance new operations. Curbing this threat will require a close understanding of the KFR model and the reasons ASG uses this deadly form of extortion. Addressing the factors that drive ASG and similar groups to take hostages at sea is as important to reducing this form of piracy and armed robbery as the increased securitization of the maritime space.

Throughout its history, ASG has relied on illegal and sometimes violent activity to fund its operations, though it has not always turned to attacks at sea. In the 1990s and early 2000s, ASG received substantial funding from a global network of radical Islamist organizations that included, among others, al Qaeda and Jemaah Islamiyah. Changes in ASG leadership and the global counter-terrorism measures that followed the attacks of September 11, 2001, weakened these international ties, and by the late 2000s ASG was much more dependent upon kidnapping and extortion in the southern Philippines.¹²² Kidnappings were more prevalent on land until ASG and its affiliates turned to the sea in early 2016, perhaps in response to the effectiveness of the Malaysian Eastern Sabah Security Command (ESSCOM) and a Philippine military offensive that reduced the Abu Sayyaf Group’s area of operations.

In kidnapping incidents, the explicit intent of the attackers is to take hostages, preferably crew members considered high-value targets, such as ranking officers and engineers. Typically, crew members are abducted from their vessel and taken to an undisclosed location on land while the attackers negotiate a ransom. Unlike an attack characteristic to Somalia, where

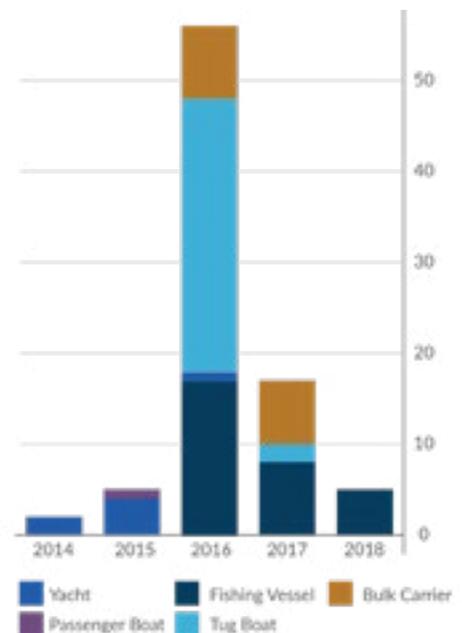
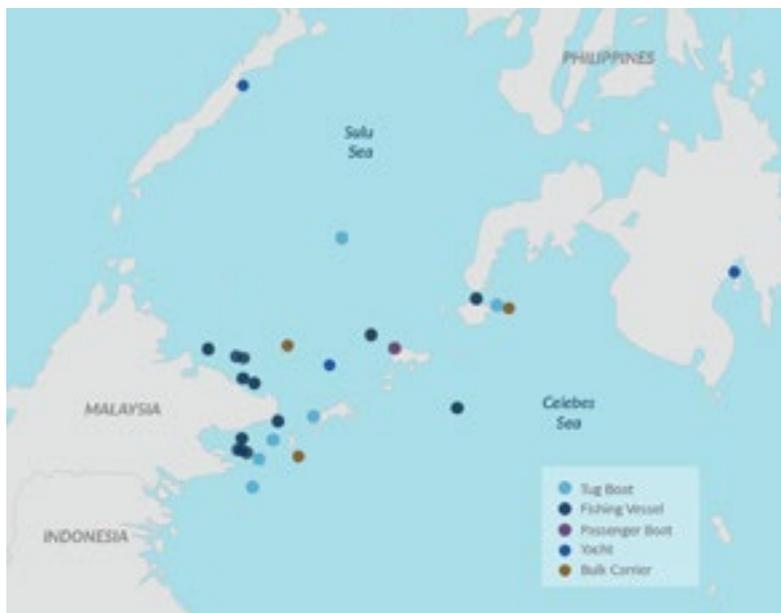
perpetrators usually hold both the vessel and the crew hostage, this type of attack can be completed quickly, enabling the kidnapers to escape before any security response can intervene. Consequently, perpetrators consider this form of kidnapping to be “low risk, high reward.”

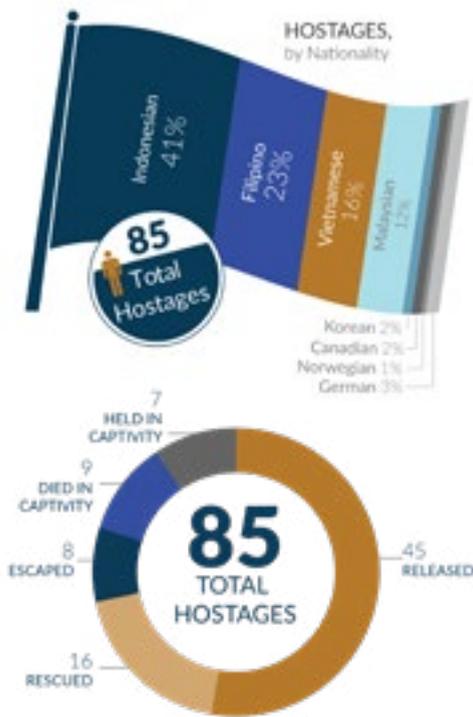
Once taken, hostages are often split into groups and moved from location to location around the jungles of Patikul, Indanan, and Parang in an attempt to evade the military. They move at night and at first light. Some hostages report that they were treated well, while others received harsh treatment and were used as porters. Female hostages have been raped. Food is often scarce. Hostages face a near-constant risk of death: some have been killed in firefights between the military and their captors, while others fall ill or are executed when they are unable to travel or the ransom demands go unpaid.

During captivity, ASG contacts family members of hostages directly and uses social media to pressure governments to meet ransom demands. Sometimes these groups contact family members to deliver threats. The ease with which intimidating videos can be publicized has incentivized gruesome brutality designed to compel ransom payments. Since 2014, six hostages have been beheaded. Beheadings are also used to avenge government assaults. At the height of maritime kidnapping-for-ransom activity in 2016, pressure over these videos and the resulting payments escalated to the point of causing international tension over policies on ransom negotiation.¹²³

Between January 2014 and the end of January 2019, 85 crew members were taken during 26 kidnapping incidents in the Sulu and Celebes Seas. More than two in three of these incidents occurred in 2016 alone. The attacks are concentrated on a 400-kilometer arc stretching southwest to northeast from Lahad Datu in Malaysia across the Sulu Archipelago to the Zamboanga peninsula on Mindanao. Over this period, hostages were most commonly taken from fishing vessels (30) and tugboats (32), though seafarers on yachts, bulk carriers, and heavy load carriers have also been captured. As of the end of January 2019, 45 of the 83 had been released, 16 were rescued, seven escaped, nine died while in captivity, and eight are known to be held in captivity. Two more seafarers were killed at the onset of a KFR incident. Hostages averaged 151 days, or five months, in captivity.

KIDNAPPING INCIDENTS & NUMBER OF HOSTAGES BY BOAT TYPE
2014-2018





Explaining the Decline in Activity since 2016

There could be a number of explanations for why the spike in KFR subsided after only one year, but many events happened contemporaneously and this makes it impossible to pinpoint one specific cause. Those working on regional counter-piracy initiatives point to actions taken by governments in the tri-border area. The Philippine Armed Forces launched successful operations against ASG in the Southern Philippines following the 2016 kidnappings. The Philippines and Indonesia also launched Corpat Philindo XXXI-17, a series of coordinated maritime patrols in the Celebes Sea on the common boundary between the two countries.¹²⁴ Malaysia deepened its investments in the Eastern Sabah Security Command and worked with its neighbors to establish coordinated patrols through the Trilateral Cooperative Agreement.¹²⁵ But these efforts do not tell the entire story. Several arguments explain other factors which drove this decline in Abu Sayyaf's KFR activities.

First, governors and local politicians have put in place effective local measures. With piracy on the rise in the Autonomous Region in Muslim Mindanao, the Philippine government in Manila pressured local political elites to reign in these active groups and their networks of informants. Local leaders, needing funding and endorsements to maintain power, had strong incentives to heed this call. This argument is plausible because some local leaders must have been complicit with the movement of

hostages and the facilitation of payments for the operations to have succeeded. In fact, the logistics of some recent attacks suggest that some ASG kidnappings were made possible with inside information from local governing authorities.

A second argument focuses on the ASG's shifting priorities during and after the five-month siege of Marawi City (described in the Coastal Welfare chapter). Attacks may have ceased during the 2017 siege because the small organization was heavily invested in the fight for Marawi City. Media outlets estimate the group only has a few hundred fighters remaining¹²⁶ and the logistics of moving hostages so close to a major battle zone may have deterred attempts to secure hostages. Following the siege, the dip in KFR activity might have been expected since some \$50 million was looted from the city. At the time of writing, there has yet to be a public announcement that these funds have been recovered; looted funds may be replacing income that ASG would otherwise turn to the seas to collect.

A third theory stipulates that with reintegration efforts occurring in Basilan, where the pro-Islamic State faction of the ASG resides, former fighters have been given stipends. As part of larger de-radicalization efforts in the region, these reintegration programs are considered by some to disincentivize engagement with KFR groups. If former hostage-takers are receiving alternate incomes, ASG may be struggling to recruit as many would-be captors. This would limit ASG's ability to resume KFR attempts in the region.

Finally, a fourth argument highlights the sustained military operations by the Philippine Armed Forces in the Sulu Archipelago, which makes it difficult for the ASG and other splinter groups to develop sophisticated kidnapping-for-ransom activities.

These arguments are not mutually exclusive. In fact, it is likely that the rise and fall of kidnapping activities has multiple, complex explanations. What seems certain, however, is that enhanced maritime enforcement efforts to eradicate kidnapping at sea are more likely to succeed if coupled with initiatives to reduce the political and economic marginalization of the populations from which would-be pirates and armed robbers are recruited.

Looking Forward

On 11 September 2018 two masked men armed with M16 rifles boarded the fishing trawler *Sri Dewi 1* from a motor banca at Pulau Gaya, just off the coast of Semporna, Sabah. The attack occurred in the middle of the night, in violation of a maritime curfew ordered by the Eastern Sabah Security Command.¹²⁷ Two fishermen, both Indonesian, were kidnapped and taken to the assailants' operational base in the Sulu Archipelago. Though law enforcement authorities seized the white motor banca used in the kidnapping the next week, the victims were already gone. The kidnappers contacted the wife of one of the hostages on 25 September 2018 demanding a ransom of RM4 million (\$95,000). The Philippine Coast Guard rescued one of the men on 5 December,¹²⁸ and the other one was released in early January.¹²⁹

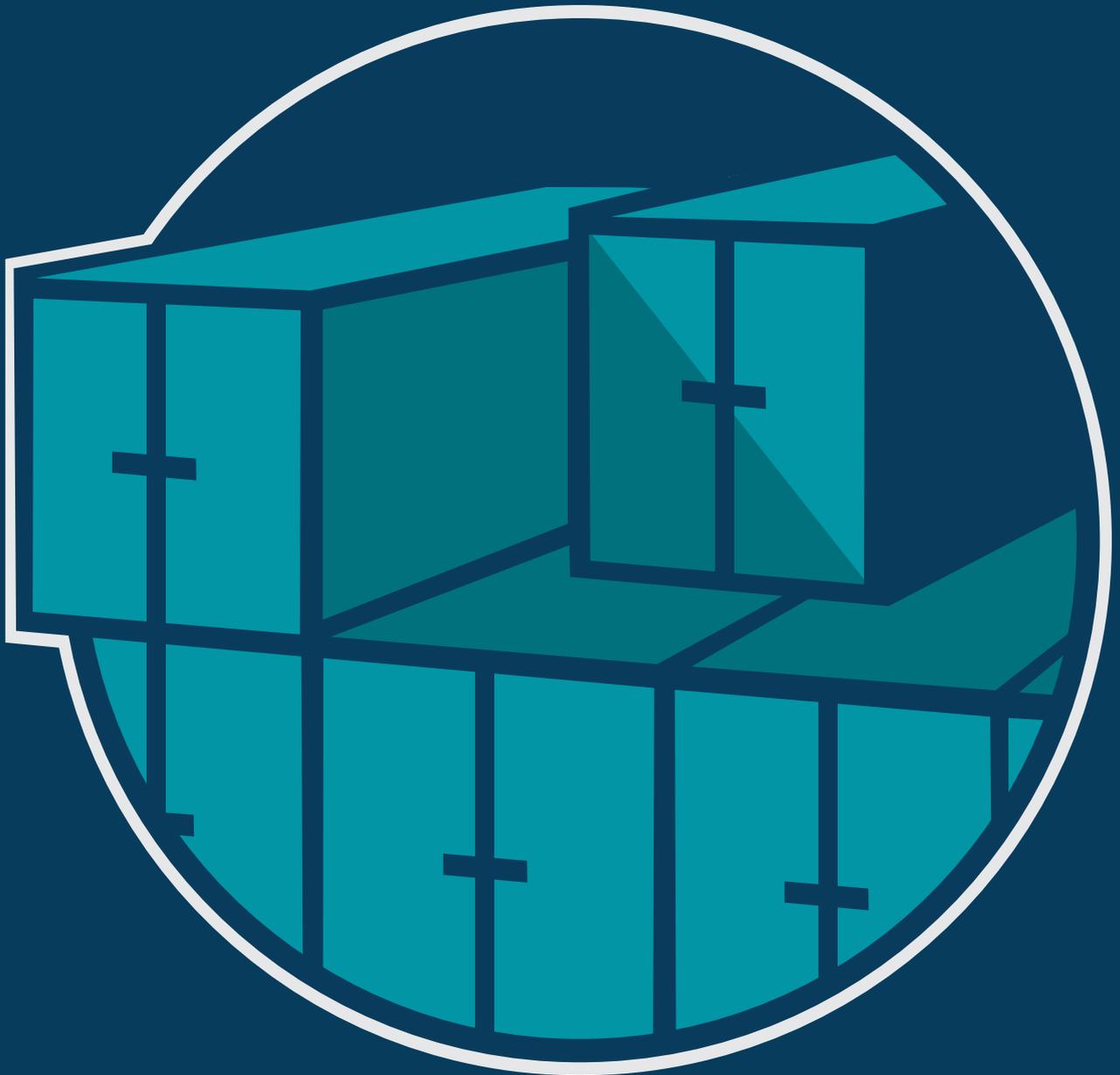
The day of that rescue, members of Abu Sayyaf ventured into Malaysian waters again. After exchanging gunfire with a tugboat crew (tug *Magtrans II*) following an apparent failed attempt to board, around 20 ASG members attacked another fishing vessel (FV *SN-259/4/F*) via speedboat and kidnapped three fishermen. The attack occurred just 20 kilometers off a remote Malaysian coast some 100 kilometers east-southeast of Sandakan. The hostages were immediately reported to be taken to Sulu province in the Philippines. As of this writing, the men, one Malaysian and two Indonesians, had yet to be located.¹³⁰

These attacks are significant because they highlight the international cooperation necessary to curb the problem. Though these acts of armed robbery occurred in a country's sovereign maritime space, the details of both events typify countries' shared interests in addressing this threat. In both cases, attackers from one country ventured into the waters of another country and kidnapped seafarers from at least one more country. This is a transnational challenge even when it occurs in territorial or archipelagic waters.

The lull in incidents of piracy and armed robbery at sea in 2017 and early 2018 should not be taken for granted. It remains a serious transnational challenge requiring international cooperation.

These late-2018 attacks are an important reminder that the international community must remain vigilant in its fight against piracy and armed robbery at sea and that the lull of 2017 and early 2018 should not be taken for granted. Continued funding for the ESSCOM and the Trilateral Cooperative Agreement are not guaranteed (see International Cooperation).¹³¹ Committed long-term investment in maritime enforcement capacity and the slow, gradual work of improving coastal welfare in the Sulu Archipelago are likely required in order for sustainable progress to occur.

ILLICIT TRADES



ILLICIT TRADES

While piracy and armed robbery earn global attention, the costliest maritime crime in the Sulu and Celebes Seas is illicit trade. This broad category of illegal activities which encompasses everything from informal cross-border bartering to more serious trafficking in weapons and drugs occurs in all parts of the region. The Philippines reportedly lost approximately PHP495.5 billion (\$3.3 billion) in GDP to illicit trades from 2010 to 2015.¹³² The United Nations Office on Drugs and Crime (UNODC) estimates that Indonesia loses \$3 billion in revenue per year to illegal logging alone.¹³³ Losses due to illegal, unreported, and unregulated fishing and wildlife trafficking could be as high as \$8 billion.¹³⁴ In Malaysia, illicit trades cost up to \$2 billion annually¹³⁵ and constitute 10 percent of all capital flow in the country.¹³⁶

Most of the goods traded are legal commodities being illegally exchanged. This trade in goods like cigarettes is relatively benign in intention, yet very costly to the governments losing tax revenue and the law-abiding businesses being underpriced. Other trades are far more nefarious, linking regional criminals and political extremists to dangerous global transnational networks.

The prevalence of illicit trade in the tri-border area has many causes, including an extremely challenging geography, poor maritime domain awareness, weak state presence, corruption, coastal poverty, and the presence of illicit groups of non-state actors with the capacity and willingness to facilitate a shadow economy. Solutions to the problem are no less complicated. Many coastal communities in this region are economically dependent upon the shadow economy. For this reason, abrupt and sweeping reforms could disrupt livelihoods and meet local resistance.

Any effort to address the problem will require government coordination at the national and local levels. Local law enforcement cannot implement policy without adequate support from the national government, and national policies will be ineffective if responsibility is given to corruptible local officials. For example, experts with the UNODC suggest that the lack of capacity of customs offices to properly process shipping documents according to the requirements of the International Ship and Port Facility Security Code is as much of a problem as the corruption of local officials is. Strong anti-corruption measures, in the absence of adequate state funding and building of capacity, will be futile.

This chapter provides an overview of illicit trading in this region that is organized around the trades in contraband, drugs, weapons, wildlife, and fuel. It also highlights steps that littoral states have taken to curb these costly activities, and shows the difficulty of eliminating the most detrimental of these trades while preserving the barter economy on which economically deprived coastal communities currently depend.

Key Findings

- The barter trade supplies vital goods such as fuel, rice, and cooking oil that sustain livelihoods in the tri-border area. These goods are exchanged in unofficial offshore points that are also known as *pelabuhan tikus* near coastal villages or inside mangrove forests that cannot be penetrated by large law enforcement vessels. Precisely because this trade is not regulated and closely monitored, **ILLICIT ACTORS HAVE BEEN ABLE TO EXPLOIT THESE INFORMAL TRANSBORDER NETWORKS.**
- Though this region is a transit hub for animals and plants trafficked from the Middle East and Africa, the region is also a **SOURCE OF TRAFFICKED PANGOLINS, EXOTIC BIRDS, SHARKS, MARINE TORTOISES, AND TURTLES.** Some of these species are critically endangered and, if not protected, may face extinction.¹³⁷
- **SOME ARMED NON-STATE ACTORS AND TERRORIST GROUPS PROFIT FROM INDIRECT TAXATION OF TRADERS** operating where they are active.¹³⁸ The Abu Sayyaf Group (ASG) and the Maute Group are among the violent extremist organizations that engage in arms¹³⁹ and drug trafficking¹⁴⁰ more directly.

