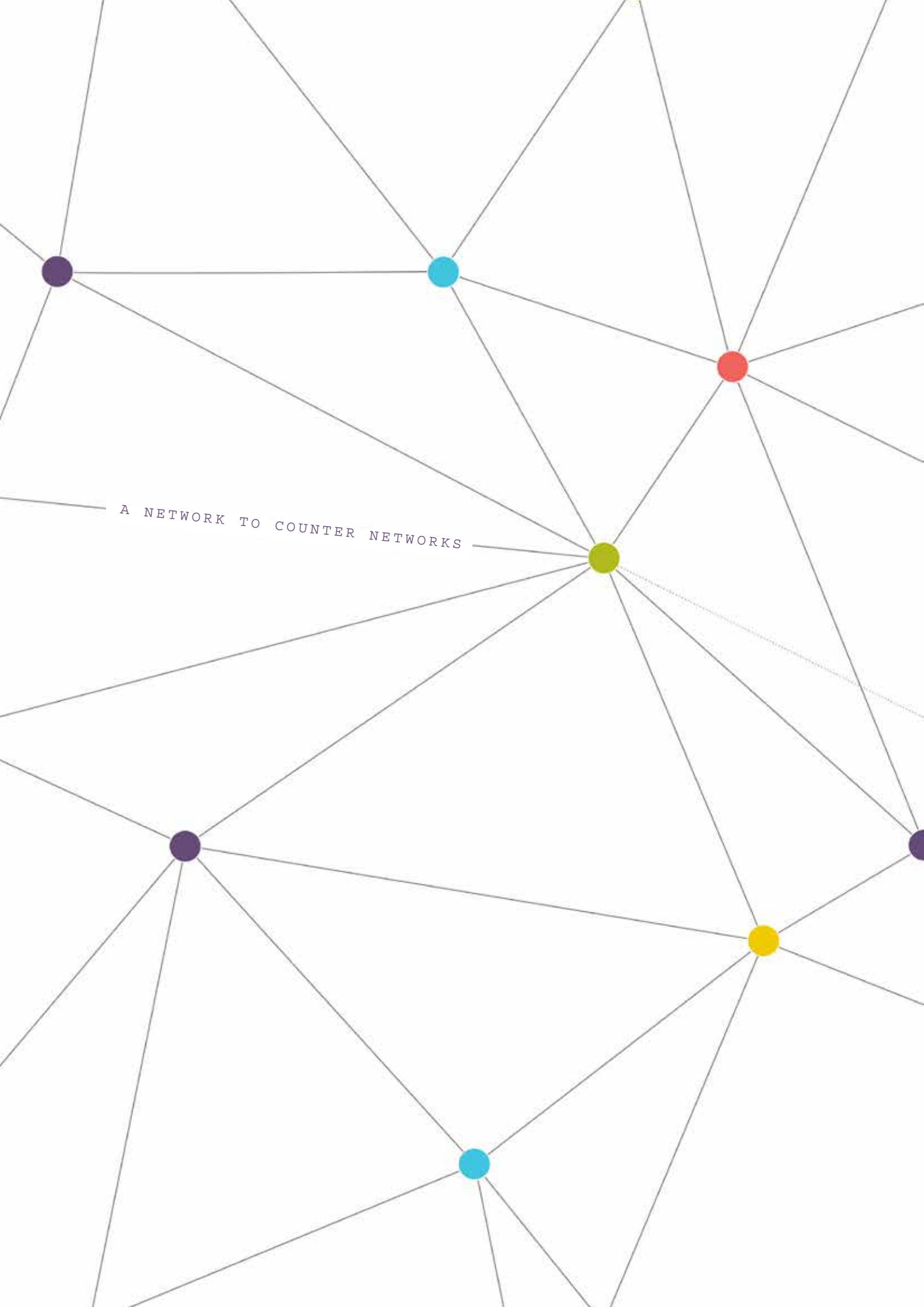


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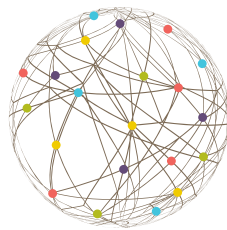
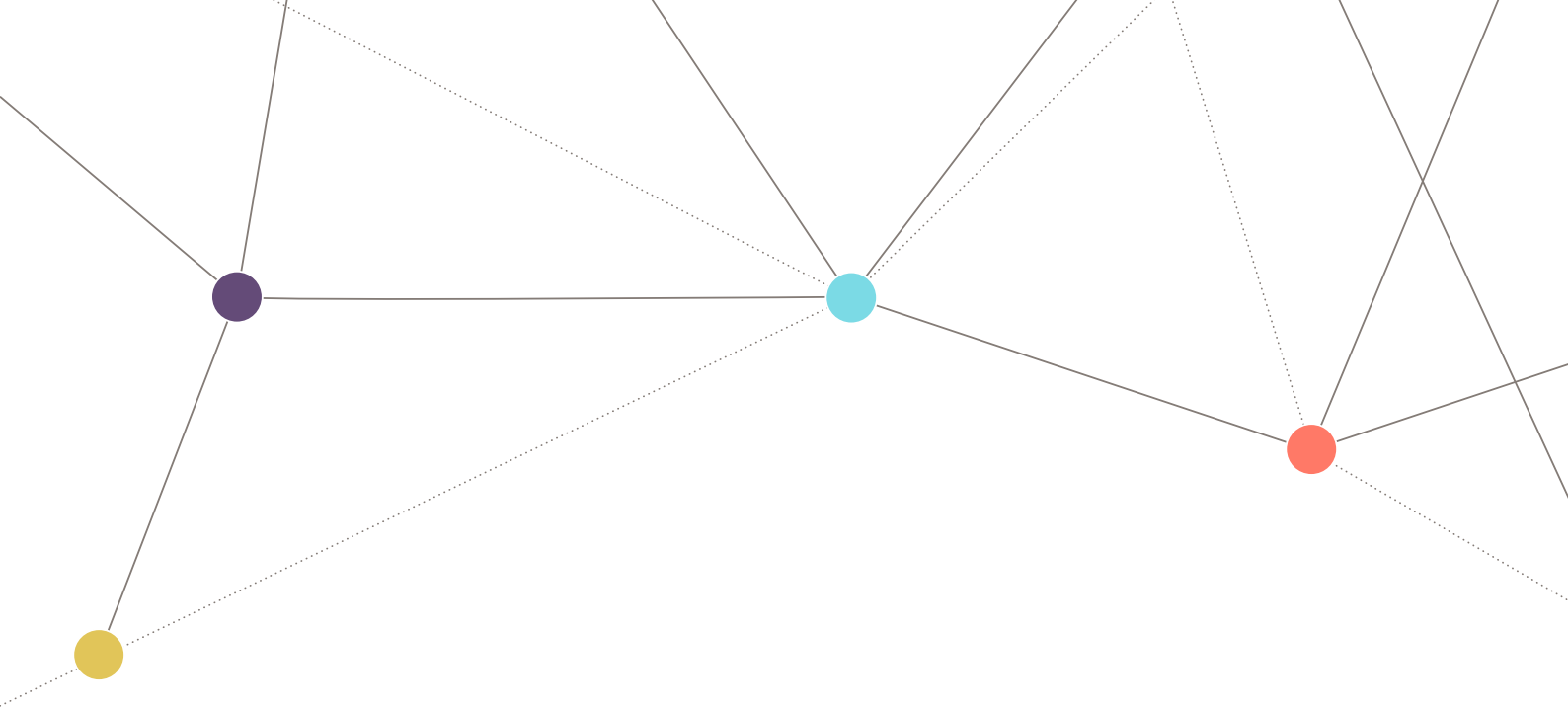
The Economics of Piracy in South East Asia



May 2016



A NETWORK TO COUNTER NETWORKS



The Economics of Piracy in South East Asia

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This report seeks to put South East Asian piracy in its historical context, to study the rise in piracy in South East Asia during the last five years, to examine in detail the business model that has driven it, to analyse what the future holds and to suggest how piracy may best be contained by law enforcement as well as international organisations.