Contraband

Illegal exchanges of contraband are very common in the Sulu and Celebes region. Many residents rely on the informal cross-border barter trade to acquire goods like smuggled cigarettes, rice, cooking oil, alcohol, machinery, motor vehicles, firecrackers, and DVDs.¹⁴¹ This trade exploits differences in prices across borders and poor maritime security awareness. For example, many goods are substantially cheaper in Malaysia than they are in the Philippines, and this makes the Sabah cities of Semporna and Tawau important hubs for this unofficial trade.¹⁴²

Cigarette smuggling is especially lucrative for smugglers who legally purchase cigarettes in one country, illegally transport them to another via small boat, and then sell them for cash.¹⁴³ Cigarette smuggling alone accounts for roughly half of the RM8 billion (\$2 billion) that Malaysia loses in taxes to illicit trading each year.¹⁴⁴ Malaysian officials interviewed for the report cited the Indonesian migrant demand for *kretek*, a regional cigarette of tobacco and cloves, as a key driver of this trade. The Philippines and Indonesia also suffer significant lost tax revenues.¹⁴⁵

Officials interviewed for the report have wide differences in opinion about how to address this unregulated shadow economy. It costs these countries billions of dollars in tax revenue, yet the motivations are generally benign and the illicit trade of contraband is vital for the economic and food security of many coastal populations. Muslim communities in the southern Philippines, for example, can acquire *halal* food items through informal trading with Muslim networks in Malaysia much more easily than they can in the regulated markets in the Philippines. Anecdotes like this lead some to view this as a mostly harmless, albeit costly, circumvention of corrupt and overburdened customs authorities. Others warn it opens the door for more dangerous exchanges. Some of those interviewed for the report would consider the legalization of the trade to be a positive step in addressing the larger socio-economic conditions in the region, yet others contest that legalization would facilitate serious trafficking in the absence of stronger customs, immigration, and maritime law enforcement capacities. Complicating matters further is the fact that some state officials, including maritime law enforcement officers, are known to also facilitate and profit from this trade by providing smugglers with information on patrol routes and schedules.

To better understand governments' capacities to address problems like informal cross-border trading, the Economist Intelligence Unit created the Global Illicit Trade Environment Index. Though this tool does not consider the local context in areas like the Sulu and Celebes region, it does consolidate data on national policies, local supply and demand, norms of transparency and trade, and customs capacities to score states on their ability to stop this form of transnational crime. On a scale of 0 to 100, the Asia-Pacific region averages 56.¹⁴⁶ Malaysia exceeds this regional average (60.3), but the Philippines (48.5) and Indonesia (45.2) fall below it.¹⁴⁷ These scores suggest contraband smuggling cannot only be addressed by tackling corruptible local officials. Rather, sweeping anti-corruption reforms and greater investment in law enforcement are required at the national level.



Drugs

The Sulu and Celebes region is an active hub for both regional and global drug trades. Substances such as amphetamine-type stimulants (“shabu”) are produced, trafficked, and consumed locally without significant engagement with global illicit networks. However, banned substances from outside the region, including heroin from Myanmar and Laos, ecstasy, and other synthetic drugs can be found across the tri-border area. The demand for “party drugs” like methamphetamines has been growing since 1998¹⁴⁸ and officials are increasingly concerned that ingredients are being smuggled into the region to facilitate local methamphetamine production.¹⁴⁹ For example, Philippine law enforcement mentioned growing concern over ephedra plants¹⁵⁰ being smuggled into the Philippines from China.¹⁵¹ China is the world’s leading cultivator of ephedra, from which the methamphetamine ingredient ephedrine is extracted. The UNODC has established that Chinese cultivators seek to export this plant to production facilities in Southeast Asia, including in the Philippines.¹⁵²



According to Philippine law enforcement, Indonesian intelligence identifies the Celebes Sea as a concerning drug trafficking hub with routes including the corridor between the southern tip of Mindanao (including General Santos City) and the islands of Sangihe, Karakelong, and Sarangani. Unofficial landing sites in Indonesia have made maritime trafficking via small boat the preferred method of transportation. Indonesia does not maintain a strong enough maritime presence to curb the flow of drugs into these outlying areas. One recent report warned that while China’s National Narcotics Control Commission estimated 250 tonnes of methamphetamines were directed to Indonesia in 2016, Indonesia’s anti-narcotics agency seized only 3.4 tonnes (1.4 percent).¹⁵³

The scale of this traffic is linked to rising rates of drug use in Southeast Asia.¹⁵⁴ The National Narcotics Board estimated that in 2016, there were over 5 million drug users in Indonesia, with the most popular drug being amphetamines. Methamphetamine addiction rates are soaring in Malaysia.¹⁵⁵ Worse yet, some research suggests drug use rates are as high as 2 percent in the Philippines.¹⁵⁶ This demand makes drug trafficking increasingly profitable and attractive to illicit networks that now include political extremists like the ASG and the Maute Group.¹⁵⁷

Though most global connections link the region to illicit actors in China and Asia’s Golden Triangle, syndicates from as far away as Bulgaria, Iran, and Nigeria are also involved in the region.¹⁵⁸ The absence of a strong state presence, the proximity to ingredient manufacturers, and the booming local market for synthetics is revitalizing the regional drug trafficking sector.¹⁵⁹ Regulators struggle to keep pace with ever-changing chemical compounds and formulas. To this point, prohibition-based strategies have done little to curb demand and may have increased violence among local communities.¹⁶⁰ Draconian punishments for drug-related offenses in Indonesia,¹⁶¹ Malaysia,¹⁶² and the Philippines¹⁶³ have not appreciably reduced the prevalence of drug abuse or dissuaded drug traffickers.

This trade is taking a terrible human toll. There are particular concerns over the increase of drug abuse and HIV/AIDS infection rates among women,¹⁶⁴ as well as HIV/AIDS infections due to sharing needles and syringes among fishermen.¹⁶⁵ Because drugs are trafficked at sea, fishermen have relatively easy access to drugs, which they often use to stay awake

during prolonged shifts aboard fishing vessels. The easy availability of drugs and alcohol in this community portends substance abuse for users, but also indirect economic and social ramifications,¹⁶⁶ including sexual and gender-based violence against women and girls.¹⁶⁷



Small Arms and Light Weapons

Arms trafficking in the Sulu and Celebes Seas is a significant problem, especially in the Sulu Archipelago. The supply of small arms and light weapons threatens welfare in the region through activities ranging from petty theft and armed robbery to major armed clashes such as the long siege of Marawi City in 2017.¹⁶⁸ Weapons in this region are found across Asia, so this specific illicit trade constitutes a significant security issue for the entire continent.

The Sulu Archipelago and Mindanao are the centers of the illicit arms trade in the Philippines. Here, armed groups have performed “gun runs” in which arms are stolen or purchased from military personnel in Mindanao and then sold for profit.¹⁶⁹ Local sources say locally manufactured weapons are also trafficked by sea from manufacturing sites in Danao, Cebu, to Cagayan de Oro, Mindanao, from which they are transported to Sulawesi via General Santos City or distributed locally.¹⁷⁰ Locally built arms from Sabah are said to be found in the Philippines. Weapons from the tri-border area have also been trafficked as far as Japan¹⁷¹ and Australia.¹⁷²

Local experts say these same networks bring externally sourced weapons into the Philippines from countries including Cambodia, China, North Korea, and Russia. Local informants say foreign sellers are attracted to the large market of consumers in the Philippines. The city of Labuan in Eastern Sabah is a regional hub for financial services that can be used to fuel illicit activities such as arms trafficking.

In recent cases, law enforcement agents in the Philippines have foiled the attempts of a cell of Islamic State militants to smuggle arms into Malaysia from Thailand for the purpose of attacking targets in Malaysia and its neighboring countries.¹⁷³ Similarly, Indonesia has discovered illegal arms and weapons used in terrorist training camps. These facts illustrate the regional reach of the Islamic State in Southeast Asia and particularly in the Sulu and Celebes region.¹⁷⁴

Wildlife

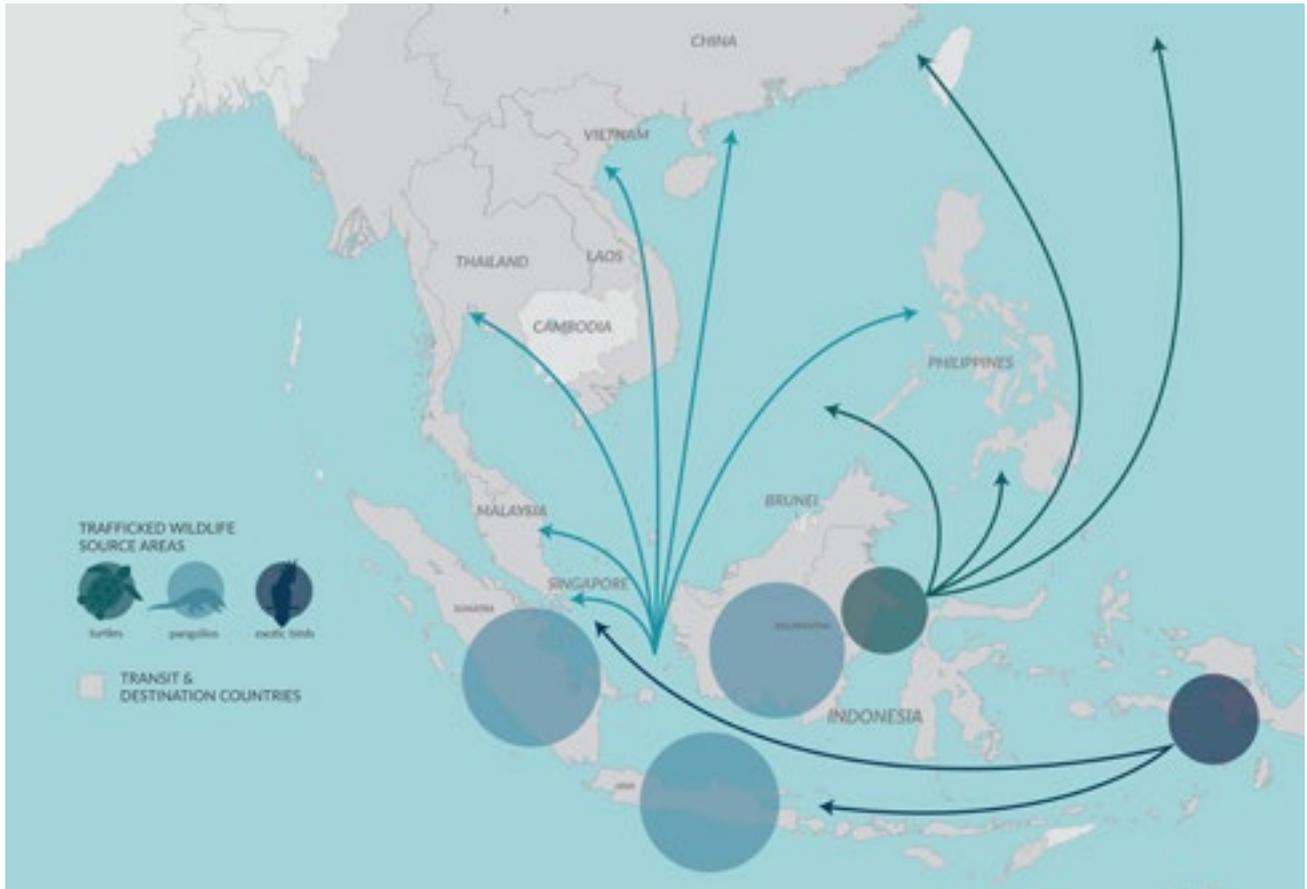
Indonesia, Malaysia, and the Philippines are important destination markets for trafficked wildlife and wildlife products.¹⁷⁵ Philippine buyers consume trafficked endangered species such as glass eels¹⁷⁶ and also import species of native parrots and cockatoos that are trafficked from Indonesia.¹⁷⁷ Local demand within Indonesia is threatening exotic bird populations in Eastern Indonesia, including the Aru Islands of Maluku.¹⁷⁸ Ports in Indonesia, Malaysia, and the Philippines form part of the transoceanic illicit trade routes for foreign species that bring threatened species from elsewhere in the world to Asian markets.

Importantly, these countries are also a major source of wildlife products. Some of the region’s most endangered species, such as the Sunda pangolin, are hunted in Indonesia and then shipped onwards to China and Vietnam by way of the Philippines or Malaysia.¹⁷⁹ Roughly 35,000 Sunda pangolins were discovered in 111 seizures in Indonesia from 2010 to 2015.¹⁸⁰ Marine turtles around the Coral Triangle area in East Kalimantan are also



Sabah police commissioner inspects frozen pangolin meat seized during a raid that uncovered RM 8.4 million worth of animal parts. Photo: Bernama.

WILDLIFE TRAFFICKING SOURCES AND DESTINATIONS IN SOUTHEAST ASIA



vulnerable.¹⁸¹ Recent seizures in Malaysia involved large quantities of radiated tortoises and star tortoises—2 percent of total seizures of wildlife.¹⁸² The illicit trade of birds is also rampant in Malaysia.¹⁸³ If trade is not curbed, many of these animals might follow the same path to total or local extinction as the Sumatran Rhino, which was declared locally extinct in Malaysia in 2015.¹⁸⁴

Related to trafficking in wildlife, the illicit timber trade has also been decimating local forests, destroying habitats, fueling transnational criminal networks, and posing a serious threat to sustainability. Local woods such as Indonesian teak are highly sought-after throughout the globe—particularly in the northern hemisphere. Demand for these woods is fueling some of the world’s fastest rates of deforestation. Additionally, ports in these countries also serve as transshipment points for protected rosewood that is smuggled from Madagascar and Eastern Africa into China.¹⁸⁵

High-profile seizures indicate that the majority of illicit wildlife flowing into and out of the Sulu and Celebes region travels via container ships, with only small shipments arriving via air cargo. This is made possible by the high volume of shipping containers received coupled with corruption and the limited capacity of customs agencies and port authorities.¹⁸⁶ Wildlife is also transported within the region by small boats, which dock at nearly undetectable landing sites on small islands with narrow waterways. A lack of adequate law enforcement is a significant problem, but so is corruption. Some reports implicate maritime enforcement authorities in the illicit bird trade, which means this activity could continue unabated even if maritime enforcement capacity is increased.¹⁸⁷



Stacked illegally logged trees awaiting transfer in Central Kalimantan, Indonesia. Photo: Josh Estey, AusAID.

Fuel

Fuel smuggling has an impact on the economies of all three countries bordering the Sulu and Celebes Seas, but for different reasons. Indonesia and Malaysia subsidize fuel to help fund essential welfare services in those countries. These subsidies can drive wide cross-border price differences. The cost of diesel in Malaysia in particular is one-eighth of that in Indonesia,¹⁸⁸ which makes it an attractive commodity to smuggle across the region. The Philippines, on the other hand, suffers substantial losses in tax revenue when underpriced smuggled fuel is sold in the informal economy. According to an Asian Development Bank report, the Philippines loses approximately \$750 million in revenue annually due to oil smuggling.¹⁸⁹ Major hubs in the Sulu and Celebes region include Davao City and the city of Zamboanga.¹⁹⁰

Fuel smuggling takes a few different forms in this region. High-seas smuggling occurs when subsidized oil is siphoned from a mothership to smaller vessels to be resold in the Philippines. In direct smuggling, oil companies will dock in small ports and directly supply tanker trucks which will deliver it to service stations.¹⁹¹ Technical smuggling is a form of fuel fraud where an oil product is misdeclared as being a different product, one on which less tax is collected. For example, on 3 November 2018, the Philippines Coast Guard station in Tawi-Tawi intercepted 95 drums of unleaded fuel at Obol Pier, Simunul; the master of the suspect motor launch, ML *Atika*, failed to produce documents for the fuel.¹⁹² To curb the issue in the Philippines, the government is in the process of introducing fuel markers to all taxable oil products; an invisible marker which can be detected by analyzers will be blended into the fuel.¹⁹³

Other forms of oil smuggling include declaring “low-grade and adulterated fuel” as a higher-value oil to generate higher prices.¹⁹⁴ In Indonesia, non-state actors hide illegal fuel on ships that carry licit goods, increasing the chances of evading detection.¹⁹⁵ There have also been hijackings of tankers near the Makassar Straits for the purpose of oil smuggling.¹⁹⁶ This activity is closely linked to fluctuating oil prices on the global market. The drop in global oil prices between 2015 and 2017 correlated with a decline in oil smuggling in the Sulu and Celebes Seas. Conversely, a rise in oil prices in 2018 once again led to an increase in oil smuggling.¹⁹⁷ The current fall in prices as of early 2019 could portend another reduction in fuel smuggling activity.

Conclusion

The coasts of the Sulu and Celebes Seas have developed informal barter economies that can deliver goods without the additional expenses imposed by taxation and government regulation. This is particularly true where the rule of law is too weak to dissuade local officials from benefiting from selectively enforcing policies that are meant to regulate these transactions. In such areas, most of this trade is motivated by economic necessity rather than a broader interest in transnational organized crime. As seen in this region, well-entrenched but benign shadow economies provide necessary daily goods for coastal communities but are also fruitful environments for much more harmful illegal trades in weapons, drugs, and wildlife products.

In this region, well-entrenched but benign shadow economies provide necessary daily goods for coastal communities but are also fruitful environments for much more harmful illegal trades in weapons, drugs, and wildlife products.

The intensity of these illicit activities fluctuates over time with changes in consumer demand, government enforcement, and global market dynamics. At present, low fuel prices are decreasing the relevance of fuel smuggling while rising drug use is expanding the demand for trafficked drugs. Any future battles like the Marawi City siege could also magnify the regional arms trade. The number of active trades and the resilience of these trading networks mean that fluctuations in the demand and supply of goods are not likely to undermine the overall problem of illicit trade in this area. Temporary crackdowns on drugs, for example, may depress the illegal drug market in the short term although other illicit trades will continue to thrive. Once political attention drifts away from tackling illicit drugs, these networks could resume large-scale drug-trading with relative ease. Governments must bear this in mind in their efforts to completely eliminate any specific illegal market.

To address illicit trades and reduce detrimental informal economies in the region, regional governments have a balance to maintain. On one hand, the small-scale smuggling of contraband provides an important lifeline to coastal communities. This may cost governments tax revenue, but small-scale smuggling can also ease the burden on customs agencies that are already struggling to move goods across borders efficiently. Regional maritime law enforcement officials are also cognizant of the fact that disrupting these economies could threaten the economic well-being of communities in these coastal regions. On the other hand, transnational organized criminal networks are exploiting these informal networks with devastating consequences. Consequently, governments must decide on the form of barter trading that can be accepted by all three countries. The governments could then aim to sever links between shadow economies and coastal communities. Without a comprehensive and coordinated approach that can account for the vulnerabilities of people who depend on informal cross-border bartering, there remains a risk that any state response could further deprive coastal communities and drive them toward the illicit economy and crime syndicates that facilitate it.

MARITIME MIXED MIGRATION



MARITIME MIXED MIGRATION

Just as unregulated goods move freely across the Sulu and Celebes Seas, so, too, do the region's residents. The same historical ties, income disparities, and social bonds that drive economic exchanges between coastal communities also spur maritime migration. Most of this movement is economically motivated, yet the existence of well-established networks for voluntary migration across maritime boundaries also enables international human trafficking, organ trafficking, and child exploitation. In this way maritime migration is very much like the illicit trades covered in the last chapter; the majority of activity is benign and arguably beneficial for the region's economic welfare. However, these exchanges can also create opportunities for significant threats to regional security.

Authorities in Indonesia, Malaysia, and the Philippines share the perception that the common types of migrants in Southeast Asia are asylum-seekers looking for refuge from political conflict and economic migrants seeking work opportunities elsewhere. In the Sulu and Celebes Seas, asylum-seekers are found to be less common than economic migrants. Maritime migration, whether it is driven by the "push" factor of physical violence or the "pull" of brighter economic prospects, is inseparable from coastal welfare. While poor coastal welfare can produce migrants, economically thriving coastal communities can transform a region into an attractive destination for migrants.

However, not all migration movements across these seas have benign economic motivations. Regional concerns over exploitative human trafficking are growing, particularly trafficking for sexual exploitation and the black market in human organs.¹⁹⁸ Authorities are also worried about the influx of foreign fighters into the region. Though no foreign fighter has been captured in these waters yet, there are concerns that events like the Marawi City siege, which attracted many foreign fighters to the Sulu Archipelago, could raise the possibility of foreign fighters venturing to the region to support violent extremists.

These activities are impossible to disentangle from each other. Voluntary migrants are vulnerable to being trafficked by their smugglers. Advertisements for overseas employment are sometimes used to lure victims of sex and organ trafficking. Due to the complexity of this topic, this report follows, among others, the International Labour Organization and the United Nations High Commissioner for Refugees in adopting the term mixed migration to refer to all movements of persons in this space, whether they are voluntary, involuntary, or ambiguous in purpose.

This chapter outlines the major drivers of maritime mixed migration in the Sulu and Celebes Seas and discusses the region's efforts to sustain voluntary economic migration while minimizing human security risks. The chapter begins by focusing on trends in both voluntary and involuntary forms of migration. It then closes with a discussion about each country's legal structures for protecting migrants and fighting human trafficking.

Key Findings

- **MOVEMENTS WITHIN THE TRI-BORDER AREA ARE FAR MORE PERVASIVE** than migration flows to or from other countries.¹⁹⁹ The westward movement of economic migrants to Sabah and Kalimantan forms the region's largest migration flow.
- **ECONOMIC MIGRATION TO THE WESTERN SHORES OF THE SULU SEA IS VIEWED AS NON-THREATENING** and is rooted in the region's history, but this route is also used by traffickers.
- The Philippines is recognized as a regional leader in the fight against human trafficking, but **GAPS IN POLICY AND ENFORCEMENT STILL EXIST**. Indonesia and Malaysia are improving their anti-trafficking policies, though these countries are preoccupied with Rohingya migration in the north and greater migrant flows southward to Australia.

Drivers of Voluntary Mixed Migration

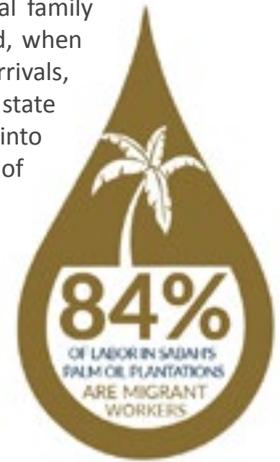
In many parts of the Sulu and Celebes region, historically porous borders and cross-national family bonds make undocumented entry and exit into the tri-border states very common.²⁰⁰ Indeed, when one law enforcement official interviewed for this report was asked how to stop unauthorized arrivals, he retorted, “Why stop a person from Jolo [from going] to visit their family in Sabah?” As state presence is weak and regional identities are strong (also see Coastal Welfare), crossing by sea into other countries is not commonly viewed as being an illegal activity, and for many, it is done out of economic necessity.

This section focuses on the two main drivers of voluntary migration: economic incentives and asylum. Though Filipinos entered Sabah in the 1970s as refugees fleeing conflict, these kinds of flows have subsided and the dominant motivation today is economic. In addition, the section discusses the relatively new phenomenon of the migration of foreign fighters. The scale of this problem is difficult to establish, but law enforcement officials have voiced concerns over the rise of foreign fighters in the southern Philippines. Future migration policies could very well reflect this powerful perception regardless of the frequency with which this occurs in reality.

Economic Incentives

Searching for employment is the single most important driver for mixed migration in the Sulu and Celebes area.²⁰¹ Though Peninsular Malaysia has been a destination for mixed migration flows from Bangladesh, Burma, Cambodia, India, Nepal, the Philippines, Thailand, and Vietnam,²⁰² Sabah has the highest percentage of non-Malaysian citizens in all of Malaysia (see Rule of Law). Indonesians and Filipinos represent the highest number of migrants.²⁰³ Although comprehensive data do not exist and underreporting certainly occurs, the number of economic migrants from Indonesia and the Philippines in this part of Malaysia is placed at nearly 800,000.²⁰⁴

The coastal regions of eastern Sabah, most notably Lahad Datu, Kota Kinabatangan, and Bodgaya Island, have recorded that up to 60 percent of their populations are foreign workers.^{205, 206} The presence of foreign workers in Sabah is particularly high in areas with palm oil plantations,²⁰⁷ which are reported to recruit 84 percent of their laborers from migrant populations.²⁰⁸ Recent initiatives to legalize migrant work would have profound effects on unregulated migration for this labor-intensive industry.²⁰⁹ Migrant labor is the foundation of this industry, yet many foreign workers are not legally allowed to bring their dependents. Malaysian data suggest that about one-third of the workers have dependents residing in Malaysia illegally.²¹⁰ Lacking proper registration, this large population of tens of thousands of children is at risk for poor access to health services and education.²¹¹ In this way, state economic policies toward economic migrants can have substantial effects on human security and provision of public goods.



SABAH'S PALM OIL PLANTATIONS AND ECONOMIC MIGRATION



Seeking Asylum

Asylum-seekers and refugees have a large presence in Indonesia and Malaysia, particularly in the western regions of both countries. Many come from global hotspots for armed violence, such as Afghanistan, Iraq, Myanmar, and Syria. Often, they transit Malaysia and Indonesia on their way to Australia.²¹³ These migrations typically follow maritime routes to the south and west of the Sulu and Celebes Seas.²¹³ Though this movement of refugees and asylum-seekers occurs far from these seas, these routes entrench regional smuggling networks and can also affect state policy toward migrants.

Asylum-seekers leaving this region are less common than they were during recent periods of coastal violence, but they could very well become more common again should organized political violence, terrorism, or extremist separatist movements reemerge (see Coastal Welfare). Motivations for seeking asylum are directly related to the economic and physical welfare of communities living on the periphery of these seas. In less secure times, the Malaysian government passed policies aimed at providing economic security to those fleeing the southern Philippines, including the IMM13 permits that allowed refugees to work while in Sabah.²¹⁴ Policies friendly to refugees and asylum-seekers may need to be revisited if another political or economic shock prompts a sharp rise in regional migration.

REFUGEE AND ASYLUM-SEEKING MIGRATION ROUTES



Foreign Fighters

It is unclear to what degree foreign fighters are using maritime routes on their way to the southern Philippines. According to sources in Indonesia, the Islamic State is actively recruiting in the Philippines, though the number of recruits is unknown. One foreign intelligence analyst argued that travel by air is more likely if the number of incoming fighters is low, as entry visa into the Philippines are relatively easy to acquire. However, if larger numbers are recruited, movement by sea to and from the Sulu Archipelago could be more cost-effective. It is also plausible that foreign fighters enter through Malaysia, which does not require a visa for those from most Muslim countries.

Involuntary Mixed Migration

The Asia-Pacific region has the second-highest prevalence of persons living and working in slave-like conditions (24.9 million) due to human trafficking for forced labor and sexual exploitation.²¹⁵ The *Global Slavery Index* estimates that 6.1 per 1,000 people are working and living under inhumane conditions, with large numbers subjected to forced labor and forced marriage. In the tri-border area, the Philippines fares the worst with 7.7 in 1,000 persons—or some 784,000 people—considered to be affected by modern-day slavery.²¹⁶

The number of anti-trafficking posters and billboards found across Manila highlight the prevalence of human trafficking for sexual exploitation. Though this suggests a high level of awareness, Manila remains dotted with blocks of red-light districts that clearly show that the demand for a commercial sex industry is still quite high. Apart from human trafficking for sexual exploitation, the Philippines has also recorded cases of people being exploited in global organ trafficking.²¹⁷ Forced labor in the fishing industry, while more prevalent in Thailand, has also been reported for Indonesia (see Fisheries).

Children represent an extremely vulnerable group of victims of human trafficking in the tri-border area due to high “demand for cheap labour, young brides, sex with children, and adoption.”²¹⁸ In many cases, and based on socio-economic realities, children are expected to contribute to family income, which can drive children into the hands of traffickers in their search for income-generating opportunities. There are several coastal trafficking hubs where organized criminal syndicates induce parents from poor regions in the Philippines to sell their children in the hope that they will be taken care of.²¹⁹ These children are then transported to major cities such as Manila, Cebu, Iloilo City, Davao City, or Zamboanga City.²²⁰ Children, and especially girls, are actively trafficked in the region’s pervasive sex trade. While less prevalent than being forced into armed groups in other regions, some boys are forced into armed groups in the Philippines.²²¹

Sex Trafficking

The Philippines is a globally recognized hub for sex tourism, and trafficking for sexual exploitation is quite common throughout the region.²²² Forms of sex trafficking include not only sex tourism, but also forced marriage and child marriage. These problems predominantly affect women and girls.²²³ Many victims of this form of exploitation are underage girls.²²⁴

An elaborate trafficking and transportation network supports this illicit industry.²²⁵ Internal transportation of persons (whether smuggled or trafficked) consists of a combination of land and sea-based operations using ferries and well-frequented shipping lines that connect the different islands with each other.²²⁶ Manila is a destination hub for women and girls trafficked from other parts of the Philippines. The International Labour Organization also reports that women are trafficked to Zamboanga del Sur by boat and then into Malaysia for sexual exploitation.²²⁷

Labor Trafficking

Though slavery in the fishing industry is a significant problem in the broader region, little evidence suggests that labor exploitation in the fishing industry exists in the Sulu and Celebes Seas. Cases from 2017 indicate that about 4,000 men from neighboring countries are exploited in the fishing industry elsewhere in Indonesia, though this investigation concentrated on Maluku and not the Sulu and Celebes region.²²⁸ Still, this problem is poorly understood and it is plausible that it is present to a lesser extent in the Celebes Sea.

The Sulu Sea is not a major hub for commercial fishing vessels, and fishing activities in the Celebes Sea are seemingly less monitored. However, labor trafficking experts have pointed out that Indonesia, Malaysia, and the Philippines are not among the countries with high risk for labor exploitation in the fishing industry.²²⁹ If fishing-related slavery is occurring here, it is more likely occurring within the fleets belonging to high-risk countries from outside the vicinity that are fishing in these waters. One Malaysian maritime expert expressed praise for the tri-border countries, noting Indonesia is working to make illegal, unregulated, and unreported fishing a crime under the United Nations Transnational Organized Crime framework and reportedly has mechanisms in place to inhibit “illegal labor practice of fishermen in the industrial fishing industry.”

Organ Trafficking

Last, organ trafficking is a major concern in the Philippines.²³⁰ While it is unlikely that organs or victims are transported on maritime routes (as most travel by air), it is very likely that the poorer coastal communities of the Philippines are disproportionately victimized by organ traffickers. Preying on poverty-stricken communities,²³¹ organ traffickers exploit the global shortage of organs (especially kidneys) for transplantations²³² and thus continue to make profits from illegal transplant tourism in the Philippines. In recent years, the country has also recorded growing domestic demand for kidneys, especially in the southern Philippines.²³³

State Efforts to Address Smuggling and Trafficking in Persons

As issues related to smuggling and trafficking in persons are incredibly complex, substantial interagency communication and coordination are required. A truly comprehensive solution may involve agencies dealing with labor and work permits, immigration, maritime and border security, social services, and human rights. Federal policies must be aligned with the policies and capacities of local governments as well as those of neighboring governments. Despite these challenges, all governments of the tri-border region are making clear progress toward ensuring the welfare of the region’s international migrants and migrant-receiving areas.

At present, the most comprehensive global report on states’ efforts to combat human trafficking is the annual *Trafficking in Persons Report* (TiP). This annual assessment produced by the United States Department of State focuses on what states do to proactively protect victims, prevent exploitation, and prosecute suspected traffickers. States are placed into one of four tiers that range from top-performing Tier 1 countries to Tier 3 countries that are especially dangerous for trafficking victims. The intermediate categories are Tier 2 and a special “Tier 2 Watchlist” that is reserved for the Tier 2 countries at greatest risk of slipping into Tier 3 status.

The Philippines has been ranked in Tier 1 for three consecutive years due to its sustained efforts, which include new laws that deal with migration and human trafficking. These include the 2003 creation of the Inter-Agency Council against Trafficking. Though they are not explicitly maritime-focused, other instruments were extended to deal with the

SEX TRAFFICKING ROUTES IN THE PHILIPPINES



armed conflict in Mindanao, especially as related to forced recruitment of children into armed groups. To that end, the government established the Monitoring, Reporting, and Response Systems on the Grave Child Rights Violations in the Context of Armed Conflict²³⁴ framework in 2016. The Philippines is also the only country in the tri-border area that has acceded to the 1951 Convention relating to the Status of Refugees and its 1967 Protocol (in 1981) and the 1954 Convention relating to the Status of Stateless Persons (in 2011).²³⁵

Beyond efforts to address trafficking and smuggling associated with armed violence, though, maritime capacity to deal with smuggling and trafficking at sea remains low. The low-tech capabilities of the Philippine Coast Guard hamper efforts to intercept vessels due to the “much [more] efficient and faster sea craft of the traffickers.”²³⁶ The focus of both the security and law enforcement sectors on land-based operations leaves few resources to address issues in the maritime space.

Since neither Malaysia nor Indonesia are party to the 1951 Convention and its 1967 Protocol or the 1954 Convention, there is no legal or formal policy framework to process mixed migration flows. In fact, in Malaysia the “law does not distinguish between refugees/asylum-seekers and undocumented migrants. The former thus become vulnerable to arrest for immigration offences and may be subject to detention, prosecution, whipping, and deportation, including refoulement.”²³⁷ Several TiP reports indicated that much like in Indonesia,²³⁸ in some cases of deportation government officials and immigration officers, have been suspected of being involved in smuggling and trafficking.²³⁹

Malaysia was downgraded to a Tier 2 Watchlist ranking in the 2018 TiP Report. A possible reason could be the lack of prosecution of suspects associated with the 2015 discovery of numerous mass graves at the border with Thailand.²⁴⁰ The multiple mass graves were dug up along a commonly used smuggling route between Thailand and Malaysia. In Thailand, this led to the biggest trial on human trafficking in their history.²⁴¹

Meanwhile, Indonesia has been consistently ranked in Tier 2 for increasing its efforts toward investigating and prosecuting traffickers, noting more focus is needed on identifying traffickers and dealing with corruption. In recent years, Indonesia has also stepped up its efforts in the maritime domain. Further collaboration with the Australian Border Force has taken place to curb migration flows.²⁴² In addition, where the Indonesian navy once used to turn boats away,²⁴³ more support is now being provided for Rohingya refugees arriving on Indonesian shores.²⁴⁴



*A Rohingya woman in Bangladesh holds a picture of her son, who was taken by human traffickers promising employment in Malaysia.
Photo: Shazia Rahman, Getty Images.*

Conclusion

Maritime mixed migration poses complex challenges to the governments of the Sulu and Celebes region. Many communities in this region—from the more developed areas that require migrant labor to the impoverished areas that need economic opportunities—rely on a well-managed cross-national flow of laborers. To sustain the supply and demand of economic migrants, governments must strike a balance between permitting economic migration between countries and addressing the very real security threats presented by human-trafficking networks.

Achieving progress will require inclusive policymaking, attention to how migration patterns might change, as well as good data and regional understanding of the challenges of mixed migration.

Achieving this progress will require inclusive policymaking processes that are open to representatives from civilian and military agencies. Progress also requires acute attention to how migration patterns might change in response to new state policies. Where officials fail to anticipate reactions to policies, migration flows will likely shift to areas receiving less government attention. For example, when the European Union increased maritime patrols in West Africa in 2006, migrants swarmed to inland routes where they were much more vulnerable to trafficking and exploitation en route. Similarly, Indonesian and Malaysian policies toward asylum-seekers in western parts of the archipelago could shift some activity east toward the Celebes Sea. Regional policies in the Philippines, commodity market boom and bust cycles, and any resurgence of political violence in the southern Philippines could also quickly alter the kinds of mixed migration currently seen in this region.

The most immediate challenge is the need to develop good data and a regional understanding of the challenges of mixed migration. Sound policy is easier to achieve when regional agencies achieve a consensus on the nature of the problems, which can create rich data on migration flows and known trafficking activity. Such rich data is a valuable prerequisite to resolving this complex problem.



*Laborer at an oil palm plantation in Indonesia.
Photo: Lucy McHugh, CIFOR.*

FISHERIES



FISHERIES

The Sulu and Celebes Seas support one of the most biodiverse marine ecosystems in the world. As part of the Coral Triangle, the Sulu and Celebes region features thousands of species of fish and the highest richness of corals and marine plants globally.²⁴⁵ Indonesia, Malaysia, and the Philippines are also well known for hosting the primary nesting grounds for endangered sea turtles. However, this fragile marine environment is under tremendous threat due to human population growth, rapid coastal development, pollution, and climate change.