Acknowledgments

This report was written by Karsten von Hoesslin for the Global Initiative against Transnational Organized Crime. Karsten is currently the host of the National Geographic documentary series Lawless Oceans. His background includes being a remote medic with certifications in tactical medicine (SWAT), expeditionary medicine, and aeronautical transport. He is experienced in hostage negotiation and crisis intervention and is trained in forensic crime scene investigation, behavioural profiling, interviewing and interrogation techniques. He is an instructor in major incident management as well as disaster preparedness for remote environments emphasising medical, psychological, and small team deployments. He has experience as an investigator working in the field utilising human intelligence tactics and asset handling.

He has recovered hostages in special operations off the Somali coast and medically treated victims mutilated by Boko Haram in hot zones in northeast Nigeria. His investigations have been featured in a special episode of National Geographic's Underworld Inc. and his photography and drone videography have also appeared in National Geographic content.

Since 2004, Karsten has been actively investigating and tracking the organised criminal syndicates that are behind piracy and smuggling in the Malacca and Singapore Strait as well as South China and Java Seas. Using human intelligence methodologies deriving from his doctoral research, he has interviewed and had multiple informal discussions with various actors in the criminal networks, ranging from foot soldiers to senior level buyers, and has infiltrated networks engaged in maritime crimes. Karsten has tracked down phantom ships and their hijackers, interviewed pirates and processed crime scenes whilst liaising with international agencies.

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The analysis, findings, and recommendations set out in this report are those of the Karsten von Hoesslin alone and do not necessarily reflect the official opinion of the Global Initiative or others consulted for this report.

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Executive Summary

In 2010, the UN published a report “The Globalization of Crime” which stated that “Until ... the recent, dramatic increase of piracy off the Coast of Somalia ... piracy was a phenomenon in decline ... thanks to effective and coordinated international action against the pirates”. Though Somalia briefly captured the headlines, piracy elsewhere proved to be anything but in decline, and South East Asia (SE Asia) rapidly recovered its status as the principal threat to world shipping. This report, authored by Karsten von Hoesslin for the Global Initiative against Transnational Organised Crime, argues that South East Asian piracy, and in particular hijacking for liquid cargoes, poses a constant and considerable challenge, not only to the shipping industry but also to the integrity and rule of law of states in the region, that it is a force deeply rooted in the geography and history of the region, and that it is capable of adapting to changing economic realities.

Since the International Maritime Bureau started collecting reliable statistics in 1993, nearly 60% of all incidents reported anywhere in the world have occurred in Asia, and a full two thirds of Asian piracy occurs within SE Asia. Indonesia alone accounts for 23% of world piracy. The narrow, 800km long Straits of Malacca and Singapore serve as a global shipping superhighway: each year more than 120,000 ships funnel slowly through these congested waters: pirates and thieves are never short of opportunities for plunder. An enormous number of islands, covered with dense mangroves, serve as hiding places and bases from which to sortie, and the distance from these island bases to the place of the crime is never long. It is therefore not surprising then that piracy has a long history in SE Asia; it was not simply an economic activity, for some communities it was also a traditional, lucrative and prestigious way of life.

International attention began to focus on SE Asian piracy in the late 1990s, after a number of high profile attacks. Activity remained high for several years as incidents of vessel hijack and kidnapping of crew members for ransom by the Free Aceh Movements supplemented more traditional hijackings for cargo theft, largely for disposal into China, but then dropped sharply as:

1. The Indonesian Government negotiated a truce with the Free Aceh Movement;
2. The Chinese government started a crackdown on illegal imports;
3. Malaysia, Singapore and Indonesia improved joint patrolling of the Straits.

Piracy became a local affair, concentrating on hijacking vessels moving crude palm oil from the rapidly expanding plantations in Malaysia and Indonesia to refining centres.

As palm oil production continued to grow, from 20 mln tons/year combined Malaysian and Indonesian production in 2001, to 30 mln in 2006, reaching 40 mln tons/year in 2011, so did the sophistication of the pirate syndicates that preyed upon the barges and tankers moving crude palm oil (CPO) along the Malaysian and Indonesian coastlines. From relatively opportunistic brigades, they became complex professional syndicates, with bosses who run the operations, investors who finance it, fixers who locate targets with the help of insider information and find buyers prepared to 'launder' the stolen product, boarding team leaders who recruit and lead pirates, forgers to produce phony documentation, and a stable of 'go fast boats', tugs and tankers to take the pirates to the target vessels and subsequently make off with the cargo.

Not only did palm oil production keep rising, but after 2007 prices also started moving up; average CPO prices from 2007-2012 were almost exactly double those during the previous seven years. Unsurprisingly, therefore, the number of hijackings also increased. At the peak, 18 piracy syndicates were identified, though subsequently the structure syndicates became less hierarchical and operated more like networks of specialists. At a CPO price of SGD1,000/ton, a successful hijack nets of the order of SGD1.2mln whilst a failed hijack loses some SGD600,000.



Recent data suggest that 30% of attempted hijackings fail, and perhaps 20% are aborted due to the presence of police or navy patrols, making hijacking an attractive proposition. At a CPO price of SGD500/ton, however, the risks and rewards are much more closely aligned.

Although CPO prices dipped after 2011, hijacking profitability was sustained in 2012, 2013 and 2014 by unusual strength in gasoil prices. Between 2000 and 2010, CPO prices were on average 20% higher than gasoil prices in the region, but in 2012 gasoil prices went to parity with CPO and were 17% higher in 2013 and 11% higher in 2014. Gasoil (diesel) is transported and stored in the same manner as palm oil, meaning the techniques of the hijacking are virtually identical, though the product ends in different markets with different buyers. It may be sold directly to smaller vessels such as fishing boats and tugs by STS from the phantom tanker, or to oil traders who transport the cargo to tank farms, where it is blended with legitimate product. The hijacking of petroleum product tankers is more high profile than that of CPO barges, as the former are less likely to be locally owned and trade internationally rather than within Indonesian and Malaysian waters where incidents are seldom reported.

The pirates rapidly diversified their targets in response to the price signals. In 2012, just under half of the reported hijackings were for petroleum product, in 2013, 90%, in 2014 two-thirds and in 2015 80%. As petroleum product hijackings are generally reported (whilst CPO hijackings are kept quiet), the total number of reported hijackings surged. 53 hijackings were reported between March 2012 and August 2015.

Commodity prices generally fell sharply during the second half of 2015; gasoil was particularly hard hit, ending the year down 26%, and only two hijackings for product theft were reported as hijacking economics rapidly worsened. At the price levels pertaining during the first quarter of 2016, CPO hijackings are marginally attractive whilst gasoil hijackings are uneconomic. In addition to piracy and armed sea robbery, a number of players in the hijacking networks engage in other maritime crimes such as smuggling. This has been a consistent trend within SE Asia, which is why any counter-piracy efforts at the multi-national level in the region must also include tackling other transnational maritime crimes.

The surge in hijackings during the past five years brutally exposed the weaknesses in the way piracy is policed in the littoral countries. In particular, Malaysia, Singapore and Indonesia have yet to resolve the 'hot pursuit' issue preventing navy boats from pursuing pirates who flee into neighbours' waters, nor have they resolved how best to share information about the piracy networks between countries and between marine and land based law enforcement agencies. In order to respond more effectively to piracy in SE Asia, it is recommended that countries in the region:

- **Establish piracy and other maritime crimes as a law enforcement issue**

Similar to the drive in East Africa, where Interpol urged nation states to maintain intelligence on piracy and transnational criminal activity at a Law Enforcement Sensitive level so as to promote easier information sharing, this must be done in SE Asia. Another benefit to making piracy and transnational crimes predominantly a Law Enforcement Sensitive issue is that it will assist in the link between marine policing, land-based policing and the financial crimes-based task forces that 'follow the money'.