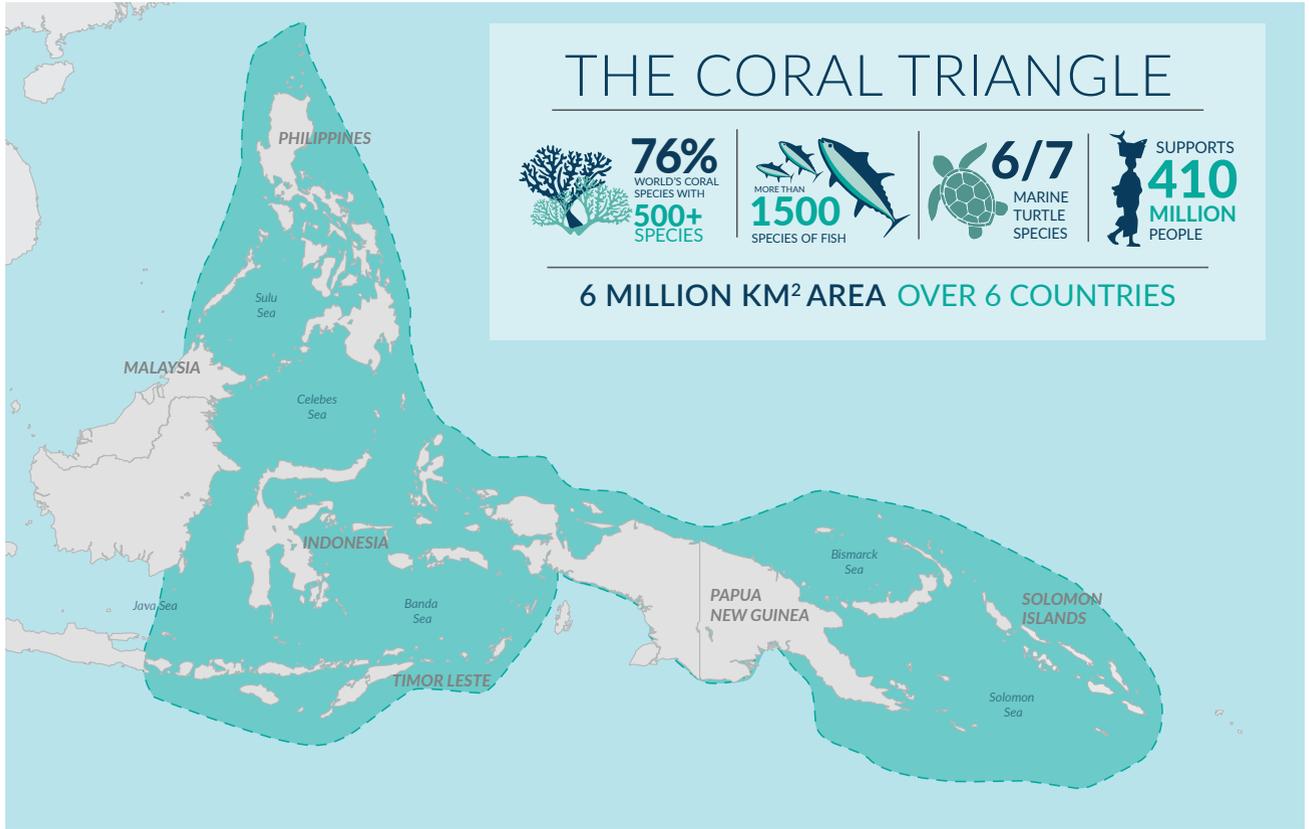
Most problematic, however, is over-exploitation of fish stocks, a significant portion of which is caused by illegal, unreported, and unregulated fishing (IUUF) by domestic and foreign fleets. According to the Information Fusion Center, IUUF in the tri-border area declined from 2016 to 2018, although the magnitude and prevalence of IUUF are difficult to scope due to the absence of proper data. The impact of declining marine-capture fisheries is quite substantial; in 2016, 64 percent of the global top 25 producers, a group which includes Indonesia, Malaysia, and the Philippines, have been affected by decreasing marine captures.²⁴⁶ Though the littoral states have diversified fisheries production with greater investment in aquaculture, the health of fisheries as a major source of food security and livelihoods is an important determinant of maritime security as it relates to the health and economic security of fishing villages and coastal communities.

This chapter will examine the leading role of littoral states in the Sulu and Celebes region in global fishery production while highlighting the inherent problems of over-exploitation and IUUF in the region. Though the decline in fish stocks is alarming, this chapter will also highlight regional initiatives that address IUUF and conservation efforts.

Key Findings

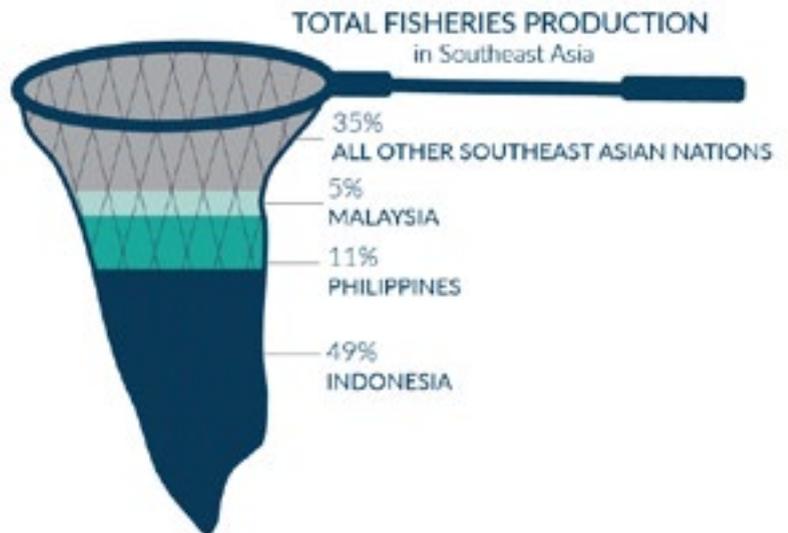
- Though the area is rich in marine biodiversity, widespread industrial fishing does not exist in the Sulu Sea, which encompasses almost entirely the sovereign waters of the Philippines. **SIGNIFICANT FISH CATCH—AND THE CHALLENGES POSED BY OVERFISHING—ARE MOSTLY ASSOCIATED WITH THE CELEBES SEA**, which is governed by both Indonesia and the Philippines. Industrial fishing activities take place in the corridor that engulfs southern Mindanao, the islands of Sangihe, Karakelong, and Kabaruang, and Maluku.
- To offset declining wild fish stocks, and to promote conservation of the marine environment, **INDONESIA AND THE PHILIPPINES HAVE INVESTED IN AQUACULTURE PRODUCTION** (especially seaweed in Indonesia and sea moss in the Philippines²⁴⁷), with tangible increases occurring since 2011. In 2017, aquaculture in the Philippines contributed 41 percent of all fisheries production (while commercial wild fishing declined to only 25 percent).²⁴⁸
- **TO COMBAT IUUF, THE LITTORAL NATIONS, IN COLLABORATION WITH OTHER REGIONAL STAKEHOLDERS, HAVE DEVELOPED SEVERAL INITIATIVES** such as the 2007 Regional Plan of Action to Promote Responsible Fishing Practices including Combating Illegal, Unreported and Unregulated Fishing (RPOA-IUU),²⁴⁹ the 2001 Sulu-Sulawesi Marine Ecoregion Comprehensive Action Plan, and the 2009 Coral Triangle Initiative on Coral Reefs, Fisheries, and Food Security (CTI-CFF).²⁵⁰





Fisheries Health

The iconic Coral Triangle is formed primarily by the Sulu and Celebes Seas; it also includes the Banda Sea, the Arafuru Sea, the Bismarck Sea, the Solomon Sea, and parts of the Java and Timor Seas. As the apex of the Coral Triangle, the richness in biodiversity of the Sulu and Celebes region sustains the livelihoods and food security of about 410 million people in that region,²⁵¹ making the countries of the tri-border area rank among the top ten global fish producers.²⁵² Large-scale commercial fishing mostly takes place in the deep waters of the Celebes Sea where the exclusive economic zones (EEZs) of the Philippines and Indonesia cross. The Sulu Sea, on the other hand, falls mostly under the sovereignty of the Philippines, and its archipelagic waters mainly support artisanal fishing.²⁵³

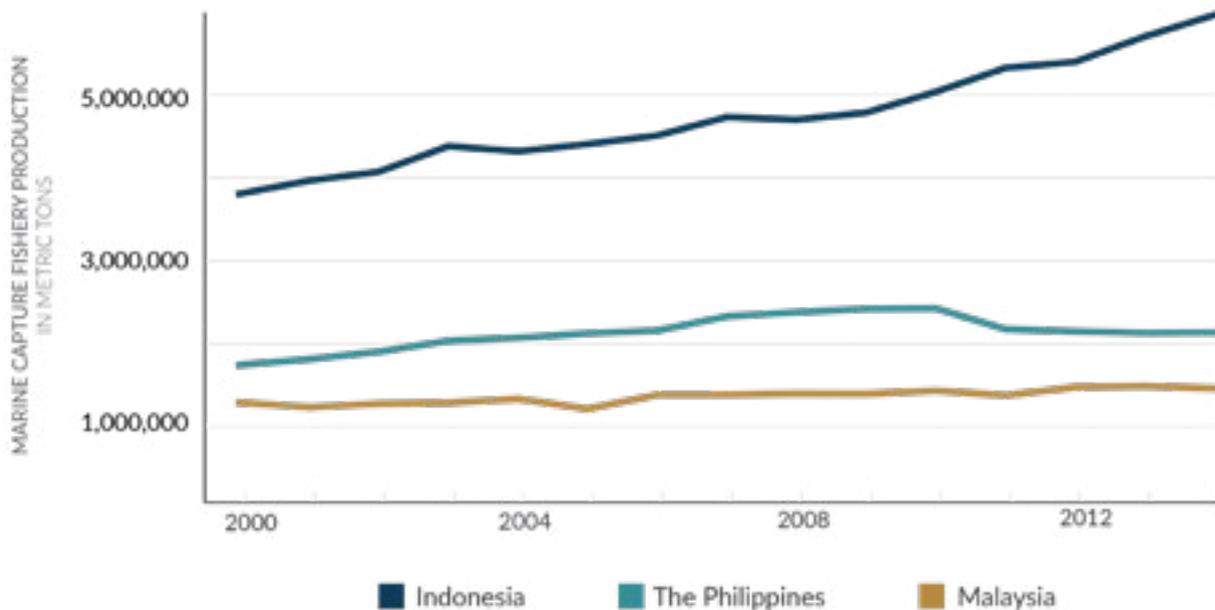


Fisheries Production

Indonesia produces 49 percent of total fisheries in Southeast Asia (including marine-capture fisheries, inland-capture fisheries, and aquaculture), leading all ASEAN nations, followed by the Philippines (11 percent) and Malaysia (about 5 percent).²⁵⁴ Indonesia and the Philippines are regional top producers of tuna, landing 1,561,894 metric tons (or approximately 67 percent of regional production) and 580,525 metric tons (or approximately 28 percent of regional production) in 2014, respectively.²⁵⁵ Some of the most commercially important tuna species can be found in these seas, including bluefin, yellowfin, skipjack, albacore, and bigeye tuna. Indonesia and the Philippines are also regional leaders in catch of mackerel. The Zamboanga Peninsula is known for the Philippines' sardine fisheries, where 90 percent of locally consumed canned sardines are produced.²⁵⁶

The three littoral countries of the Coral Triangle combined also produce 36 percent of the global share of aquatic plants.²⁵⁷ This is a significant feat, both economically and environmentally. Farmed seaweed has a much lower impact on the environment than farmed fish. Overall quantity of aquaculture in comparison to marine capture fisheries is higher, although the latter is economically more valuable.²⁵⁸ Already a top aquaculture producer, Indonesia may become a global leader as its geography and weather conditions provide opportunities to expand its marine aquaculture.²⁵⁹ By diversifying the means of harvest from the ocean, Indonesia and the Philippines are reducing the risk that livelihoods and economic security are threatened by overharvest of wild marine fish stocks.

MARINE CAPTURE FISHERY PRODUCTION, 2000-2014



Source: Fishery Statistical Bulletin for the South China Sea Area 2000-2007 (SEAFDEC, 2005-2010a) and Fishery Statistical Bulletin of Southeast Asia 2008-2014 (SEAFDEC 2010b-2016)

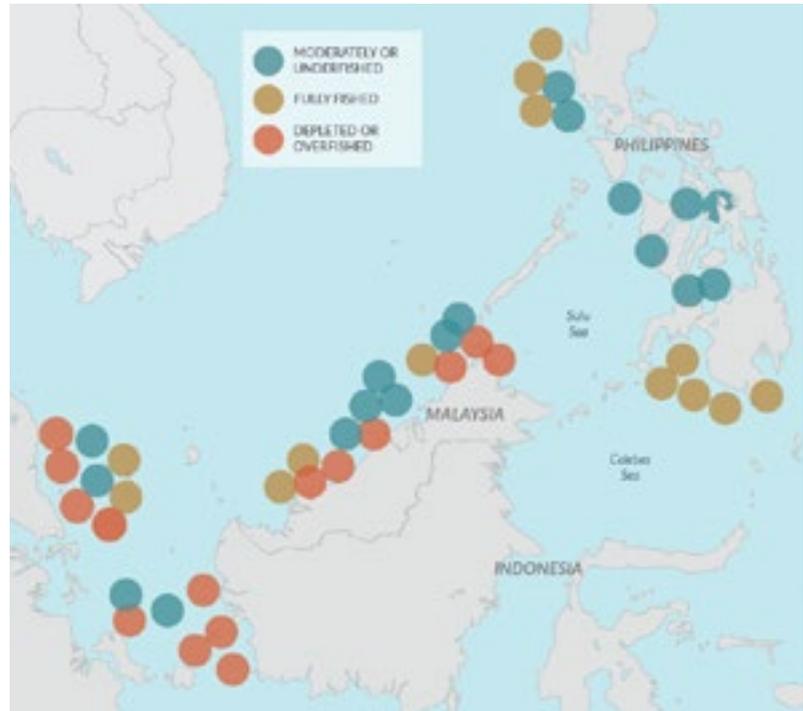
Depleted Fish Stocks

More than half of Southeast Asia's fisheries are currently exploited at rates that put their fish stocks at medium or high risk of over-exploitation.²⁶⁰ A 2002 analysis by the Global International Waters Assessment and the United Nations Development Programme suggests that the loss due to overfishing and the destruction of the marine environment will amount to \$2.5 billion for the Philippines and \$2.6 billion for Indonesia.²⁶¹ Due to lack of enforcement and ill-equipped coastal monitoring mechanisms, IUUF in coastal regions continues to deplete already over-exploited areas. This is particularly troubling given

the relationship between human population growth and higher demand for fish and seafood as a main source of protein in Asia's coastal regions.²⁶²

Indonesia is not only a global leader in marine fisheries production; it is also considered the world's leading supplier of live fish. The high demand for species like the leopard coral grouper motivates local fishermen to use cyanide to stun the fish in order to catch them while still keeping them alive and intact and thus maintaining the high value of the fish.²⁶³ The damage of this trade is manifold: a major predator is taken out of a fragile ecosystem which is further destroyed by the cyanide poison. The related destruction of coral reefs not only causes fishers to venture out farther, as has been observed in the Philippines,²⁶⁴ it also removes a vital barrier to waves generated by storms.²⁶⁵ On average, the decline in fish exports from Indonesia has been a gradual one from 4.64 million tonnes in 2014 to 3.94 million tonnes in 2016.²⁶⁶ It is in this vein that aquaculture production is becoming an important alternative to marine fisheries.²⁶⁷

DEPLETED FISHERIES IN INDONESIA, MALAYSIA, & THE PHILIPPINES



Source: Strafor, 2016.

Of the three countries, the Philippines has the highest concentration of fish species per unit area and is considered the center of marine coastal diversity.²⁶⁸ Unfortunately, the Philippines may also be the center of adversity because of the high anthropogenic disturbances resulting from an expanding, highly resource-dependent human population.²⁶⁹ High human population density stresses marine resources, and demand for fish is already more than Philippine fisheries can produce.²⁷⁰ Habitat destruction and signs of overfishing such as local extinctions,²⁷¹ disappearance of large predatory fish from catch,²⁷² severe reduction in catch per unit of effort,²⁷³ and occurrences of very low to zero catch²⁷⁴ have been increasingly reported in the country's waters. The area size of the fishing grounds exploited by fishers have also considerably expanded as the coastal fisheries have become depleted.²⁷⁵ Some estimates suggest that major fishing grounds in the country have already been severely depleted.²⁷⁶ The plateau, if not decline, of fisheries production is estimated to have started when the country reached maximum yields as early as the 1980s.²⁷⁷

Equally worrying are trends in Malaysia. According to a 2009 assessment, Malaysian coastal fishery resources are considered "fully exploited, or possibly over-exploited."²⁷⁸ Trawling and fish bombing damage coral reefs and cause certain fish to end up as by-catch. Some of the endangered species in Malaysia include turtles (the collection of turtle eggs has severely reduced turtle populations), painted rock lobsters, and cockles. Considered a delicacy in China, river-based terrapins are equally registering a troubling decline.

Sharks play key roles in maintaining ecosystem health, and in the Coral Triangle shark fishing may represent a real threat to ecosystems. While shark finning does not officially exist in Malaysia,²⁷⁹ a 2012 study indicated that between 2000 and 2008 around 170 tons of shark products (145 tons of solely shark fin products) were exported each year.²⁸⁰ In fact,



Fresh shark fins drying. Photo: Nicholas Wang.

Malaysia's shark catch from 2000 to 2010 comprises 2.9 percent of global catch.²⁸¹ Indonesia's yield is higher, with 13.1 percent of global shark catch from 2000 to 2010, making it the world's primary harvester of sharks, according to data of the Food and Agriculture Organization (FAO).²⁸² Sharks (and rays) contribute only 2.2 percent to total marine fish landings in Malaysia, but shark landings have been increasing at the same time the national fleet of licensed vessels has been decreasing.²⁸³

With the exception of the whale shark, the Malaysian Fisheries Act of 1985 does not specify management of shark species. In Indonesia, restrictions and regulations are difficult to implement since the artisanal fishing communities are mainly involved in shark fishing and heavily depend on it. Furthermore, only one regulation governs management of shark (and ray) fishing, but lack of knowledge of species limits the ability to effectively monitor the trade.²⁸⁴

Indeed, as a major source of income and guarantor of food security, the decline in fish is an important determinant of maritime security as it relates to the health and economic security of coastal communities. Without a sustainable income, fishers may substitute for a loss in revenue by becoming involved in other illegal activities, such as trafficking of illicit goods or smuggling people, which are considered to be crimes associated with fisheries that take place on fishing boats but have nothing to do with catching fish.²⁸⁵

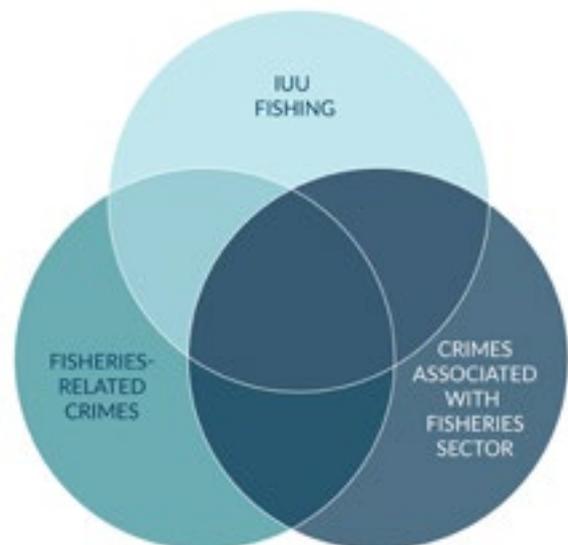
Fisheries Crimes

Fisheries are inextricably tied to maritime security. Conflict over the resource itself is common, and the risk of fisheries conflict is increasing as resources decline.²⁸⁶ Furthermore, fishing vessels can become vectors of maritime insecurity by trafficking in goods unrelated to fisheries. The Coral Triangle has been a hotspot for IUUF for decades, and conflicts between industrial and artisanal fishers led to a ban on trawling in Indonesian waters by 1983.²⁸⁷ Indonesia alone records an estimated \$4 billion annual loss in revenue due to illegal fishing.²⁸⁸ Today, this part of the world is leading the charge against IUUF in an attempt to protect its resources for the benefit of its large artisanal fleet.

Fisheries crimes can facilitate other forms of crime, especially when foreign fleets are a common presence. In the words of one Indonesian government official, "If you cannot regulate international fishing—well, just look at Somalia." In Somali waters, the link between IUUF and transnational crimes such as smuggling of arms and drugs has been substantiated. The history of unregulated foreign fishing fleets underpinned piracy and has destabilized the maritime security situation.²⁸⁹ Similar trends exist in the Sulu and Celebes region, where the challenges inherent in fisheries crimes pose threats not only to the marine environment but also to coastal communities.