- **Replace ReCAAP with a new organisation that embraces all littoral states and is mandated to work closely with both law enforcement and the International Maritime Bureau examining maritime crimes beyond that of simply piracy and armed robbery**

In its ten years of existence, ReCAAP has been unable to harmonise diplomatic relations with the two most influential littoral states, Malaysia and Indonesia, and has achieved little in terms of information sharing. The organisation has also failed to take into consideration other maritime transnational criminal issues such as smuggling, cargo theft and illegal fishing which are not only prevalent in the region, but primary maritime



security issues for both Malaysia and Indonesia. In March 2016 at the annual ReCAAP conference, the organisation announced its goal to become a 'Centre of Excellence.' This would suggest that ReCAAP is to resemble an academic think tank notorious for report writing and creating Memorandum's of Understanding rather than actually address cooperation issues at both the diplomatic and operational levels. It is therefore recommended that ReCAAP be disbanded and a new organisation with a law enforcement mandate be created that not only actively embraces Malaysian and Indonesian maritime interests including illegal migration, smuggling and illegal fishing, but also follows the Suppression of Unlawful Acts (SUA) Convention on hijackings rather than downplay incidents for fear of diplomatic embarrassment.

- **Create a private sector intelligence sharing platform with Interpol**

Interpol, which has increased its profile in connection to the hijacking for product theft cases, cannot share information with non-law enforcement entities nor accept intelligence from private entities, but can only work with national law enforcement agencies. Unless a new organisation replaces ReCAAP, it would be logical for Interpol to work with the IMB to overcome this deficiency and also create direct channels for private sector engagement. This model could mirror the North Atlantic Treaty Organisation (NATO)'s relationship with vetted private intelligence companies in order to foster a stronger bond with trusted sources outside of military and law enforcement intelligence capable of providing evidence that could be admissible in court.

- **Support proposed reforms of Indonesia's maritime industry and address corruption**

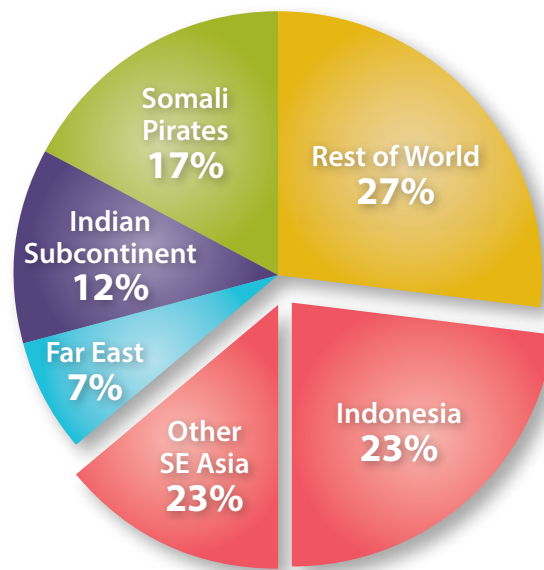
Maritime agencies must receive better pay in order to stamp out the tradition of 'moonlighting' within the police and navy, which directly facilitates opportunities for organised crime. Indonesia's anti-corruption commission must also be restructured and greater efforts made to curb the bribing of judges and public prosecutors; pirate convictions mean very little if suspects routinely only serve 10% of their term. Indonesia must also strengthen its weapons possession laws and more importantly enforce them. In addition, there must be increased penalties for law enforcement personnel caught selling ammunition to criminals.



Introduction

Asia dominates global statistics of piracy and armed robbery at sea to a quite incredible extent. Since the International Maritime Bureau (IMB) started collecting reliable data in 1993, nearly 60% of all incidents reported anywhere in the world have occurred in Asia, and a full two thirds of Asian piracy occurs within SE Asia. Indonesia alone accounts for 23% of world piracy, a dominance only threatened briefly by the Somalis during their heyday years of 2008-2011.ⁱⁱ Yet, despite these compelling statistics, the challenge of South East Asia piracy has failed to elicit widespread international attention, being generally non-violent and viewed as a regional phenomenon of concern predominantly to Indonesia, Malaysia and Singapore.

Figure 1: Geographic distribution of global piracy incidents, 1993-2015 (Source: IMB)



This report seeks to put South East Asian piracy in its historical context, to study the rise in piracy in South East Asia during the last five years, to examine in detail the business model that has driven it, to analyse what the future holds and to suggest how the piracy may best be contained by law enforcement as well as international organisations.

In this report, piracy shall be understood as the seizure of a ship by force or any act likely to endanger the ship, its crew or cargo – the usage defined in the SUA Convention, as adopted in 1988 and amended in 2005.ⁱⁱⁱ This usage considers it irrelevant where the piracy occurred, unlike Article 101 of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), which specifies that piracy must occur outside of a state’s territorial waters – whereas UNCLOS would classify the same incident occurring inside territorial waters as an act of armed sea robbery or theft.

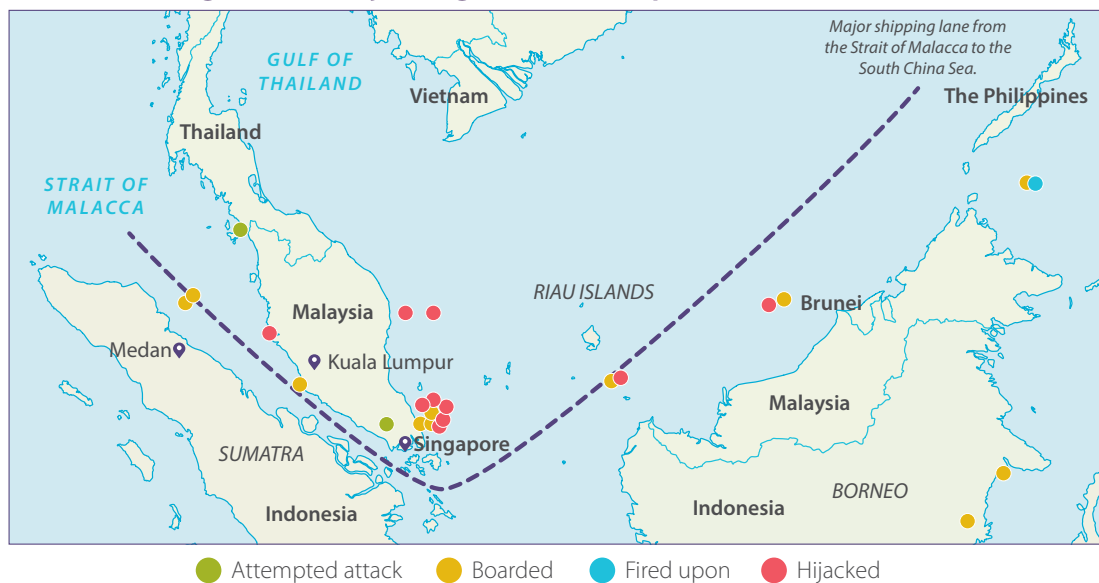


Background

Geography

Undoubtedly, the geography of SE Asia largely explains why piracy and armed robbery at sea is so prevalent in the region. Stretching from the westernmost corner of Malaysia to the tip of Indonesia's Bintan Island, the narrow, 800km long Straits of Malacca and Singapore connect the Pacific Ocean to the east with the Indian Ocean to the west. The Straits serve as a global shipping superhighway: each year more than 120,000 ships, including bulk carriers, container vessels, ferries, tankers, very large crude carriers (VLCC), barges under tow and fishing vessels, funnel slowly through these congested waters. The cargo they carry accounts for a third of the world's marine commerce - pirates and thieves are never short here of opportunities for plunder. An enormous number of islands are available for the pirate's use as hiding places and bases from which to sortie and the distance from these island bases to the place of the crime is never long. The width of the Malacca Strait varies from only 10 nautical miles (18.5km) in the south to 125 nautical miles (231km) in the north, which reduces the time during which the pirates have to expose themselves and enables them to carry on their business with relatively small ships. These vessels are easy to hide, something that is also made possible by the dense mangrove vegetation on most of the islands.