The FAO²⁹⁰ outlines three related categories of risks to maritime security that can originate in or be facilitated by the fisheries sector: IUUF, fisheries-related crime, and crimes associated with the fisheries sector. The categories are not discretely defined, and some activities may fall into more than one category. IUUF is specific to crimes committed while in the act of catching fish (e.g., landing endangered species, using banned fishing gear

FAO CATEGORIES OF RISKS TO MARITIME SECURITY



Source: FAO, *Links between IUU Fishing and other crimes*

or techniques, failing to properly report fish catch, or fishing in areas that lack sufficient regulations). Fisheries-related crimes are activities that occur in contravention of laws that are not specific to fishing but that occur in order to facilitate fishing: document forgery (e.g., of licenses), tax evasion (e.g., failure to pay landing fees), or illegal working conditions for crew onboard. Finally, crimes associated with the fishing sector are those crimes that occur on fishing vessels but which do not directly facilitate fishing, such as human trafficking or smuggling of arms or drugs.

IUUF in the Sulu-Celebes Seas

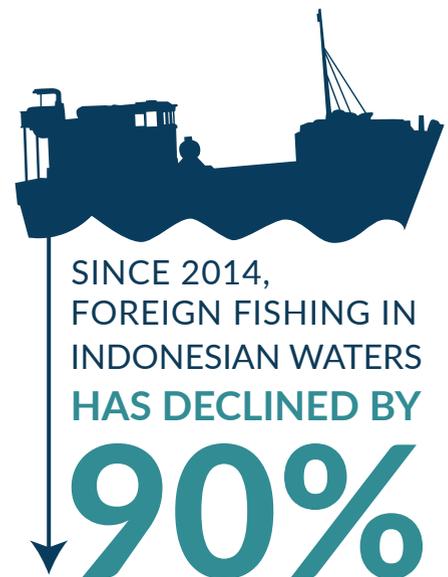
In the Celebes Sea, industrial poaching by foreign vessels is a severe problem. However, IUUF by artisanal and small-scale vessels is equally concerning, if not more so, in Indonesia. The number of small-scale Indonesian fishers operating at sea is 80 percent of total fishers,²⁹¹ (or roughly 2.3 million fishers²⁹²) although others put the number at 60 percent (or 1.6 million²⁹³). Up to 50 percent of domestically caught marine fishes are being illegally transferred to foreign vessels on the fringes of or outside Indonesia's EEZ, which facilitates IUUF.²⁹⁴ Another constraint for Indonesia has been the inability to hold vessel owners accountable who are caught fishing illegally.²⁹⁵

Indonesia has recently, and dramatically, taken firm action against IUUF in order to protect its resource; in 2014, the government banned all foreign vessels from Indonesia's waters. To enforce this ban, and to make a public display of those caught violating it, Indonesian authorities detonate the fishing vessels of those caught. Since 2014, foreign fishing in Indonesian waters has declined by 90 percent, and total fishing by 25 percent. A study of fisheries health showed that Indonesia's fish stocks have begun to grow in response to the reduced fishing pressure. However, this enforcement has also become controversial as 300 fishing vessels have been destroyed. Nevertheless, the enforcement has also produced results as domestic fishing has expanded to fill the void left by foreign boats, which may improve the incomes of Indonesian fishers.²⁹⁹

In Malaysia, most IUUF violations are those involving licensing provisions. According to a 2008 report,³⁰⁰ small-scale fishers were traditionally not required to apply for fishing licenses³⁰¹—for either coastal or deep-sea fishing vessels. Since fisherfolk in traditional Malaysian fishing villages live slightly above or under the poverty line, fishers face difficulties in obtaining the necessary licenses.³⁰² Additionally, many traders hold more than one license, which has reduced the ability of small-scale fishers to acquire a license given that license distribution has been halted for years. As such, the

IMPACT OF IUUF

There are multiple economic and social externalities associated with fisheries crimes: economic loss such as tax revenue loss; fishing communities remaining stuck in cycles of poverty likely to push them farther below the poverty line; environmental degradation; weakening of the competitiveness of fisheries at the national level; and reduction in employment opportunity both at sea and on shore (e.g., in processing). Indeed, IUUF reduces income from licensing fees, landing fees, taxes, and harbor fees, and reduces employment opportunities associated with the fisheries industry such as post-catch processing, storing, and transportation. Fewer opportunities reduce income generation for entire families. For women, although their overall contribution to the fishing industry is relatively low,²⁹⁶ the impact of depleted fishing grounds is particularly difficult. If men are forced to be out at sea longer²⁹⁷ or if fish catch is small, women have to take out loans or borrow money to cover expenses and are often held accountable if debts are not repaid.²⁹⁸





An illegal fishing boat is detonated with explosives by Indonesian authorities. Photo: JANUAR, AFP, Getty Images.

problems of vessels operating without licenses, vessels employing restricted fishing gear or using more gear than listed on the license, and encroachment of deep-sea vessels in restricted fishing zones have become common in Malaysia. At times, these operations could also be involved in crimes associated with fisheries, such as subsidized fuel being smuggled across borders and human trafficking for forced labor,³⁰³ which is also pervasive in Indonesian waters.³⁰⁴

A problem with a more localized nature is illegal fish-blasting and fish-poisoning in Sabah. Most locals associated with this practice come from the *Bajau Laut* community, a maritime nomadic group of people who are regionally referred to as *sea gypsies*.³⁰⁵ The fishing practice is so frequent that observers note that “15 blasts can be heard per hour.”³⁰⁶ Consequently, the impact on coral reefs and fish stocks in Sabah is substantial, with some reefs being less than 25 percent undamaged and fish species being reduced by half. Every year, an average of 3.75 percent of coral reefs are lost to blasting.³⁰⁷ To curb this destructive practice, the State Government of Sabah established the 2012 Anti-Fish Bombing Committee.³⁰⁸

In the Philippines, the major concern is misreporting or not reporting fish. For example, local fishers often catch fish that fall under protected species designations. As one Philippine policy analyst observed, “a visit to local fish markets might tell you a lot about the problems of regulating fisheries and establishing maritime governance [in the Philippines].” However, it is unclear to what degree fishers are provided information on protected fish species.

Another issue in the Sulu and Celebes region is the illegal taking of and trade in marine turtles through practices such as poaching turtles or collecting their eggs, which mostly takes place in East Kalimantan.³⁰⁹ Chinese and Vietnamese fishing vessels operating illegally in the waters of Indonesia, Malaysia, and the Philippines have also been implicated in these crimes.³¹⁰ Turtles are hunted for particular purposes: green and leatherback turtles for their meat; hawksbill turtles’ carapace for crafts; and loggerhead and olive ridley turtles for their eggs to meet the growing demand in East Asia.³¹¹ With turtles listed as endangered species under the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), the littoral nations have enacted laws and policies according to CITES regulations. In most cases, community outreach and collaboration with local organizations have supported government efforts in curbing the illegal trade of turtles and turtle derivatives.

Fisheries-Related Crimes

Tax-evasion crimes in the fishing industry have become common in the region. Indonesia reportedly loses \$13 million annually from the evasive practices of a single fishing company.³¹² In the Philippines, document forgery by mislabeling occurs with the marking of high-value fish as low-value. This can cause revenue losses and potential health risks as some fish might contain high mercury levels that are unsuitable for consumption by children or pregnant women.³¹³ In Malaysia, tax evasion coupled with IUUF—such as non-compliance with vessel monitoring systems or lack of fishing license—can significantly reduce costs to the fishing fleet.³¹⁴

Crimes Associated with the Fisheries Sector

Human trafficking for the purpose of labor exploitation on fishing vessels is a pervasive issue in Southeast Asia. Cases of child trafficking in Indonesia’s fishing industry were recorded in 2003, with a notable decline of the practice noted in 2010.³¹⁵ Investigations between 2015 and 2016 indicate the trafficking of humans in the Indonesian fishing industry³¹⁶ amounts to over 8,000 persons, with 4,000 being trafficked in Maluku alone.³¹⁷ However, it is challenging to monitor the prevalence of human trafficking in the region’s fishing industry due to the difficulty of reporting on specific locations believed to be nexuses for forced recruitment³¹⁸ or deployment. Similarly, the extent of forced labor and human trafficking in the Philippines’ tuna sector is difficult to gauge, although research indicates that this practice exists.³¹⁹

Coastal Resource and Fisheries Management

The proper management and conservation of coastal resources (including fisheries) can have multiple positive outcomes that benefit the environment as well as the communities living off of it. Coastal resource management (CRM) practices have been pursued to promote and enhance governance structures, address inequalities, reduce poverty, build resilience to climate change, and enhance regional cooperation. Despite several constraints, littoral states have continued to pursue CRM tools and fisheries management frameworks with varying degrees of success. The overlap of jurisdictions and mandates by different actors at the federal, state, and local levels often can make interventions less effective. In addition, the sustained levels of poverty can undermine efforts to conserve coastal resources.³²⁰

Regional Initiatives

Several regional initiatives have been established to collaboratively ensure the effective protection and sustainable development of the Sulu and Celebes Seas. One such initiative was the 2003 Sulu-Sulawesi Marine Ecoregion Conservation Plan, which was updated in 2009 and supplemented with the 2010–2012 Comprehensive Action Plan. Under the leadership of the 2006-inaugurated Tri-National Committee for the Sulu-Sulawesi Marine Ecoregion,



A fishing boat docked in Sabah, Malaysia. Photo: Gary Cyles.

WOMEN’S EMPOWERMENT IN COASTAL RESOURCE MANAGEMENT



The first female warden at the Declave Marine Sanctuary near Palawan Island, Philippines, monitors fishing activity. Photo: Asuncion Sia.

With a wide range of partners and a multi-sectoral approach, there are hopes that the drafting of the first iteration of the regional action plan will place more emphasis on the role of women in coastal and marine protection. Women are an underrepresented but nonetheless vital group of stakeholders in coastal resource management,³²³ and the CTI-CFF could therefore also become a regional leader that recognizes the contributions of women in marine and coastal protection. More importantly, it could promote gender equality and empower local women in coastal communities to become leading agents of change, thus enhancing community resilience and stability.³²⁴

the littoral states agreed to jointly develop and implement a regional plan of action in addition to their respective national action plans.³²¹ Another important regional initiative is the Coral Triangle Initiative on Coral Reefs, Fisheries, and Food Security (CTI-CFF), which is a multilateral agreement between Indonesia, Malaysia, Papua New Guinea, the Philippines, the Solomon Islands, and Timor-Leste. The initiative was formed in 2009, during which the six countries developed a ten-year regional action plan. The comprehensive approach of the CTI-CFF is reflected in its main goals to “address both poverty reduction through economic development, food security, sustainable livelihoods for coastal communities and biodiversity conservation through the protection of species, habitats and ecosystems.”³²²

National Legal Frameworks

In addition to regional initiatives, several legal frameworks also govern the management of coastal and marine resources.

INDONESIA	MALAYSIA	PHILIPPINES
<p>Act No. 31/2004 (amended 2009) regulates fisheries</p> <p>Act No. 27/2007 (amended 2014) regulates coastal and island management</p> <p>Act No. 45/2009 gives law enforcement the right to destroy and sink vessels without indictment by courts³²⁵</p> <p>National Plan of Action on fisheries currently being developed</p>	<p>Fisheries Act 1985 regulates conservation, management, and development of capture fisheries</p> <p>Exclusive Economic Zone Act 1984³²⁶</p> <p>National Plan of Action to Prevent, Deter, and Eliminate Illegal, Unreported, and Unregulated Fishing 2013³²⁷ addresses IUUF</p>	<p>Fisheries Code of 1997 (or Republic Act 8550), amended to Republic Act 10654, and Local Government Code of 1991 (or Republic Act 7160) govern fisheries and coastal resource management</p> <p>National Integrated Protected Areas System Act of 1992 (or Republic Act 7586) established nationally managed marine protected areas</p>

In addition to the legal frameworks listed in the table above, the littoral states have implemented national port state measures to regulate entry into or use of ports by foreign fishing vessels.³²⁸ In 2016, Indonesia and the Philippines ratified the FAO Port State Measures Agreement to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing, which is a legally binding instrument that supports ASEAN member states' efforts to enhance capacity in combating IUUF. However, these efforts are concentrated outside the Sulu and Celebes region. Of Indonesia's five designated ports, one is located in Samudera Bitung, in North Sulawesi.³²⁹ Malaysia's two ports are based in the Andaman Sea, while the Philippines has one designated port in Davao City and is planning another in General Santos City.³³⁰

Indonesia

With 75 percent of its national territory comprising the sea and wide areas of land dispersed across thousands of islands, Indonesia faces a geographical challenge in developing and implementing CRM. Indonesia has the grand task of governing across 11 Fisheries Management Areas.³³¹ Indonesia's legal instruments governing coastal and marine resources have traditionally prioritized economic benefits over environmental protection.³³² However, since former president Susilo Bambang Yudhoyono proposed multilateral cooperation to protect its rich biodiversity and marine life at the World Ocean Conference in 2009, Indonesia has transformed into a regional leader in ocean conservation and coastal resource management and in pursuing a human rights-based approach toward inclusive processes for fishing communities.³³³ These efforts eventually culminated in the Coral Triangle Initiative.³³⁴

In 2018, at the Our Ocean conference in Bali, Indonesia also announced that it has accomplished³³⁵ early the 2020 projected goal of protecting 20 million hectares of marine environment.³³⁶ Indonesia continues to work with international partners to realize its grand vision of becoming a global leader in marine conservation³³⁷ by addressing issues along its long shoreline such as pollution, destructive fishing techniques, competing interests, overlapping jurisdictions, and oil and gas exploitation, and by expanding mariculture projects.³³⁸ Indonesia is also working toward technological advances such as synthetic aperture radar. The Our Ocean conference also showcased collaborative projects with international organizations that integrate spaceborne high-resolution radar satellite data with vessel monitoring systems at the Perancak station in Bali.

Indonesia has also installed a regulatory licensing system in the 1970s.³³⁹ A special Task Force on the Prevention and Eradication of Illegal, Unreported and Unregulated Fishing was established in 2015³⁴⁰ to target IUUF and human trafficking in the fishing industry. A moratorium on foreign vessels and transshipment at sea was also imposed from 2004 to 2005, which discontinued the operations of more than 1,300 registered foreign fishing vessels and led to the sinking of over 300 foreign fishing vessels that had violated this moratorium.³⁴¹ Foreign fishing fell by 90 percent and local fish production and exports went up. At the same time, Indonesia set up the FishFORCE Academy of Indonesia to strengthen knowledge of fisheries laws among Indonesia's lawyers.³⁴²

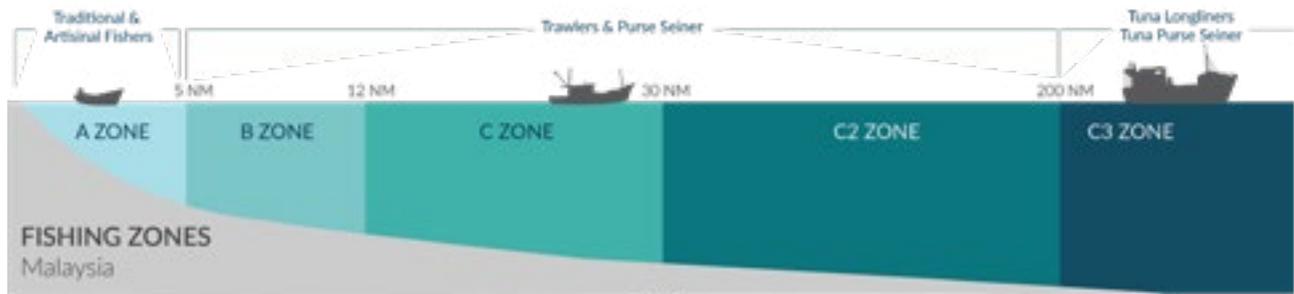
The deterrent effect has had several positive outcomes: it curtailed overfishing and illegal, unreported transshipment, which causes an estimated loss of \$20 billion annually,³⁴³ and also mitigated labor exploitation on foreign fishing vessels.³⁴⁴ Though laudable, the measures also had negative impacts on local economies and the environment. The ban of all transshipment has impacted local canneries in places like North Sulawesi that depended on imported fish to maintain their businesses. The ban has thus resulted in large-scale layoffs.³⁴⁵ Additionally, Indonesian stakeholders recognize that the explosion and sinking of vessels is damaging corals and marine life, although new approaches to sinking boats are understood to create new habitats as artificial reefs.³⁴⁶ More recently, Indonesia's Ministry of Marine Affairs and Fisheries (MMAF) submitted a bill calling for amendments to the country's 2009 Fisheries Act; if passed, this bill will transform many measures of the 2014 moratorium into law.³⁴⁷

Malaysia

Rapid economic diversification and a number of infrastructure projects have led to increased water pollution, loss of mangroves, coastal erosion, and overfishing in Malaysia.³⁴⁸ In response, coastal zone management has been administered by the federal government since the 1990s. Malaysia's efforts in this regard are also complemented by its engagement in the RPOA-IUU³⁴⁹ However, coastal communities have yet to fully benefit from these frameworks because of the absence of integrated approaches toward implementation.³⁵⁰ Under the policy and regulatory framework of the CTI-CFF, Malaysia has also developed a national action plan that governs coastal management and coastal and marine ecosystem protection using 12 guiding principles that reflect the regional action plan of the CTI-CFF.³⁵¹ More initiatives are being discussed under the 2018–2020 Priority Strategies of the 2016–2020 Malaysia Plan for natural resource conservation.³⁵² Though a national Coastal Zone Management Policy is currently being drafted, efforts will remain largely with local authorities in coastal areas that are often hampered by financial constraints and lack of capacity.

Four area zones which are determined by distance to shoreline have been established to manage fisheries in Malaysia, prevent fisheries conflicts between small-scale fishers and commercial fishing activities, and ensure that maritime resources are kept at a sustainable level.³⁵³ Four classes of boats, based on their ability to fish from a certain distance from shore, can thereby fish in designated areas within Malaysia's EEZ. Currently, licenses for zones A, B, C and C2 are no longer issued (see figure below).³⁵⁴

FISHING ZONES IN MALAYSIA



Source: Malaysian Department of Fisheries

Fisheries management is administered by the Department of Fisheries and the Fisheries Development Agency under the auspices of the Ministry of Agriculture and Agro-based Industries. Due to the low detention and arrest rates of foreign vessels, it can be deduced that there are more areas to strengthen in monitoring and law enforcement. Also, sea patrols have traditionally been hampered by increasing fuel prices; while local fishers receive subsidized fuel to operate, the Malaysian Maritime Enforcement Agency has to operate with regular fuel prices, which often narrows the perimeters of their patrols.³⁵⁵

Philippines

Coastal management efforts in the Philippines, especially inclusive and community-based approaches,³⁵⁶ date back to 1996.³⁵⁷ The 1997 Fisheries Code further strengthens CRM by limiting the access of commercial fishers within municipal waters, though protection measures for the welfare of the small-scale fishers are in place, such as preferential rights over the use of municipal waters. Since 2006, the Philippines has been implementing the National Integrated Coastal Management Program³⁵⁸ with a particular focus on coral reefs.³⁵⁹ The local government units are responsible for managing municipal waters (up to 15 nm from the shore). Successful implementation of CRM in the Philippines is often associated with expansion of programs at the local levels, increased fish catch for small-scale fishing operations, and better compliance with laws.³⁶⁰ However, decentralization in the Philippines often leads to misallocation of funds, weak



*Sardines and fish drying for sale in the southern Philippines.
Photo: Leocadio Sebastian, WorldFish.*

multi-sectoral coordination, lack of information-sharing among all administrative levels, and lack of proper service delivery systems due to misalignment between national and local organizational structures, policies, and capacities.³⁶¹

The enactment of the 1997 Fisheries Code calls for all coastal towns to allocate 15 percent of coastal waters as marine protected areas (MPAs). Establishment of MPAs has become a popular initiative to use in efforts to reverse habitat degradation and declining fisheries productivity in the country. The number of MPAs in the country has increased from less than 100 in 1990 to over 1,800 in 2014.³⁶² However, there are some concerns that the MPAs may generally be too small and too weakly enforced to be effective for fisheries management and biodiversity conservation.³⁶³ In the absence of proper fisheries management structures and policies to guide the establishment of fisheries management, the Philippines might face a complete depletion of their tuna stock in the next three decades.³⁶⁴ Venturing farther out and risking being arrested by Indonesian maritime law enforcement agents as they accidentally cross into Indonesian waters are among the different risks Filipino fishermen are willing to take to provide for their families.³⁶⁵

Conclusion

The health of fisheries in the Sulu and Celebes region is dependent on the interaction between successful conservation management and efforts to tackle crime in the fishing industries. These two actions are intrinsically connected and complex, which warrants taking a comprehensive approach through interagency cooperation and enhanced maritime law enforcement.