Figure 2: All hijackings from 2012- present (Source: Author)



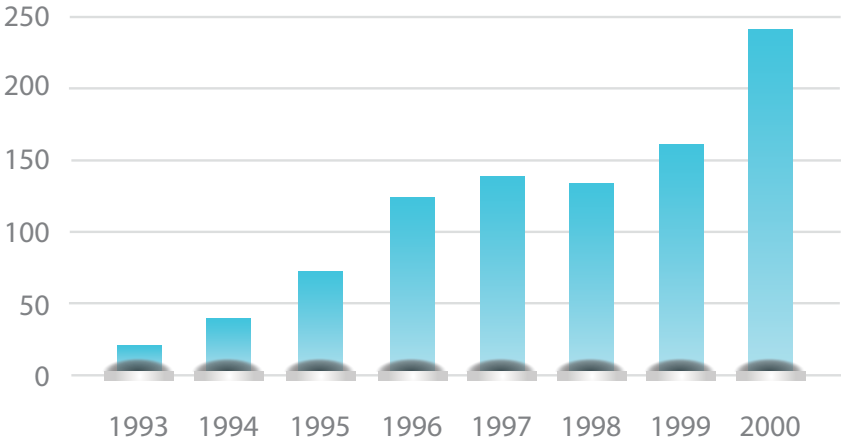
History of Piracy

It is not surprising then that piracy has a long history in SE Asia. During the Nineteenth Century, several colonial governments in SE Asia, but especially the Dutch, were confronted with piracy on a very large scale. There were specialised pirate communities based in the Riau and Lingga islands, just to the south of Singapore, and in the Sulu archipelago to the Northeast of Borneo. Piracy was not simply an economic activity, it was also a traditional and prestigious way of life; whole communities were engaged in it, the elite financed the expeditions and the local people manned the vessels. The pirates on the whole seldom tried to capture European trading vessels, as they feared of retaliation by the Dutch or British government,^{iv} and thus preferred to focus predominantly on native or Chinese traders.

In the twentieth century, the activities of the pirates of South East were overshadowed first by the two world wars and then by the many incidents in the South China Sea. After the end of the war in Vietnam, when a million mainly ethnic Chinese refugees fled Vietnam, Kampuchea and Laos by ship to try reach safe haven in Malaysia, they were also beset by pirates based largely in Thailand but also in Indonesian waters, Philippine waters and the Straits of Singapore.^v But traditional pirate activities never really ceased, and though the pirate communities may have moved location and the type of cargoes they steal has changed, their mode of operation has remained surprisingly consistent.

International attention finally began to focus on SE Asian piracy in the late 1990s, for three reasons. Firstly, due to the Asian economic problems which culminated in the 1997 financial crisis, many people living in coastal areas in Indonesia and Malaysia turned (or returned) to piracy to supplement their incomes, and the widespread political instability, in particular in Indonesia, weakened the law enforcement forces. Secondly, the creation in 1992 in Kuala Lumpur of the IMB's Piracy Reporting Centre (International Maritime Bureau, a specialised division of the International Chamber of Commerce, the focal point in the fight against all types of maritime crime and malpractice) made it possible to quantify the scale of the problem in SE Asia. Thirdly, a number of high-profile pirate attacks took place in the region, among them the attack on the Petro Ranger in 1998, which received much media attention.^{vi}

Figure 3: Piracy incidents in SE Asia, 1993-2000 (Source: IMB)



In the 1990s pirates generally headed to China with their cargoes, where corrupt customs officials and lax paperwork made it an ideal place to get rid of stolen goods.^{vii} Ports associated with piracy on the southern China coast included Zhangjiagang, Shantou, Huilai, Shanwei, Haikou on Hainan Island, Beihai, and Fancheng. Many of the hijackings were arranged by Chinese criminal bosses, using either Chinese boarding crews or employing Indonesians for that purpose.

The seemingly inexorable rise in piracy was curbed somewhat as Chinese efforts to clampdown on import tax evasion started to reduce the attractiveness of the Chinese market for cargoes pirated in the Malacca Strait and the South China Sea, but it remained worrisome to Japan and the USA.^{viii}

Response to Piracy

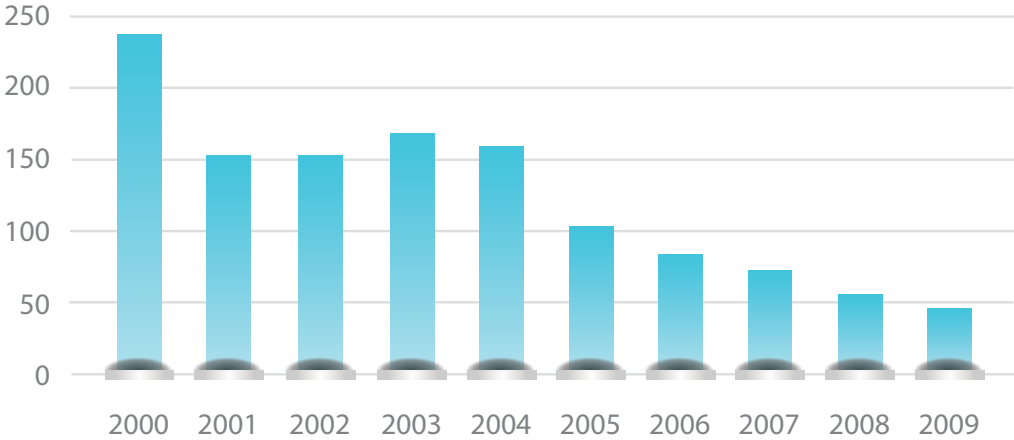
Japan, whose economy depended on safe passage through the Strait of Malacca, made persistent efforts to cajole the region's littoral states to take firmer action, but Malaysia and Indonesia resented the international criticism and blocked any substantial progress; indeed neither joined ReCAAP (the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia) which was set up at Japan's instigation in 2001.^{ix}



Hijackings in the Malacca Strait became increasingly violent in 2004. The Free Aceh Movement, a separatist group seeking independence for the Aceh region of Sumatra from Indonesia, claimed responsibility for many of the incidents, which were primarily kidnap-for-ransom cases rather than hijackings for product theft. For example, on 5 January 2004, the Indonesian product tanker CHERRY 201 was hijacked for ransom whilst transiting the Malacca Strait; 13 crew members were taken hostage and the master was taken ashore to assist with negotiations. After a month of failed negotiations, four crew members were shot and killed while the remaining eight jumped overboard and escaped. It is unclear what happened to the master. The frequency, violence employed and purpose (political kidnappings rather than theft for profit) of the numerous incidents contributed to the decision of the Joint War Committee of the Lloyds Insurance Market to implement a War Risk Area in 2005; this approximately doubled the cost of insurance, from 0.05% to 0.1% of the cargo value.¹

International pressure to resolve the situation increased, particularly on Indonesia. The Indonesian Government negotiated a truce with the Free Acer Movement in August 2005, and the Movement subsequently disbanded its military wing in December 2005, which eliminated hijackings for ransom completely.^x New leaders in both Indonesia and Malaysia showed greater willingness to cooperate than their predecessors, and the navies of Malaysia, Singapore and Indonesia restarted coordinated naval patrols (the MALSINDO initiative), though their effectiveness was limited by a lack of expedited consent agreements which would allow Malaysia or Indonesia to conduct a hot pursuit into each other’s territorial waters. Furthermore, an anti-corruption drive in Indonesia curtailed the domestic political cover which had allowed the pirates to operate largely unchecked. By 2009, it seemed, at least on the surface, that the threat of piracy in SE Asia was being successfully addressed.

Figure 4: Piracy incidents in SE Asia, 2000-2009 (Source: IMB)

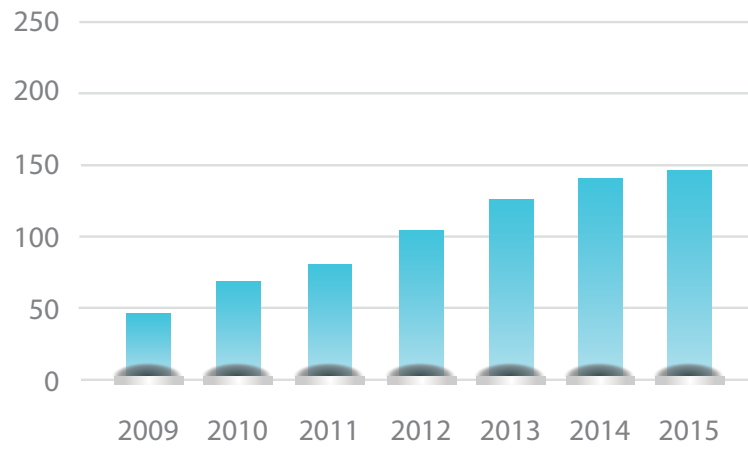


There is a saying, attributed to Dr. Eric Frecon, author of “*Chez les pirates d’Indonésie*” and an assistant professor at the French Naval Academy, that “a pirate never dies, it merely sleeps.”^{xi} And this sleep proved a short one: by 2012, piracy incidents had climbed back above the 100 mark and by 2015 were again at the levels seen prior to the re-implementation of the MALSINDO patrols and War Risk Zone declaration.

¹ for an Ocean going vessel there are three main insurances, liability (called P&I), Hull & Machinery, and War. Damage to the vessel caused by piracy is excluded under the Hull & Machinery insurance, but is covered under War. When the vessel sails into so-called excluded areas (JWC zones), insurers only provide coverage for war-like events, including piracy, if such an insurance was agreed upon in advance. For Cargo insurance, war insurance can be purchased in addition to the standard cargo insurance coverage, covering damage to the cargo, but excluding damage from war and war-like events.



Figure 5: Piracy incidents in SE Asia, 2009-2015 (Source: IMB)

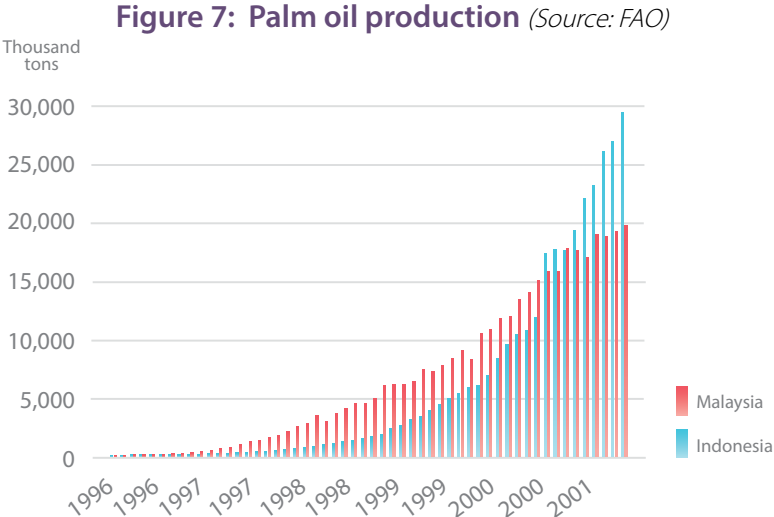


To understand this rise in activity, it is necessary to analyse the factors that drive piracy in SE Asia.



Analysing the drivers of SE Asia piracy

The piracy model of the 1990s was demand driven, by the eagerness of Chinese buyers to purchase goods at below market prices, in contrast, the piracy of the 2000s was supply driven, due to the spectacular rise in the production of palm oil in SE Asia. Indonesia and Malaysia, where commercial planting only began in the 1960s, became far and away the largest producers of palm oil in the world:



Palm oil plantations are found across much of Indonesia and Malaysia. Palm oil fruit is harvested and sent to mills to be crushed and boiled into crude palm oil (CPO). The mills then truck the CPO to the nearest port, from where it is sent by barge, either to a refinery to be processed into an ingredient for food products, or to a terminal for re-export as a component to be blended into diesel fuel (to produce biodiesel). About two thirds of the CPO is refined. The journey to the refinery or terminal is carried out by small barges, typically carrying from 2,000-5,000 tons. Larger vessels, from 5,000 to 20,000 tons, are used for exports of CPO. The primary markets are India, China and the Netherlands.

Figure 8: Location of palm oil plantations (Source: *Palmoilunderstanding*)^{xii}

<http://palmoilunderstanding.weebly.com/information-on-palm-oil.html>



The CPO barges are at sea for no more than a day or two, during which time they are a relatively soft piracy target, for petty theft as well as cargo theft. At any time there are some 20 barges on the water along the coasts of Indonesia and Malaysia and 18 pirate networks are in the business of stealing their cargoes^{xiii}. Just as in the 19th century, the pirates – largely Indonesian – prefer the low profile route of stealing from their own countryman rather than from foreign companies and frequently the incidents are never reported by the victims in order to avoid higher insurance premiums and because there is often a suspicion that their employees are complicit in the theft.

The first report to the IMB of a hijacking for product theft in the Malacca Strait was the chemical tanker GLOBAL MARS on 23 February 2000 (there were earlier incidents predating the IMB but these will not be considered here). The vessel was en route from Port Klang on the west coast of Malaysia to India laden with palm oil when it was hijacked. The vessel was renamed BULAWAN and found off the Chinese coast on 30 May 2000. The cargo was believed to have been sold to Chinese buyers.^{xiv}

Reports to the IMB of hijacking of tug boats pushing barges also started. On 1 December 2002, the Singapore-flagged tug NL925 and barge TKW 88 was hijacked west of the Phillips Channel. Three weeks later, the Malaysian tug MODALWAN 11 and barge COASTWAY 1905c were hijacked off Batam Island on 22 December 2002. In the latter case, the pirates stole the barge and tug as well as the cargo of 1,800 metric tonnes of palm oil. The master and chief mate were taken off the tug and transferred onto a speedboat. The chief mate was released while the master was never seen again. It is suspected that the master was complicit in the hijacking and the plan was to steal the 1,800 MT of palm oil for a black-market sale and sell the tug and barge to another buyer.^{xv}

2005 began in the wake of the great tsunami that was thought to have destroyed the pirate bases and boats in the Malacca Strait, but three hijackings for product theft were reported during the year, showing that the tsunami had done little to stop piracy. The Indonesian-flagged INABUKWA was hijacked on 22 April 2005. Its entire cargo was stolen over the course of the 48 hours it was under pirate control.^{xvi} The second case involved a hijacking at anchor against tug and barge off Tanjung Pengelih in the eastern outer port limits of Singapore. In the third case, on 3 July 2005, the Indonesian-flagged tug SAMUDRA SINDO and its barge ANGGADA VII were boarded by eight pirates who held the crew hostage below. The barge, laden with 5,300 metric tonnes of palm oil, was targeted and 3,500 MT were transferred into a phantom tanker.^{xvii} The suspects left the tug and barge 42 hours later, approximately 70 miles from where they had hijacked it in the southern South China Sea. In addition, there were two hijackings of tugs and barges where the object was to steal the vessels rather than their cargoes. In both instances, the tugs were targeted off the coast of Pulau Mapur, an area where stolen vessels are known to be repainted and reflagged. In the case of the Malaysian-flagged ZARA, one crew member was thrown overboard. All 11 crew members went missing in the case of the Indonesian-flagged MARCO POLO 43.^{xviii}

These incidents clearly demonstrate that the emergence of Indonesia and Malaysia as world class producers and exporters of palm oil had changed the piracy business: it was no longer the province of amateurs armed with knives opportunistically stealing the ship's stores and the crews' belongings, it had become a business for professionals. In an Asian security forum in 2005, Tony Tan, the then Singaporean Minister for Security, described the difference: "We have been alarmed not only by the increase in the number of pirate attacks in the sea lanes of communication in this part of the world, but also in the nature of the piracy attacks. In previous years when you had a piracy attack, what it meant is that you have a sampan or a boat coming up to a cargo ship, pirates throwing up some ropes, scrambling on board, ransacking the ship for valuables, stealing money and then running away. But the last piracy attack that took place in the Straits of Malacca showed a different pattern. The pirates were well armed, operating sophisticated weapons and commanding high-speed boats. They conducted the operation almost with military precision. Instead of just ransacking the ship for valuables, they took command of the ship and steered it for about an hour, with the captain in their captivity."^{xix}

As the subsequent section will demonstrate, highly sophisticated criminal networks began to develop around CPO theft, with roots that penetrated equally far onto land, as well as at sea.