Indonesia's aspirations to become a global maritime leader are promising and could have long-lasting, positive impacts for the Sulu and Celebes region. Though current measures by the Minister of the MMAF, Susi Pudjiastuti, are considered controversial by many (e.g., sinking fishing vessels), the impact on increased local fish production is tangible. Pudjiastuti's background in the fishing industry is certainly a valuable asset to efforts to address many problems in Indonesia's waters. The establishment

of the Indonesian Presidential Task Force to Combat Illegal Fishing (SATGAS 115) in 2015 is another example of Indonesian efforts to curb illegal fishing.³⁶⁶ At the same time, it is important to further develop interagency communication in the region. For example, while conversations in Indonesia with government and law enforcement officials suggest that Indonesia is pushing toward recognizing IUUF as a transnational organized crime as categorized by the United Nations Office on Drugs and Crime, the Fisheries Code (falling under the MMAF) may be amended soon.

Regionally, the CTI-CFF is moving into its tenth year of implementation and will continue to support national efforts to establish and enforce regulations and policies which will enhance collaboration between the private sector, investors, and conservationists. Apart from the CTI-CFF, Indonesia also hosted the international Our Ocean conference in Bali in October of 2018. Bringing together donors, development partners, the private sector, environmentalists, academia, and government representatives, the conference provided an impressive forum in which to pledge commitments with a total of \$10.7 billion toward protecting the world's oceans.³⁶⁷ Such level of commitment is needed as rising sea levels and surging natural disasters continue to add pressure on an under-resourced sector in the Sulu and Celebes Seas.³⁶⁸

In recognizing the links between facets of maritime security in the form of sustainable livelihoods and healthy marine ecosystems, the tri-border area is slowly but surely moving toward integrated and multi-sectoral cooperation through the development of maritime enforcement capacity. Our next section reviews these capacities with a particular focus on maritime law enforcement agencies.

The health of fisheries in the Sulu and Celebes region is dependent on the interaction between successful conservation management and efforts to tackle crime in the fishing industries.

MARITIME ENFORCEMENT CAPACITY



MARITIME ENFORCEMENT CAPACITY

Over the past six years, the governments of Indonesia, Malaysia, and the Philippines have significantly boosted efforts to eliminate security threats in the Sulu and Celebes region and secure the economic future of the region's coastal communities. Both naval forces and maritime law enforcement agencies (MLEAs) in these three countries have demonstrated a strong commitment to collectively building maritime domain awareness by strengthening their naval presence, enhancing enforcement efforts, and establishing regional initiatives. However, these agencies continue to be faced with challenges posed by difficult geographical terrain, competing geopolitical priorities, reduced defense spending, institutional constraints, budget restrictions, and overlapping mandates. By cultivating a regional understanding of the complex transnational nature of maritime security issues and of the states' different maritime enforcement capabilities, governments in the Sulu and Celebes region can synergize capabilities and strengthen regional coordination toward ensuring sustainable maritime security. As a step toward developing this understanding, this chapter conducts a broad assessment of the development of maritime enforcement capabilities in this region and identifies areas for future progress.

Key Findings

- As naval patrols in the Sulu and Celebes Seas are currently developing a sustained presence, the onus of **MAINTAINING MARITIME SECURITY CURRENTLY LIES ON CIVIL MARITIME LAW ENFORCEMENT AGENCIES (MLEA)**. Sovereignty concerns and surveillance of high levels of marine traffic in the South China Sea and the Straits of Malacca and Singapore command greater naval assets, which, coupled with budget cuts, can stretch the region's naval resources relatively thin.
- Due to security developments such as the 2013 Lahad Datu incident, a rise in kidnappings in 2016 and 2017, and the 2017 Marawi City siege, political attention has refocused to the maritime space and coordinating MLEAs have been established. As political priorities have traditionally focused on addressing land-based security challenges, **THE REGION'S MLEAS CONTINUE TO GRAPPLE WITH LOW FINANCIAL RESOURCES AND WEAK ENFORCEMENT CAPACITY**.
- Regional law enforcement officials are open to seeking collaboration with regional and international stakeholders to further develop maritime domain awareness. In that regard, regional law enforcement agencies are collaborating with international development partners to **ESTABLISH A CENTRALIZED APPARATUS THAT CAN STREAMLINE THE PROCESS OF DATA COLLECTION, ANALYSIS, FUSION, AND DISSEMINATION TO ALL RELEVANT MARITIME AGENCIES**.

Challenges of Maritime Enforcement

Regional initiatives and maritime agencies in the Sulu and Celebes region are building maritime domain awareness (MDA) capabilities despite physical and political factors that may constrain their efforts. In examining the states' different maritime enforcement capabilities, this section highlights how these factors could undermine the operational effectiveness of naval and maritime enforcement agencies.

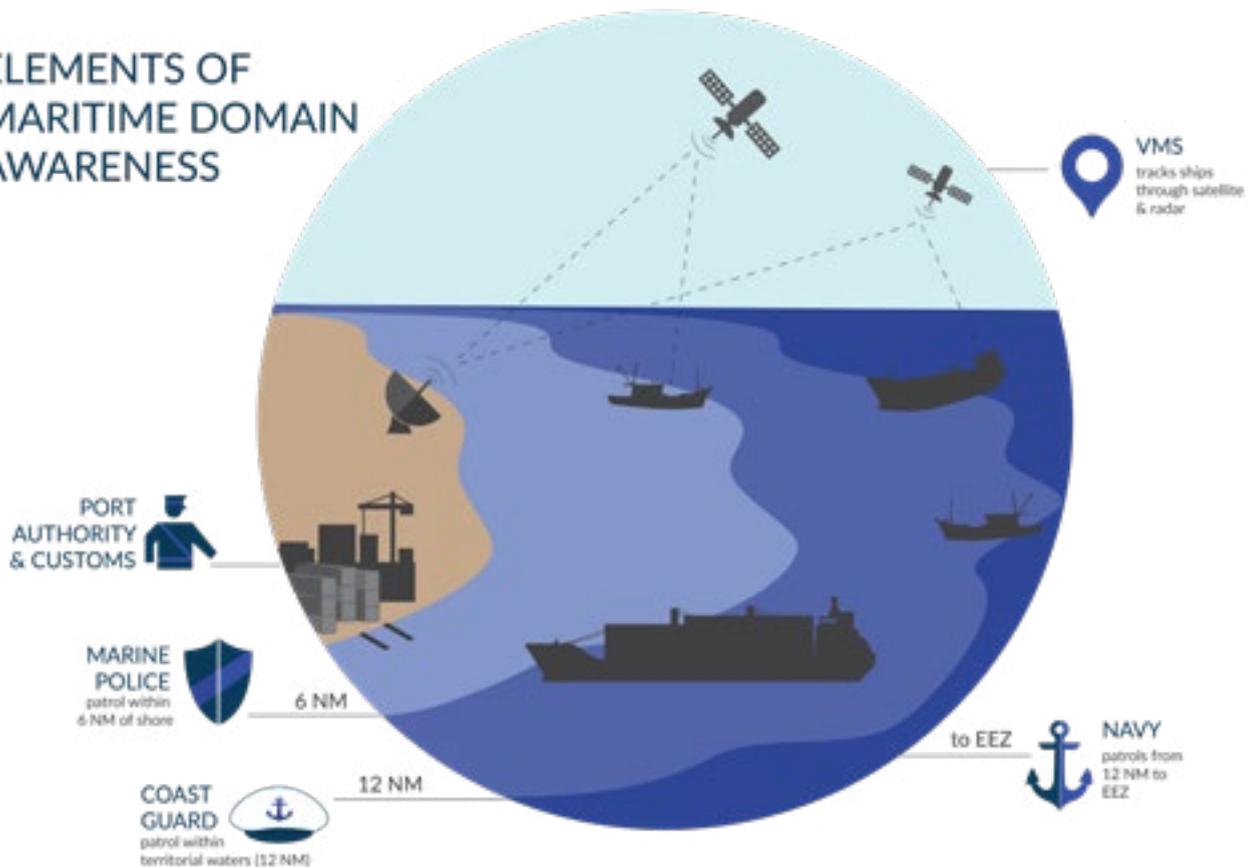
The three littoral states share a common challenge in developing maritime domain awareness across the complicated geographical terrain of the Sulu and Celebes Seas. The wide expanse of the seas, which together cover 540,000 km², can make it difficult to survey, monitor, secure, and govern. However, the challenge is not merely a matter of size but also of complexity due to the various terrains in the region. Lengthy adjacent coastlines, thousands of large and small islands, shallow waters that prohibit large frigates, and mangrove woods that provide sufficient cover for smugglers and non-state armed actors can make it difficult to sustain state presence and monitor the area. Another challenge is the strongly interconnected familial and ethnic relations between coastal communities that overlap the three national jurisdictions, making it difficult for MLEAs to monitor the frequent movement of people.

PERSPECTIVES FROM THE GROUND: MDA CHALLENGES

Directly quoting from a conversation in Malaysia, “military patrols have limited skills in identifying the actual prevalence and scope of illicit activities in the maritime space. For example, how much can a pilot assess the extent of illegal activities on a small fishing boat from the air?¹ In the end, all the pilot can do is record ‘sighting fishing boat.’ Secondly, you can only stop so many fishing vessels because it takes time to stop a vessel due to approaching procedures by a big patrol boat that require maneuvering skills in order to not harm that boat—takes up to three hours to approach a fishing vessel. [In addition,] militaries are not trained in collecting evidence. If they do apprehend people, they often trample all over the evidence making it impossible for law enforcement to do their job. [Last,] while maritime patrols by navies are certainly good, they cannot address the actual underlying issues and won’t lead to major changes that might improve coastal communities and change the issue of demand and supply chains that drive maritime crimes.”

¹ Representatives from the Australian Border Force and BAKAMLA—the Indonesian Maritime Security Agency—also voiced concerns over the problem of identifying patterns of anomalies in an area as vast as the Sulu and Celebes Seas.

ELEMENTS OF MARITIME DOMAIN AWARENESS



Challenges Faced by Naval Forces

The naval forces of the three littoral states are also faced with their share of individual constraints. Geopolitical concerns in areas such as the Straits of Malacca and the South China Sea can redirect naval resources away from monitoring the Sulu and Celebes Seas. Budget constraints can also force policy decisions that prioritize strategic priorities to secure territorial waters and procure naval assets such as submarines that may be unsuitable for addressing security threats in the closer regional waters in the Sulu and Celebes Seas.

The Philippine Navy faces immense challenges in prioritizing the deployment of its maritime enforcement capabilities. With archipelagic waters that include a large area of the Sulu and Celebes Seas, Philippine naval assets have yet to match the size of the waters that have to be surveyed and patrolled. Competing geopolitical priorities such as armed robberies in the Sulu and Celebes Seas and sovereignty concerns in the Scarborough Shoal and Spratly Islands also pressure policy decisions to prioritize defending the Philippines' sovereignty when procuring and deploying naval assets.³⁶⁹ While the South China Sea sovereignty dispute necessitates naval power projection across large distances, these naval assets are less suitable for tackling maritime incidents which take place closer to the periphery of the Philippines. Additionally, the preference to expand naval base facilities in the central Philippines, while imperative for national security, also indicate that the Sulu and Celebes region may not be the Philippine Navy's primary geographic focus.³⁷⁰

MARINE AND NAVAL BASES IN THE TRI-BORDER AREA





Malaysian ships and officers in Labuan, off the coast of Sabah. Photo: kianboon.

The Philippines' prioritization of naval assets may have implications for regional coordination in monitoring the Sulu and Celebes Seas. Effective maritime domain awareness in the three national jurisdictions will require all three littoral states to contribute effective monitoring and enforcement capabilities. Without making an equal contribution, the Philippine Navy may restrain other stakeholders from developing complete maritime domain awareness.

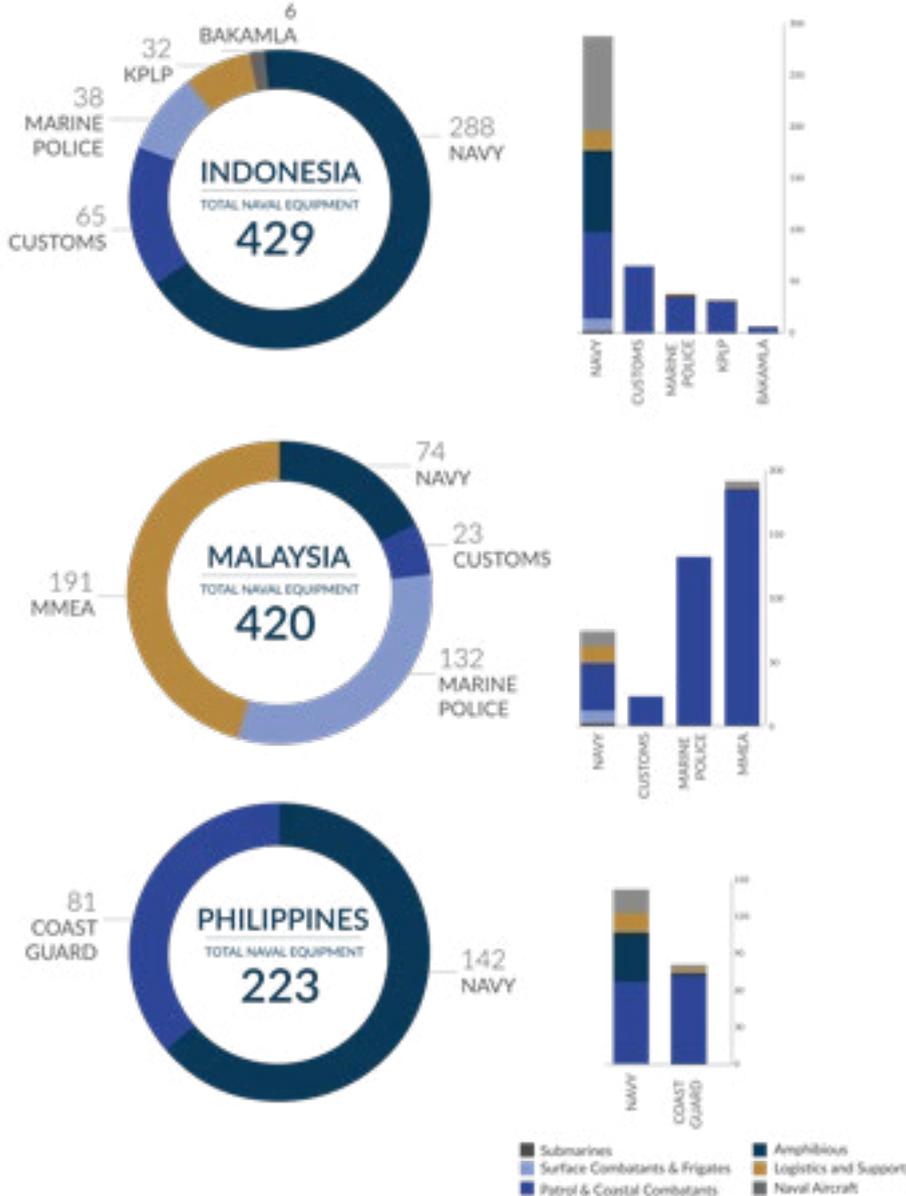
The Royal Malaysian Navy faces similar challenges in deploying naval resources toward the Sulu Sea. Like the Philippines, Malaysia is faced with competing geopolitical priorities in its maritime domain. While Malaysia hopes to enlarge the Middle Rocks to enhance its sovereignty claim, Malaysia is also diplomatically embroiled in sovereignty disputes in the Spratly Islands and across the Singapore Straits. Meanwhile, Malaysia is supporting efforts to deter disruption to global shipping traffic in the Straits of Malacca. These geopolitical priorities could detract from the Malaysian Navy's allocation of naval assets toward the Sulu and Celebes region. Additionally, constraints on procurement funding caused by a shrinking defense budget could pressure the navy to delay the maintenance and upgrading of current naval assets and capabilities. Instead, funding has been directed toward more immediate priorities such as procuring transport aircraft, patrol vessels, and an air-defense system.³⁷¹

Despite the competing geopolitical priorities and funding constraints, public announcements in 2018 indicate that the Royal Malaysian Navy will be shifting geographic priorities toward the Sulu and Celebes region in the coming year. While the Royal Malaysian Navy currently only operates two bases (out of 14 current or planned bases) in the Sulu and Celebes region, a significant number of larger vessels such as corvette and littoral mission ships are being redeployed from Perak in Peninsular Malaysia to Sepanggar, Sabah.³⁷² This naval presence is critical to building Malaysia's forward-deployed presence and developing a quicker response to maritime incidents in the area.

The Indonesian Navy also experiences similar challenges to the navies of the Philippines and Malaysia. To ensure the safe passage of vessels in the Straits of Malacca and to protect fisheries stock and sovereignty claims at the Natuna Islands in the South China Sea, Indonesian naval assets have been deployed to these areas.³⁷³ This has restricted Indonesia's naval presence in the Sulu and Celebes region, where Indonesia currently relies on only two naval bases in Manado (Sulawesi) and Tarakan (Kalimantan) to deploy its assets.

MARITIME ENFORCEMENT ASSETS BY COUNTRY AND ORGANIZATION

Source: *The Military Balance, 2016*



However, Indonesia’s military modernization plan, especially for its maritime and aerial capacities, benefits from strong political commitment. In 2014, President Joko Widodo announced his vision to transform Indonesia into a “Global Maritime Fulcrum” of maritime activity.³⁷⁴ Shifting from a focus on internal security toward a greater recognition of the value of Indonesia’s maritime domain, state officials in Indonesia have expressed their hopes for Indonesia to become a “global maritime focus” by transforming the Indonesian Navy into a regional maritime power and enhancing interconnectivity through the development of ports, fisheries, and the shipping industry along Indonesia’s coastline.³⁷⁵ This vision was supplemented by a rise in the defense budget from around Rp105 trillion (\$8.3 billion) in 2017 to Rp107.7 trillion (\$10 billion) in 2018.³⁷⁶ Additional announcements in 2018 also indicate plans to build an integrated naval military base in Morotai, North Maluku, with wide air-defense, submarine, and intelligence, surveillance, and reconnaissance (ISR) capabilities.³⁷⁷ The inauguration of Indonesia’s new naval base in Natuna Besar late in 2018 may also facilitate more integrated units near Eastern Indonesia and the Celebes Sea.