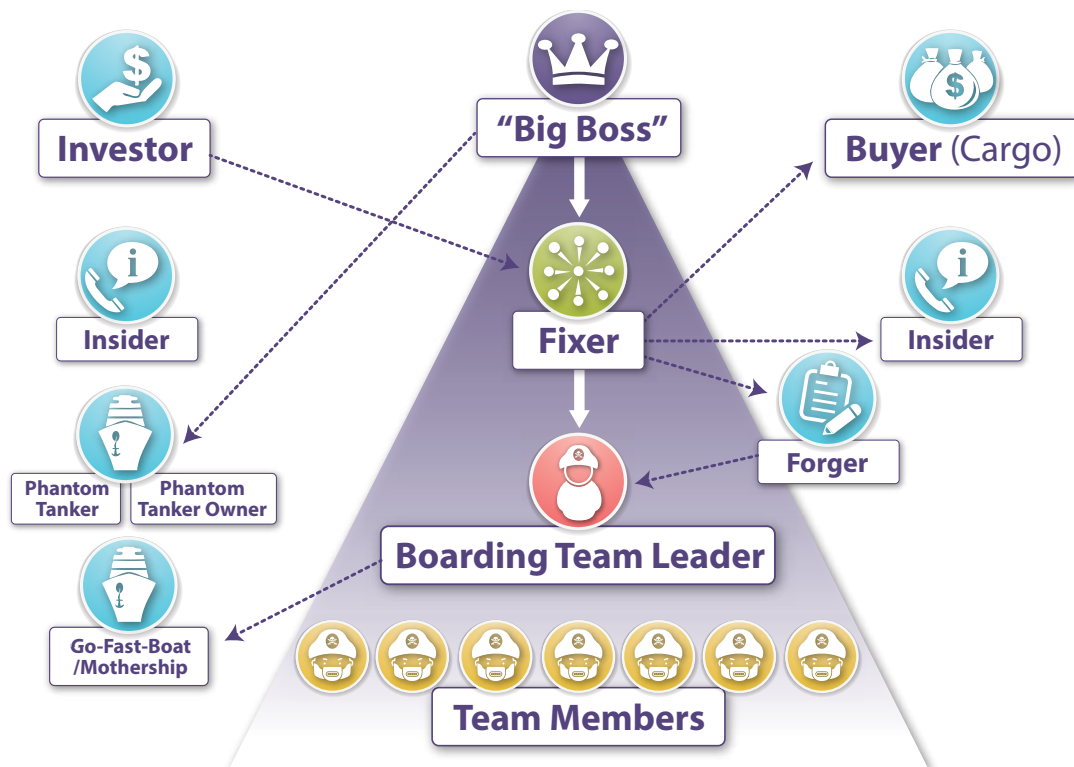
Modus Operandi

Although the players in hijacking networks have always remained fluid and adapted to agency and industry initiatives, the modus operandi of hijackings have generally remained unchanged. This is based on over a decade of infiltrating hijacking networks and securing primary intelligence from key players who have operated at various levels within the framework. In a typical hijack of a CPO barge, the vessel is boarded by the pirate boarding team, the crew is taken hostage and the vessel sailed by the boarding team to a rendezvous point where an unregistered “phantom” tanker takes on the cargo. The vessel and crew are typically released unharmed² after a specific amount of cargo is transferred from the victim ship, the pirate boarding team disembarks and the victim ship is released. On average, the entire incident lasts between 11 and 48 hours.^{xx}

Key actors

Although significant attention is paid to the hijackers (the boarding team), they are in fact the lowest rung of the criminal enterprise. The enterprise is run by a ‘big boss’, who seeks an investor for the operation, employs a ‘fixer’ to locate a suitable victim (with the help of insiders), lines up a buyer prepared to ‘launder’ the stolen product, employs a boarding team leader who in turn will recruit and lead the pirates, hires a forger to produce phony documentation and charters ‘go fast boats’, tugs and phantom tankers as may be necessary. The modus operandi of hijacking for product theft is deeply embedded in SE Asian shipping: “a deeply corrupt industry in which fraud, bribery, and other illegalities are endemic.”^{xxi}

Figure 9: Network Structure



2 Though unnecessary violence is discouraged and punishable, there have been cases of violence. Most notable was the on-board fatality in the Vietnamese-flagged ASPHALT 2 case in December 2014 where a crew member was shot in the head and died of his wounds; other incidents involved the Mongolian-flagged JI XIANG where a crew member was shot in the neck as the pirates boarded the vessel, and during the ORKIM HARMONY hijacking on 11 June 2015 a crew member was shot in the buttocks. In these cases, the suspects responsible for the weapons discharge were under the influence of Shabu, a methamphetamine used by hijacking groups to stay alert prior to a boarding which can also make the user paranoid and easily agitated.

1) Big bosses

They are the Managing Directors of the businesses. Unlike the boarding team leaders and their foot soldiers, which are typically based on Indonesian islands such as Bintan, Belakang Padang and Batam, the big bosses reside in Indonesian cities such as Belakang Padang, Tanjung Pinang, Palembang and Jakarta, or even in Singapore, Johor (Malaysia) or Songkhla (Thailand).

2) Investors

They provide the upfront financing for the operation. This includes the payments to insiders for information, the charges of the forger, a base amount used to pay off police and navy to ignore the operation or respond slowly, and a slush fund to provide ready cash should the operation fail and it be necessary to bribe the judge and public prosecutor to secure the early release of the pirates. The chartering of any vessels necessary will normally be covered by the big boss. The foot soldiers and the boarding-team leader are only paid after a successful operation. Two investors have been identified by the author: one is based in Pontianak and another in Tanjung Pinang.^{xxii}

Figure 10: Locations of mid- to high-level members of piracy operations

(Source: Author)



3) Fixers

Fixers are the crucial link between the big bosses, the boarding-team leaders and the buyers. They are generally businessmen (and women) who in their daily routine conduct legal business but also moonlight in the black market. Fixers will know the markets extremely well and are well connected. Fixers have been identified in Pontianak, Ketapang, Palembang, Jakarta, Medan, Tanjung Balais (Karimun), Johor Bahru, Singapore, Songkhla, and Manila.

4) Boarding-Team Leaders

The boarding-team leader recruits the actual pirates (foot soldiers). The average pirate band is nine strong. The most prominent boarding-team leaders reside in Bating (Pontianak), Ketapang, Berakit, Batam, Miri, and Songkhla. They



are generally well established and financially secure, with a long history of successful operations. They have access to the network of fixers and direct communication with the forgers and the insiders. Since 2010, boarding team leaders have been paid around SGD150,000 per expedition, though the actual figure depends on the estimated profitability of the operation.

5) Foot soldiers

Foot soldiers are the boarding-team members who are recruited through friendship, former working relationships and family. Many are former seafarers. They have a strict code that, if arrested, they never sell out their fellow team-mates or those up the chain. Convicted pirates in Indonesia have claimed that, if they stick to the code, they will serve approximately 10% of their jail term, as the bosses will bribe the public prosecutor and judge, costing approximately US\$1,500 in 'facilitation fees'. The primary recruiting grounds for foot soldiers are Batam, Pontianak, and Medan. Foot soldiers earn about one-third of what boarding team leaders are paid, or some SGD50,000 per expedition in recent years.