Although the naval deployments of assets by Indonesia, Malaysia, and the Philippines are faced with challenges such as competing geopolitical priorities and budget restrictions, there is growing political willingness and shifting strategic emphasis toward strengthening the countries’ naval presence in the Sulu-Celebes region. All three naval forces have been making substantial progress in improving maritime domain awareness. The indigenous development of maritime assets, adaptation of C-130 transport aircraft for the purpose of maritime patrol, and external procurement are only some of the many creative avenues that the region has pursued to sustain a naval presence in the Sulu and Celebes region.³⁷⁸ Additionally, there are plans to install new radar systems along the coast through Japan’s Overseas Development Aid budget.³⁷⁹ The United States has also

transferred the 28 M Class Tethered Aerostat Radar System in the Philippines to monitor the country's coastal waters. If more funding and manpower with high-technology capacity are provided, this ISR capability would be able to reach its full potential. Meanwhile, civilian maritime enforcement agencies in these respective countries are conducting bilateral and unilateral activities to complement the efforts of their navies.

Challenges Faced by Civilian Maritime Enforcement Agencies

Though naval assets are necessary for prolonged offshore patrols, efforts in the Sulu and Celebes Seas appear to largely fall to civilian enforcement agencies. According to a representative of the Philippine Coast Guard, there is a large demand for engaging coast guards in marine patrols, as they would have a de-conflicting role because "coast guards are perceived as less threatening than navies to tackle maritime crimes in delicate regional settings like the Sulu and Celebes Seas." This section provides an outline of the efforts of the various civilian maritime enforcement agencies involved in providing maritime security to the region.

In the Philippines, the National Coast Watch Council (NCWC) is the inter-agency body in charge of providing strategic direction and developing maritime policies. The NCWC is modeled after the US Coast Guard, which is also a major donor. At the operational level sits the National Coast Watch Center, which is staffed by the Philippine Coast Guard (PCG) and is tasked with developing and supporting maritime domain awareness. However, the center has yet to achieve full operationality as offices set up for representatives of relevant ministries in the Secretariat have yet to be staffed. Established under an Executive Order, the NCWC is also subject to termination at any time under any given administration.

The PCG itself has a broad mandate to "perform maritime search and rescue, maritime law enforcement, maritime safety marine environmental protection and maritime security."³⁸⁰ As the PCG does not have enough assets to cover the vast coastlines, archipelagic waters, and exclusive economic zones of the Philippines, the PCG works closely with the Philippine Navy where the navy is deputized to conduct activities in these waters.³⁸¹ Over the past few years, there have also been efforts to expand the PCG fleet by including more fast patrol boats and larger offshore patrol vessels.³⁸²

The Malaysian Maritime Enforcement Agency (MMEA), the precursor to the Malaysian Coast Guard, was established in 2004 and became operational in 2006.³⁸³ Its mandate includes maritime law enforcement, search and rescue, efforts to support mitigation of maritime pollution, fishing enforcement, countering piracy, and serving as a naval reserve.³⁸⁴ MMEA is a unique entity as it comprises staff from different branches of military and civilian law enforcement agencies. According to one source, up to 50 percent of staff in MMEA came from the navy. The interviewees indicate that this merger may have initially hampered operationality due to the diverging priorities and strategies. However, the merger has also provided MMEA with a wider range of expertise and maritime enforcement capabilities at its disposal.

In East Sabah, the MMEA works in conjunction with the Marine Police and the navy, reporting to the Eastern Sabah Security Command (ESSCOM) every night. These entities are designated with clearly delineated sections of Malaysian waters they can patrol to strengthen Malaysia's maritime domain awareness. The Marine Police can patrol up to 12 nautical miles, the MMEA up to 24 nm, and the navy has jurisdiction to patrol all of the EEZ. Other maritime law enforcement agencies such as the Customs Service are also responsible for enforcing maritime law enforcement at ports.

Meanwhile, Indonesia has a variety of maritime law enforcement actors that are governed and monitored by two different coordinating mechanisms: the Coordinating Ministry of Political, Legal, and Security Affairs (CMPLSA) and the Coordinating Ministry of Maritime Affairs (CMMA). The CMPLSA and the CMMA report directly to the president of Indonesia. While the CMPLSA oversees only security-focused entities including maritime enforcement agencies, the CMMA oversees all maritime agencies and ministries. The CMMA was also established as part of President Widodo's global maritime initiative in 2014.³⁸⁵

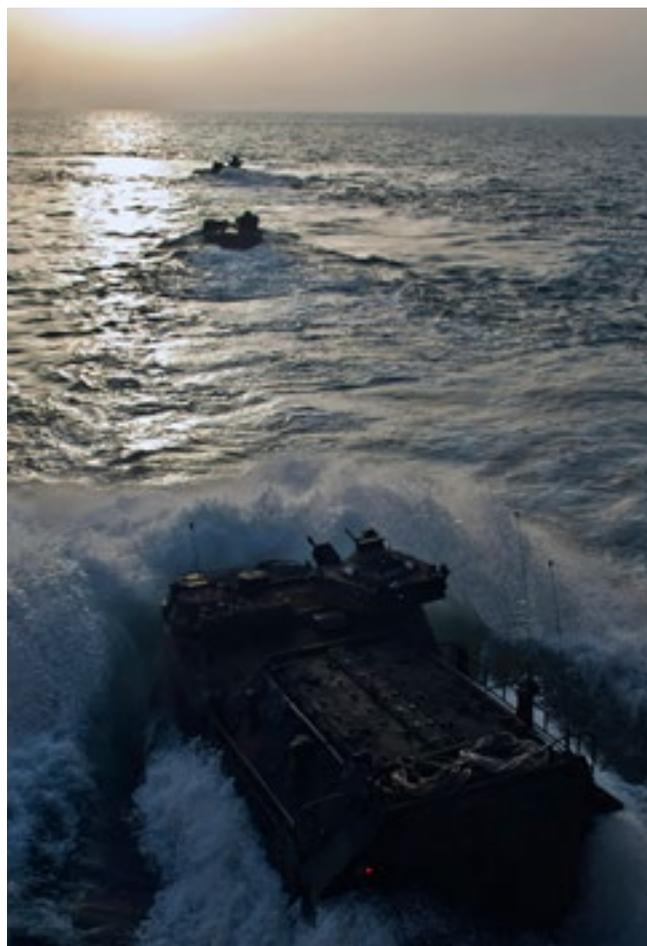
Currently, Indonesia sports four maritime agencies with maritime jurisdiction: The National Search and Rescue Agency (*Badan Nasional Pencarian dan Pertolongan*, or BASARNAS); the Indonesian Sea and Coast Guard of the Ministry of Transportation's Directorate General of Sea Transportation; the Marine Police; and the Indonesian Maritime Security Agency (*Badan Keamanan Laut Republik Indonesia*, or BAKAMLA). The former two agencies focus mainly on port security and search and rescue.³⁸⁶ BAKAMLA is in charge of coordinating the 13 ministries and agencies in Indonesia with maritime jurisdiction. Being the youngest agency, BAKAMLA continues to acquire more equipment, staff, and financial resources to fully achieve its broad mandate.³⁸⁷

These coordinating agencies provide Indonesia with the capacity to address various aspects of maritime affairs such as search and rescue, sea transportation, and maritime security. However, the existence of these numerous agencies with overlapping mandates also lends itself to duplication of efforts, inefficient sharing of information, insufficient use of resources, and gaps in capacity which could undermine the larger effort to improve maritime domain awareness. To offset these challenges, regional maritime law enforcement officials and policy analysts interviewed for this study stressed the need for more inter-agency coordination as a step forward in improving maritime enforcement capacity.

Improving Maritime Enforcement Capacity

In the next few years, Southeast Asia could witness enhanced maritime enforcement efforts in the Sulu and Celebes region. There are several projects that the naval forces and civilian maritime enforcement agencies in Indonesia, Malaysia, and the Philippines, are currently pursuing to address security threats in this area. The naval forces are focusing on expanding their naval weapons systems to include more equipment suitable for short-range deployment in the shallow waters in the Sulu and Celebes Seas. Meanwhile, civilian maritime enforcement agencies are strengthening inter-agency coordination and information-sharing mechanisms. There are also greater efforts to build closer collaboration at the regional level through initiatives such as the Trilateral Cooperative Arrangement (TCA) and the new Contact Group on Maritime Crime in the Sulu and Celebes Seas.

The Armed Forces of the Philippines recently ended its first phase of defense modernization and is now undergoing its second five-year phase. Under the Horizon 2 plan which runs from 2018 to 2022, funds have been allocated for a whole spectrum of naval assets and accompanying facilities such as multi-role vessels and frigates.³⁸⁸ These modernization plans aim to boost the capability of the Philippine Navy, which currently remains at a nascent stage, having only tested their first shipborne missile system in 2018.³⁸⁹ However, the navy's emphasis on acquiring additional corvettes and offshore patrol vessels through this most recent round of procurement will be particularly valuable in increasing its ability to contribute to maritime security in the Sulu and Celebes Seas.³⁹⁰



*Amphibious assault vehicles participate in a joint exercise between the Royal Malaysian Navy and the US Navy.
Photo: Amanda S. Kitchner, U.S Navy.*

DIFFERENCE BETWEEN JOINT, COMBINED, AND COORDINATED PATROLS

1. **COORDINATED PATROLS:** Two or more countries exchange information and patrol areas in which each country has maritime jurisdiction
2. **COMBINED PATROLS:** The armed forces of one country conduct military exercises with the armed forces of another country; one country is usually in charge of coordination, principally the host country
3. **JOINT PATROLS:** One service branch of the armed forces of one country conducts an exercise with another branch of service of the same country

The Royal Malaysian Navy is also developing a dedicated maritime patrol fleet by tendering out four new maritime patrol aircraft with ISR capabilities, in line with Malaysia's long-term procurement strategy.³⁹¹ Also known as the 15-to-5 transformation program, this procurement strategy aims to increase operational effectiveness by phasing out the aging fleet and replacing it with a new fleet consisting of three multi-role support ships, four submarines, 12 littoral combat ships, 18 littoral mission ships, and 18 patrol vessels.³⁹²

Likewise, Indonesia has an ambitious plan that reflects President Widodo's grand maritime vision. Indonesia's strategic direction is set out in blueprints such as the Minimum Essential Force program that seeks to maximize Indonesia's defence posture and the 2016 White Book which outlines the steps to achieve Widodo's "Global Maritime Fulcrum" vision. The country plans to procure more primary surface combatants, submarines, and marine patrol aircraft;³⁹³ currently, improvements are also noticeable in naval aviation—new helicopters and a transporter—and in ship inventory increasingly incorporating modern patrol vessels and frigates.³⁹⁴

Meanwhile, there is rising regional support for coordinating bodies that can connect enforcement agencies and develop collaboration in the maritime domain. A maritime law enforcement expert in Manila observed that due to the limited resources of coast guards, the presence of coordinating bodies would help provide the necessary expertise in addressing maritime crimes. "You won't have enough ships [to investigate] each crime;" the expert argued, "if a coast guard were to tackle all [of the violations at sea], it would need specialized units for, e.g., fishing, drugs, trafficking in persons, etc." For this reason, it would be better to "connect the assets with specialized people and don't just talk to the assets."

Currently, BAKAMLA appears to have the capability to steer toward this role. In BAKAMLA, maritime incidents are addressed through a special enforcement unit that comprises representatives of respective ministries who swiftly collaborate to investigate and prosecute maritime crimes. This entire process is coordinated by BAKAMLA officials. The Philippines National Coast Watch Center of the NCWC also follows a similar model, at least on paper, with immense potential to enhance inter-agency coordination and collaboration within the Philippines.

More information-sharing initiatives such as technology-driven fusion centers are also being pursued by maritime enforcement agencies in the region. BAKAMLA's fusion center aims to request, store, and analyze data extracted from various sources and agencies across Indonesia. This fusion center is still at an early development stage, as memorandums of understanding are currently being drafted with relevant ministries at the time of writing. Yet, the enthusiasm driving these memorandums showcases the willingness of enforcement agencies to develop an integrated system which can enhance domain awareness and promote rapid response to maritime incidents.

Conclusion

The naval forces and civilian enforcement agencies of the Philippines, Malaysia, and Indonesia have strengthened their maritime enforcement capabilities both individually and in collaboration with one another. As these littoral states continue to enhance maritime domain awareness in the Sulu and Celebes Seas, their efforts continue to be challenged by difficult geographical terrain, competing geopolitical priorities, budget restrictions, institutional constraints, and overlapping mandates.

These agencies have responded by developing a growing ability to overcome these challenges. There has been procurement of appropriate naval equipment, investment in ISR systems, development of information-sharing initiatives, and better inter-agency coordination. These efforts have quickly translated into results as maritime enforcement actors are now curbing more illicit activities than may officially be known. “The public is not aware of how many times MMEA and the navy have [actually] stopped kidnapping-for-ransom attempts,” a MMEA representative discloses, “because the media only reports on successful cases of kidnappings.”

Maritime security agencies need a shared understanding of the broadly interrelated nature of piracy and armed robbery, illicit trades, IUUF, environmental degradation, and maritime mixed migration in the Sulu and Celebes Seas. Additionally, an appreciation of the different state capacities, national security priorities, and legal frameworks will enable enforcement agencies to better identify emerging threats and respond quickly through coordinated action.

To further build maritime domain awareness, navies and civilian enforcement agencies will benefit from more in-depth studies on maritime security in the Sulu-Celebes region. Maritime security agencies will need to acquire a shared understanding of the broadly interrelated nature of piracy and armed robbery, illicit trades, IUUF, environmental degradation, and maritime mixed migration in the Sulu and Celebes Seas. Additionally, an appreciation of the different state capacities, national security priorities, and legal frameworks will enable enforcement agencies to better identify emerging threats and respond quickly through coordinated action. International development partners can also play a mediating role in improving regional coordination through supporting coordinating mechanisms. The heavy reliance on informal relationship-based communication (often called “WhatsApp diplomacy”) between and across maritime enforcement agencies indicates the willingness to overcome shared concerns and pursue sustainable joint engagement. Maintaining this regional coordination, whether formal or informal, is critical to developing a shared understanding of the interconnectedness of maritime security issues and strengthening regional integration.

Responding to complex challenges in the Sulu and Celebes region also requires a multilateral approach coordinated among the three littoral states. The TCA is a first attempt at addressing maritime security challenges through coordinated naval patrols. Since the signing of the TCA in 2016, the Sulu and Celebes region has already experienced increased information-sharing and greater stability. Civilian law enforcement agencies are also becoming more active in the regional forum by participating on platforms such as the Contact Group on Maritime Crime in the Sulu and Celebes Seas, which is being provided by the United Nations Office on Drugs and Crime. The next chapter investigates these bilateral and multilateral initiatives in greater detail.

INTERNATIONAL COOPERATION



INTERNATIONAL COOPERATION

Addressing complex maritime security challenges in the Sulu and Celebes Seas requires deep multilateral cooperation. Many of the recently established efforts, including the Trilateral Cooperative Agreement and Trilateral Maritime Patrols are mentioned in prior chapters. This chapter aims to synthesize all of the relevant international initiatives and legal frameworks to offer a better understanding of the collective impact of these developments.

The following sections describe international cooperation on three levels. The first describes local efforts among the tri-border states, which include bilateral agreements on maritime boundaries and joint agreements such as the TCA. The second focuses on regional efforts involving a broader coalition of Indo-Pacific actors. The work of ASEAN, the Association of Southeast Asian Nations, is featured in this section. The final section examines the many global institutions, treaties, and laws with implications for maritime security in the Sulu and Celebes Seas. Taken together, these create an increasingly effective body of initiatives and policies that should provide a firm foundation for ameliorating the region's maritime security challenges.

Key Findings

- Regional cooperation on maritime issues was recently formalized under the 2016 Trilateral Cooperative Agreement (TCA), yet **REGIONAL OFFICIALS REMAIN CONCERNED ABOUT TRUST ACROSS BOTH AGENCIES AND GOVERNMENTS, OVERLAPPING OR UNCLEAR AGENCY MANDATES, AND INADVERTENT DUPLICATION OF EFFORT OR INTER-AGENCY COMPETITION.**
- Southeast Asia has a **WELL-DEVELOPED CONSTELLATION OF MULTILATERAL COLLABORATIVE FRAMEWORKS**, both within and outside the purview of ASEAN. These initiatives have made significant progress in areas like the Malacca Straits and could also contribute to maritime security in the Sulu and Celebes region.
- **A SUBTLE SHIFT IN PRIORITIZATION FROM COMPETITIVE AIMS LIKE HARD NAVAL POWER AND NATIONAL SOVEREIGNTY TOWARD MORE COLLABORATIVE GOALS** like environmental protection and the development of sustainable blue economies is promising. This form of cooperation is less vulnerable to interstate tensions that undermine cooperation.
- Though integration of efforts through engagement with regional and international stakeholders is increasing, **INFORMATION GAPS STILL EXIST.** States require better information about how interlinked maritime security threats are affecting coastal welfare and economic development, and vice versa.



Officials shake hands at a Trilateral Meeting on Security between the Philippines, Indonesia, and Malaysia.

Cooperation within the Tri-Border Area

Maritime boundary disputes have historically encouraged states to look at maritime security from the competitive perspective of national defense, which has undermined cooperative interactions that could build stronger blue economies and enhance coastal welfare. Though most disputes have been settled and the coastal governments have engaged more actively with one another, conversations with stakeholders in the region suggest that the concerns over sovereignty still run deep, especially where disputes have only recently been resolved or where boundaries were settled by outside structures such as the International Court of Justice (ICJ).

For example, Malaysia and Indonesia have had unsettled maritime boundaries in the Celebes Sea,³⁹⁵ including a territorial dispute over the islands of Ligitan and Sipadan, which are located to the northeast off the coast of Borneo. In 2002, the ICJ ruled in favor of Malaysia.³⁹⁶ However, the ICJ decision did not settle the actual maritime boundaries, which also delayed negotiating territorial rights to the Ambalat Sea Block, which is considered rich in oil and gas deposits.³⁹⁷ Both Malaysia and Indonesia have since engaged in lighthouse-building campaigns, competing oil exploration concessions, temporary military buildups, and minor incidents between maritime security forces.³⁹⁸ In November 2018, the two countries prepared technical proposals to settle the dispute after 13 years of negotiations.³⁹⁹

The maritime boundaries between Malaysia and the Philippines in the Sulu Sea have also yet to be delineated. The biggest impediment is the Philippines' continued claim—albeit mostly dormant—over northeast Sabah (formerly known as North Borneo).⁴⁰⁰ Currently, both states have agreed on a drawn line of equidistance in the Sulu Sea,⁴⁰¹ but the 2013 incursion of fighters in Lahad Datu suggests that this dispute could have major security implications.

However, the Philippines and Indonesia have also formally settled a number of former maritime disputes. In 2014, the Philippines and Indonesia agreed on an official delineation of their respective exclusive economic zones in the Celebes Sea. The agreement was ratified in 2017.⁴⁰²

It is against this backdrop that the TCA—and subsequently the establishment of the Trilateral Maritime Patrols (TMP)—is such an important multilateral framework. Most government officials and security personnel interviewed for this study highlighted the TCA as a showcase example of Southeast Asian countries' willingness to set aside long-standing disputes in favor of conducting coordinated maritime patrols. Modeled after the 2004 Malacca Straits Patrol, the TCA was established in 2016 between Malaysia, Indonesia, and the Philippines as a framework for coordinated maritime security enforcement in the Sulu and Celebes Seas to address security issues such as kidnapping for ransom and armed robbery, but also to assist vessels in distress.⁴⁰³ Apart from the coordinated naval patrols which officially launched in 2017 as the TMP, the agreement also stipulated an aerial component and the proposed establishment of three maritime command centers and a joint operations center.⁴⁰⁴ However, some concepts under the TCA remain on the drawing board. Hot-pursuit agreements are still in the planning phase as the three governments continue to discuss the implications that standard operating procedures have on sovereignty.⁴⁰⁵



A member of the Indonesian navy updates a map during the Multilateral Naval Exercise in Komodo. Photo: Yuli Serperi, Getty Images.

MAP OF ASEAN



Despite these areas of concern, maritime law enforcement officials indicate that trust is building through the increased sharing of information occurring between the littoral states. The 2013 Lahad Datu incident and the 2017 Marawi City siege highlighted the need for greater interoperability and regional integration. At the same time, the agreement has also opened avenues to extended multilateral cooperation beyond naval forces and to include civil law enforcement agencies.

Regional Cooperation through ASEAN

One of the primary vehicles for collective action in the broader region is ASEAN, the Association of Southeast Asian Nations. ASEAN has established several mechanisms for maritime cooperation, including the first ASEAN Multilateral Naval Exercise in 2017. This effort to enhance interoperability is important in light of other hotspots that some ASEAN countries are involved in, such as the South China Sea dispute and the security issues in the Straits of Malacca and Singapore. The ability to respond to these maritime security challenges requires strong relationships⁴⁰⁶ as well as a strong regional body to bring the countries of Southeast Asia together. This sentiment was echoed during the 2018 ASEAN Navy Chiefs' Meeting in which representatives promoted the idea of more "practical cooperation in maritime security."⁴⁰⁷ The joint statement of this meeting highlighted the complexity of the maritime domain as a shared space that has to be managed and governed collectively.

The dominant role ASEAN can play in maritime security is further visible in a proposal put forth by a Philippine coast guard official; he linked maritime security challenges with ASEAN's Economic Community integration. By establishing an ASEAN Coast Guard Forum, he elaborated, coast guards would have a mechanism to fast-track the implementation of protocols necessary to regulate shipping vessels and in that way drive further economic integration of all ASEAN nations. This proposal highlights ASEAN's capacity to lead, as well as the close connections between international cooperation, the development of blue economies, and regional coastal welfare.

However, interviews also suggested that institutional structures and norms within ASEAN could obstruct the implementation of these mechanisms. ASEAN strives to build regional cooperation without undermining state sovereignty through the principle of non-interference in domestic politics.⁴⁰⁸ It also acts through consensus decision-making. Together, these norms of cooperation make progress very difficult when member states identify issues as sovereign or when member states disagree over maritime boundaries. ASEAN-led initiatives are also diffused among several working groups and maritime forums.⁴⁰⁹ This fractionalization may complicate the process of enacting comprehensive solutions to interrelated maritime security threats by producing inefficiency and duplication of efforts.⁴¹⁰ Due to the annual rotation of the position of ASEAN Chair, some worry that shifting regional areas of focus can undermine longer-term commitments to secure the members' shared maritime space.⁴¹¹ These factors may help explain why some trilateral initiatives have been established outside the purview of ASEAN.

Regional Integration Beyond ASEAN

In addition to collaborating with ASEAN as a critical partner, Indonesia, Malaysia, and the Philippines are progressively seeking engagement with countries in the larger Indo-Pacific region. Forms of broader coordination include conducting joint exercises and port visits, utilizing international information-sharing centers, and creating formalized networks linking maritime enforcement agencies. These more inclusive activities bring additional resources and technical expertise to maritime security in the Sulu-Celebes region.



A map inside the IMB's Piracy Reporting Centre highlights piracy and armed robbery incidents. Photo: Jonas Gratzner.

To that end, the United Nations Office on Drugs and Crime launched the first meeting of the Contact Group on Maritime Crime in the Sulu and Celebes Seas in August 2018. This group, modeled after the Contact Group on Piracy off the Coast of Somalia, provides a forum that connects key stakeholders in order to foster international and regional cooperation.⁴¹² The Contact Group focuses on operational issues including sharing information, building capacity, and law enforcement.

The new Contact Group can complement other efforts to integrate information about maritime activity and coordinate law enforcement responses. The ASEAN Maritime Single Point of Contact (AMSPOC) has been suggested as a regional cooperative initiative to facilitate real-life information sharing and immediate response to maritime crises. As a starting point, AMSPOC aims to oversee cooperation between country coordinating centres in Brunei, Indonesia, Malaysia, the Philippines, and Thailand.

Additionally, three Asia-based centers already collect, analyze, and disseminate information on incidents at sea. The oldest is the International Maritime Bureau's Piracy Reporting Centre (PRC) based in Kuala Lumpur. The PRC collects real-time information on piracy incidents across the globe and shares that information with law enforcement and the shipping

industry for quick operational responses.⁴¹³ The PRC focuses exclusively on incidents of piracy and armed robbery. It does not distinguish between high seas and territorial waters under the UN Convention on the Law of the Sea (see Piracy and Armed Robbery).⁴¹⁴

The Information Sharing Center (ISC) of the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) focuses exclusively on Asia. Established in Singapore in 2006, ReCAAP is governed by a national focal-point system from which the ISC derives most of its information on piracy and armed robbery. The ISC categorizes incidents in four tiers of significance, providing more nuanced information to stakeholders. Neither Malaysia nor Indonesia currently have representation at ReCAAP.

The third and youngest regional institution to contribute to regional maritime domain awareness is the Information Fusion Center (IFC), which is hosted by the Republic of Singapore Navy. The IFC primarily works with naval forces and looks at incidents beyond piracy and armed robbery such as maritime terrorism, smuggling, and fisheries crimes.⁴¹⁵ As a state-run organization, the IFC is based on a number of agreements between Singapore and other states that station international liaison officers in Singapore. In addition to collecting information, the IFC also analyzes data⁴¹⁶ and hosts quarterly meetings. This collective approach has led to the successful interdiction of suspicious vessels involved in fisheries crimes, drug trafficking, and piracy incidents.⁴¹⁷ In contrast to the PRC, the IFC shares information through the focal-point system and thus provides different opportunities to coordinate responses.

Though these centers effectively build synergies between states and have helped enhance coordination between regional agencies, personal relationships among law enforcement officials often play a vital role in sharing and acquiring information. Regional coast guard officials refer to this informal network as “WhatsApp diplomacy.”

Global Engagement and International Frameworks

Thinking beyond Southeast Asia and ASEAN, the Sulu and Celebes Seas are engaged with the greater Indo-Pacific region and international community. Regional navies have close relationships with international powers. For example, Indonesia initiated the biennial Multilateral Naval Exercise Komodo in 2014.⁴¹⁸ Though primarily focused on humanitarian assistance and disaster response, this multilateral exercise includes China, India, and the United States, among others, and provides a foundation for closer collaboration in the maritime space. Further proposals by Indonesian maritime enforcement officials to enhance international cooperation and to strengthen the role of civil maritime enforcement include joint tabletop and practical exercises with the Australian Border Force, the Malaysian Maritime Enforcement Agency, the Philippine Coast Guard, and the US Coast Guard in 2019.

Indonesia, Malaysia, and the Philippines are also party to important international legal frameworks for improving maritime governance. Each country is party to the United Nations Convention on the Law of the Sea and has demonstrated a willingness to deliberate over interstate boundary and sovereignty disputes through international legal frameworks. All three countries have worked closely with the Food and Agriculture Organization’s efforts to curb illegal fishing activities through the implementation of port state measures. While Malaysia has not yet joined Indonesia and the Philippines in ratifying the 2016 Port State Measures Agreement,⁴¹⁹ Malaysia has generated a formal National Plan of Action and has domestic port legislation in effect.⁴²⁰ However, as was documented in the Fisheries chapter, each country’s major ports and priorities are located on other shores; attention to national implementation of best practices is focused on designated ports in other regions.

The Southeast Asian Fisheries Development Center has also conducted several workshops⁴²¹ that promote interagency cooperation within countries implementing port state measures. At the same time, the workshops provide opportunities for different law enforcement agencies to strengthen coordination mechanisms and build capacity to collectively address the issue of illegal, unreported, and unregulated fishing (IUUF). By aligning local efforts with regional and international instruments and partners, the states of the Sulu-Celebes region are directly contributing to global mechanisms to combat maritime crimes while simultaneously building better structures for maritime governance.

Conclusion

This region is enhancing international cooperation over maritime issues through the many different avenues laid out above. The three states are formalizing relations both bilaterally and trilaterally, while regional institutions like ASEAN are more involved than ever before. Strong regional information-sharing centers are improving maritime domain awareness and coordinating responses to maritime security threats. These states are generally in compliance with global legal frameworks, and norms of joint exercises and coordinated patrols are improving maritime enforcement capacity.

At the same time, shifting regional priorities do seem to suggest a subtle but important change in perspective. Increasingly, maritime security issues are not seen solely through the lens of sovereignty and national defense. Rather, states are coordinating over issues such as fisheries health, environmental protection, and other drivers of a sustainable blue economy. Indonesia's willingness to host the 2018 Our Ocean conference highlights this commitment. This shift in perspective promises to help the region promote stronger offshore economic development and, concomitantly, improved coastal welfare.

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CONCLUSION



CONCLUSION: FROM VICIOUS TO VIRTUOUS CYCLES

This report analyzes many complex maritime governance themes in the Sulu and Celebes Seas. It illustrates the potential for the sustainable development of the blue economy, and the vulnerability of many coastal regions to the boom and bust cycles of global commodities markets. It describes how economic deprivation and weak state presence have given life to troubling political actors who have, at times, resorted to strategies of extortion, kidnapping, and even terrorism against civilians. The report shows that such actors directly threaten the maritime space through offshore activities like piracy, armed robbery, and trafficking. They also indirectly undermine maritime security by weakening the local rule of law, facilitating subversive and illegal activities that include sex trafficking and the overexploitation of fisheries and other marine resources.

But importantly, this report also discusses rapidly changing conditions that offer hope for dramatic change in the Sulu and Celebes region in the coming years. Marine ecotourism is booming in places like Sabah. The sharply increased tourism revenue is diversifying the region's economy, making the state less susceptible to global commodity price swings, creating sustainable coastal economic opportunities, and decreasing the perception of danger that once deterred foreign travelers from visiting the Sulu Sea. In the Philippines, dangerous violent extremists are much weaker than they were only a decade ago. The economy of the Autonomous Region in Muslim Mindanao is growing quickly and new moves toward regional autonomy represent an opportunity for the Philippine government to address longstanding political grievances. Rapid growth in northern Sulawesi is closing the wide gap in economic development that separates Indonesia's western islands from the provinces that ring the Celebes Sea.

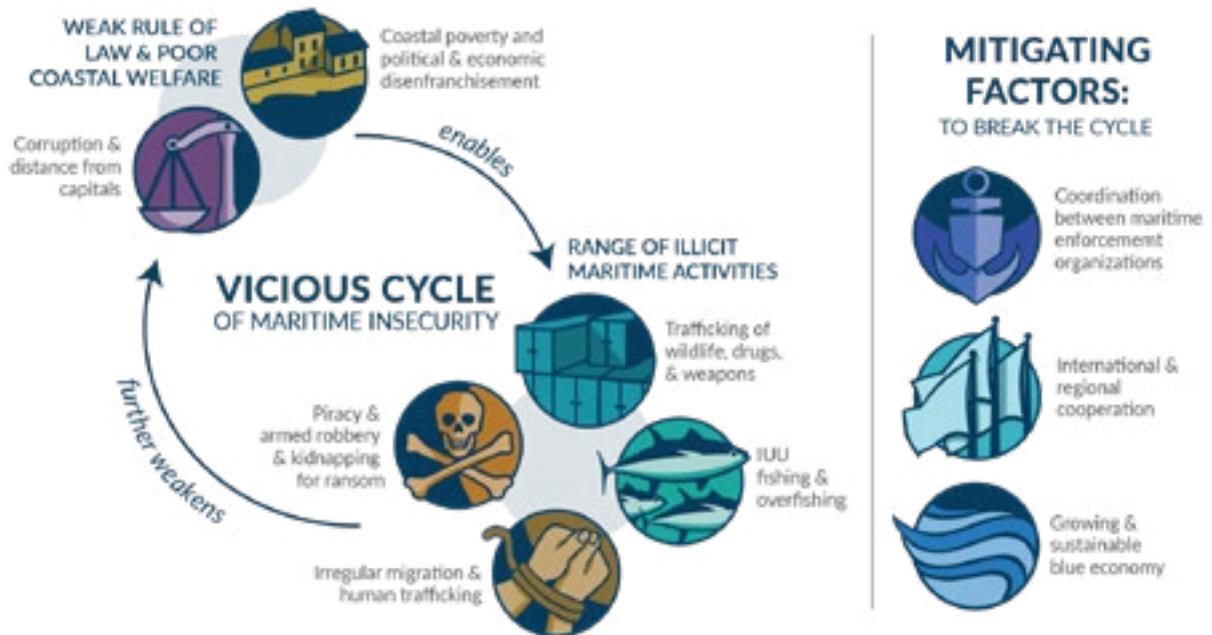
These chapters also highlight the responsiveness of the Indonesian, Malaysian, and the Philippine governments to these challenges. These states recently resolved most outstanding international maritime boundary disagreements and formalized multilateral coordination through the establishment of the Trilateral Cooperative Agreement. Indonesia, in particular, has taken on global leadership responsibilities by hosting events like the 2018 Multilateral Naval Exercise Komodo and the 2018 Our Ocean conference. States in the Sulu and Celebes region are also working individually to pass domestic policies to reduce corruption, combat human trafficking, and improve maritime domain awareness. Since 2016, the Philippine government's efforts to prevent trafficking in persons and protect victims have earned it the only "Tier 1" status in Southeast Asia in the US State Department's analysis. In Malaysia, the establishment of initiatives like the Eastern Sabah Security Command has drastically reduced the threat of kidnappings at sea near Malaysia's coast in the Sulu Sea.

Together, the persistence of maritime security threats and the increase in proactive government efforts represent an important inflection point for the region. If investment in maritime security expands, the region is more likely to break the economic-political cycle that links poor coastal welfare to security threats that further inhibit coastal economic development. The biggest challenge for regional governments will be finding entry points to continue to make this "vicious" cycle more "virtuous."

There are several intuitive entry points, with most requiring coordination between maritime enforcement agencies and other branches of government. Increasing assets at sea may make illegal activity more difficult, but it will not address the root causes of these activities. Rather, onshore efforts to address the motivators of crime at sea can make maritime patrols more effective because the volume of activity would likely decrease precipitously.

Coastal economic welfare is a critical determinant of the economic-political cycle that dictates the state of maritime security in the region. If states can work through their fisheries industries, environmental protection agencies, and local governments to better ensure the sustainability of the ocean economy, coastal livelihoods will improve. Anti-corruption efforts that bolster the legal economy at the expense of the informal shadow economy will reinforce other government-sponsored economic initiatives.

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As has been described at length, improved conditions on the coast are very likely to reduce the pull of political extremism. Groups perpetuating threatening activities like kidnapping-for-ransom at sea will diminish in influence as potential recruits turn to available legal economic opportunities. In turn, this will bring more tourists and foreign investment to the region.

Complicated cross-sector reform requires collaboration across agencies and across governments. The existence of international information-sharing centers and the emergence of a new Sulu and Celebes Contact Group suggest this collaboration is valuable and prioritized. The success of these cooperative initiatives, the continued focus on how maritime security issues affect each other, and the willingness to work across agencies toward inclusive solutions will likely determine whether and when a vicious economic-political cycle in the Sulu and Celebes region can be made much more virtuous.

ABBREVIATIONS AND ACRONYMS

AMSPOC	ASEAN Maritime Single Point of Contact	MLEA	Maritime Law Enforcement Agency
ARMM	Autonomous Region in Muslim Mindanao	MMEA	Malaysian Maritime Enforcement Agency
ASEAN	Association of Southeast Asian Nations	MNLF	Moro National Liberation Front
ASG	Abu Sayyaf Group	NCWC	National Coast Watch Council
BAKAMLA	<i>Badan Keamanan Laut</i> (Indonesia Maritime Security Agency)	PCG	Philippine Coast Guard
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao	pcGRDP	per capita Gross Regional Domestic Product
BASARNAS	<i>Badan Nasional Pencarian dan Pertolongan</i> (National Search and Rescue Agency)	PRC	Piracy Reporting Centre
CMMA	Coordinating Ministry of Maritime Affairs	ReCAAP	Regional Cooperation Agreement on Combating Piracy and Armed Robbery
CMPLSA	Coordinating Ministry of Political, Legal, and Security Affairs	RSIS	S. Rajaratnam School of International Studies
EEZ	Exclusive Economic Zone	SEAFDEC	Southeast Asian Fisheries Development Center
ESSCOM	Eastern Sabah Security Command	TCA	Trilateral Cooperative Arrangement
FAO	United Nations Food and Agriculture Organization	TMP	Trilateral Maritime Patrol
GDP	Gross Domestic Product	UNCLOS	United Nations Convention on the Law of the Sea
HDI	Human Development Index	UNODC	United Nations Office on Drugs and Crime
ICJ	International Court of Justice	UPNM	<i>Universiti Pertahanan Nasional Malaysia</i> (National Defence University of Malaysia)
ISC	Information Sharing Center		
ISIS	Institute of Strategic and International Studies		
ISR	Intelligence, Surveillance, and Reconnaissance		
IUUF	Illegal, Unreported, and Unregulated Fishing		
KESBAN	<i>Program Keselamatan dan Pembangunan</i> (Security and Development Program)		
MILF	Moro Islamic Liberation Front		
MIMA	Maritime Institute of Malaysia		

ENDNOTES

- 1 West to east, these seas include the Andaman Sea, Java Sea, Bali Sea, Flores Sea, Sulu Sea, Celebes Sea, Savu Sea, Molucca Sea, Banda Sea, Timor Sea, Halmahera Sea, Ceram Sea, and Arafura Sea.
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One Earth Future (OEF) is a self-funded, private operating foundation seeking to create a more peaceful world through collaborative, data-driven initiatives. OEF focuses on enhancing maritime cooperation, creating sustainable jobs in fragile economies, and research which actively contributes to thought leadership on global issues. As an operating foundation, OEF provides strategic, financial, and administrative support allowing its programs to focus deeply on complex problems and to create constructive alternatives to violent conflict.

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CONTACT US

 303.533.1715  info@oneearthfuture.org  525 Zang St. Broomfield, CO 80021

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