6) Forgers

Forgers are vital to ensure that stolen product can be certified and signed off as legitimate. Both the product and the vessel required a forger to change the paperwork. They will falsify invoices, bills of landing, and certificates of origin. They can also forge the vessel documents, including registration and ownership. There are four well-established forgers who are based in Pontianak, Jakarta, Tanjung Pinang, and Medan. Forgers charge IDR50,000 per ton (approx. SGD5/ton).

7) Insiders

The concept of the 'inside job' has become a common phrase to explain how hijackings for product theft are occurring. This has been a contentious issue that has often reared its head at international conferences.^{xxiii} Regional organisations and certain government agencies claim that the crew is almost always involved in an 'inside job' whilst seafarer organisations find it highly disrespectful and hurtful to the industry, arguing that few sailors are criminal. The truth lies somewhere in the middle. In every case, the job is pre-planned but a crew member is not necessarily the inside man. Although it does often happen that one or two crew members – most notably the captain, chief engineer or bosun – are compromised, it can also be that someone at the shoreside level is passing along information. This can be within the shipping company or players interacting with either the company or vessel, such as bunkering agents, bunker barge crew, as well as cargo loading personnel. Corruption within the law enforcement sector is also a significant problem. Based on infiltrating networks, a number of sources have verified that both the marine police and in particular the Navy act as both insiders for specific hijacking operations as well as protectors of prominent players higher up in the network. For example, a senior Naval Captain's cell phone details were discovered on board a phantom tanker (blender)'s satellite telephone. This particular, vessel, which has since been seized, was involved in at least two hijacking operations in 2015.^{xxiv}

Corruption is also significant in the judicial process in Indonesia with respect to suspects who are caught and convicted. So long as the suspect does not give up the names of the higher tier players in the network, a fee will be paid to the police, judge, or public prosecutor to ensure that the suspect serves no more than ten percent of their sentencing.^{xxv} For example, suspects who are found guilty and receive a five-year prison term will be released within five months and during their time served, conditions are relatively positive compared to other criminals.^{xxvi} Although this is very much specific to the country in question, corruption in SE Asia is a considerable problem that enables hijacking for product theft as well as other maritime crimes.

Jodoh (Batam) is a major recruiting ground for insiders. Cafes such as the Morning Bakery are a regular meeting point for crew members and criminal 'foot soldiers' alike, while a short walk away, fixers, buyers and big bosses meet to discuss deals in select hotels. Singapore's Orchard Towers – commonly known as the 'Four Floors of Whores' – is also a popular recruiting ground where seafarers are encouraged to make deals with the essentials



of 'happy-happy' (prostitution and alcohol). Insiders are paid according to the value of their information, their seniority and their perceived reliability. SGD50,000 would be a reasonable estimate of what they might receive.

8) Buyers

Buyers knowingly purchase product that has been hijacked or stolen. Buyers have been identified in Kuching, Jakarta, Kuala Lumpur, Bangkok, Singapore, Shanghai, Manila and in South Korea (using Indonesian brass-plate companies). There are suspected but unconfirmed buyers from Vietnam and Cambodia. Generally, buyers would only pay 60-65% percent of the open market value of the cargo, the discount being compensation for laundering the product.

In addition to the people involved, a hijacking for product theft requires a 'mother ship' to transport the boarding team and a tanker to transport the stolen cargo.

9) Mother ships

The pirate mother ship carries the boarding team. Although tugboats have been used, such as the MT MALABOH in the recent ORKIM HARMONY and VICTORY hijackings, they are not the preferred mode of transport due to their lack of speed. Generally, and as evidenced in the SUN BIRDIE hijacking, 'go fast boats' that can outrun fast rigid hull inflatable boats such as those used by the Malaysian Maritime Enforcement Agency (MMEA) are preferred. Go-fast boats are commonly used when conducting boarding operations within a twenty nautical mile radius. Larger mother ships such as the MALABOH are used at a distance greater than fifty nautical miles.

10) 'Phantom' tankers

The hijacked vessel is sailed by the boarding team to a rendezvous point where an unregistered 'phantom' tanker takes on the cargo. Phantom tankers are generally in the 2,500-7,000 DWT range and crewed by approximately ten men. They go under multiple names although they seldom change their flag. Their ownership is often difficult to ascertain. Phantom tankers generally fly Indonesian, Mongolian, Belize, North Korean, and Equatorial Guinean flags of convenience.



Phantom tankers, moored off the Indonesian coast



The Go Fast Boat used in the Sun Birdie hijacking in Jan 2015

Mechanics of a hijack

The first step in a hijack is finding a target. Normally, the fixer, boarding-team leader or insider proposes a target to the big boss, who will arrange a meeting between the fixer and a buyer. These meetings take place generally in hotel restaurants in Nagoya Hill (Batam), Johor Bahru or Pontianak or occasionally in Singapore. Once the target and cargo is agreed, a price is then negotiated and a transfer location agreed upon. An investor is then invited to finance the hijacking, after which a forger is contracted and insiders are found to monitor the target. The boarding-team leader then begins the selection process for the boarding team and the investor contributes the initial base sum to cover forgery costs, payments for insider information and pay offs for navy and police, port authority or cargo-loading officers. Large transactions are carried out in Singapore dollars (SGD). Pay-offs to police and navy in Indonesia are calculated in US dollars (USD) but paid in either SGD if they have a Singapore account or in Indonesian rupiah (IDR). Payments to the boarding team, forger, and insiders are always in IDR.



Once the insiders pass along the necessary information, the boarding team moves to a location near to where the hijacking will take place. Common jumping-off points include Pulau Temajo (for Pontianak), the Karimata Islands (for Bangka Strait), Bombaru (for Palembang departures), Berakit and Batam (for EOPL), Bengkalis and Batu Pahat (for southern Malacca Strait) and Tanjungs Sengai Rengit and Sedilli for Pulau Aur hijackings. A primary reason for favouring these areas is because the Indonesian police and navy can be bribed not to patrol their own coastline.

During the hijacking, the fixer, big boss and buyer meet in a hotel to await the bank transfers, generally in Batam (if the hijacking is controlled by Singapore/Batam-based groups) or in Pontianak (if they are from Kalimantan, Jakarta or Kuching). Once the hijacking and transfer is complete, parties will use their mobiles and app-based banking to transfer the funds from one Singapore based SGD account to another.

Case Study: the hijacking of the Virgo 2

The most active groups behind the CPO hijackings are the Palembang, Ketapang, and Pontianak syndicates. In 2013, the Pontianak syndicate (also known as the Bating Boys for the kampong where most of the members stem from and where the owner has a small shipyard) hijacked the Virgo 2, a barge carrying CPO. Their mother ship, a previously hijacked tug that they own, sailed from Tayan (up-river from the Kapuas of Kalimantan) and intercepted the Virgo2 and the tug pushing it some 50 nautical miles out. They took command of the barge, which was carrying 3,800 metric tonnes of CPO, towed it to the Singapore outer port limits (near Horsburgh Lighthouse) and transferred the cargo by STS to a waiting tanker, then stood by off Pulau Tomajo to await their next target, a CPO shipment departing from Sampit for Dumai. Their fixer, a Malay commodities trader with political ties in Sarawak, sold the cargo to a Singapore buyer who blended the illegal product with legitimate product and exported the blend. They also hijacked the tug pushing the Virgo 2 and handed it over to a pre-arranged Pontianak buyer for an agreed price of US\$1 million.

Structure Post-2012

After 2012, the structure of maritime criminal syndicates in SE Asia has tended to become less formal. Instead of gangs, networks of specialists evolved whose allegiance to the more senior players was relatively fluid. A considerable degree of splintering occurred within the older syndicated structure of piracy and hijackings: the big bosses act more like investors than managers and the fixers became more independent, making deals directly with buyers and hiring groups of foot soldiers for the boarding teams rather than relying on boarding team leaders to do so.



The economics of a hijacking

In a standard CPO hijack, a team of nine pirates led by a boarding team leader use a 'go fast boat' to approach and board a CPO barge or coastal vessel, take control and sail the vessel to rendezvous with a phantom tanker which ties up alongside. Some 4,000 tons of cargo are pumped into the phantom tanker by STS (ship-to-ship transfer, using hoses). Typical economics might be:

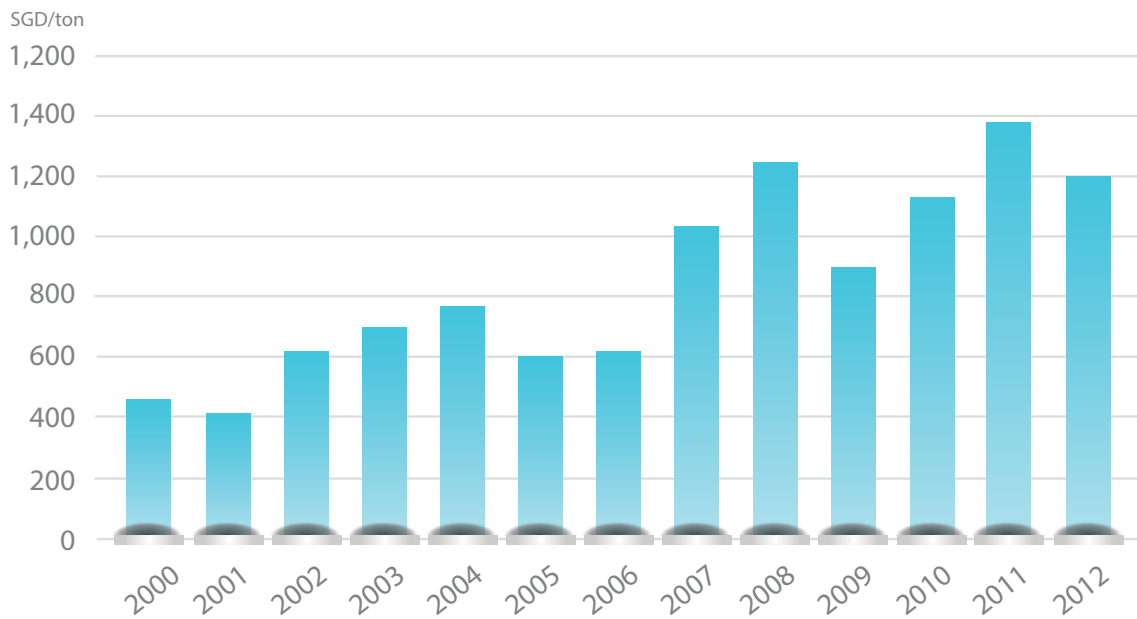
| | Low Price | High Price | SGD 500 or 1000/ton |
|----------------------------------|----------------|------------------|---|
| Quantity (MT) | 4,000 | 4,000 | |
| Upfront costs | | | |
| Forger | 20,000 | 20,000 | charges SGD5/ton |
| Payments to Insiders | 50,000 | 100,000 | one insider when prices are low, 2 when high |
| Go fast boat | 35,000 | 50,000 | (mother ship) |
| Tanker rental | 250,000 | 400,000 | (for STS operation) |
| Facilitation fee SGD | 20,000 | 20,000 | payments to navy, police etc |
| Total Upfront cost | 375,000 | 590,000 | |
| Costs if hijack succeeds | | | |
| Team Leader | 100,000 | 150,000 | SGD100k if CPO prices low, SGD150k if high |
| pirates | 225,000 | 450,000 | 9 pirates, SGD25k if prices low, SGD50k if high |
| | 325,000 | 600,000 | |
| Costs if hijack fails | | | |
| bribes to prosecutors | 20,000 | 25,000 | SGD2000/pirate |
| CPO market price | 500 | 1,000 | |
| Price paid by buyer | 300 | 600 | 40% discount |
| Revenue if hijack succeeds | 1,200,000 | 2,400,000 | |
| Profit if hijack succeeds | 500,000 | 1,210,000 | Singapore dollars |
| Loss if hijack fails | 395,000 | 615,000 | Singapore dollars |
| Required success ratio | 44% | 34% | |

If the hijack succeeds, the investor shares the profits with the big boss and the fixer. If it fails, the investor loses all the money he has advanced and the big boss forfeits the cost of any vessels hired.

The economics of hijacking for product theft depend on the CPO market price, which determines revenue if the hijacking succeeds, and the probability of success. Data on hijackings that have taken place over the past five years suggest that 30% of attempted hijackings fail, though it is probable that in addition some 20% are aborted immediately prior to the attempt taking place due to the presence of police or navy patrols. This suggests that at CPO prices of around SGD500/t, the rewards of success and costs of failure are fairly equally balanced, whereas at SGD1,000/t, even allowing for higher costs, the expected reward is very attractive.



Figure 11: CPO Price, 2000 – 2012 (Source: Index Mundi and X-Rates)^{xxvii}



The profitability of CPO hijackings jumped from 2007: average CPO prices from 2007-2012 were almost exactly double those during the previous seven years. Not surprisingly, the incentive of higher profitability increased the number of hijackings, particularly as the probability of failure did not increase – if anything, the MALSINDO anti-piracy patrols diminished as:

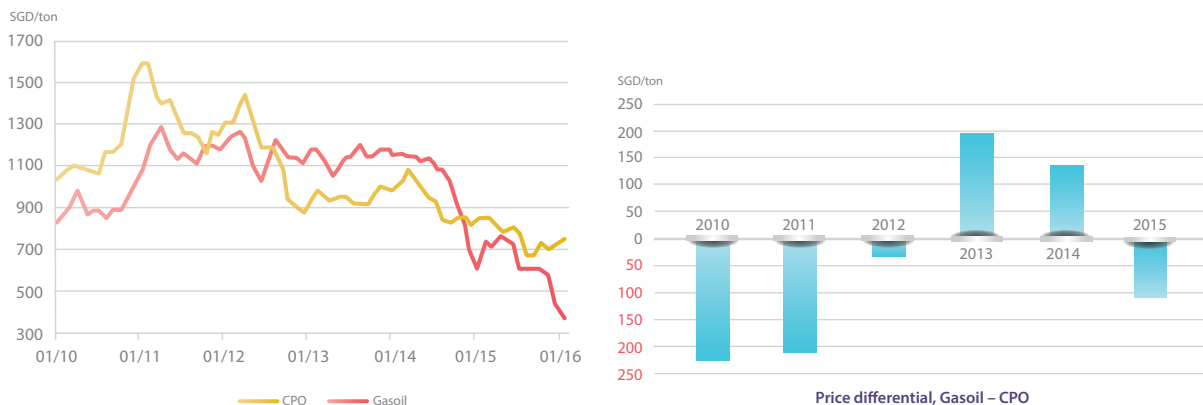
- CPO thefts were low key affairs, frequently not reported because owners did not wish to see insurance premiums affected and/or because there was a suspicion that crew or other personnel were involved;
- there was little or no violence used by the pirates against the crew³; and
- the focus of attention had switched to the Somali pirates.

Although CPO prices dipped after 2011, hijacking profitability was sustained in 2012, 2013 and 2014 by unusual strength in gasoil prices. Between 2000 and 2010, CPO prices were on average 20% higher than gasoil prices in the region, but in 2012 gasoil prices went to parity with CPO and were 17% higher in 2013 and 11% higher in 2014:

3 The pirates are quick to use terms that distinguish their actions from Somali or Nigerian hijackers. When questioning suspects who conduct bajak laut (hijackings), they very quickly dilute the severity/significance of their behaviour by stressing it is nothing compared to what happens in Somalia, which to them is “true bajak laut”. Ironically, it seems that both suspects and certain governments are attempting to distinguish their environments from Somali and West African hijacking modus operandi in order to feel less incriminated or less pressured to act immediately.



Figure 12: Prices of CPO and Gasoil (*Index Mundi and Platts*)^{xxviii}



Gasoil is a product refined from petroleum, used typically in SE Asia as a fuel for diesel engines, both in ships and cars. It can be transported and stored in the same manner as palm oil, meaning the techniques of the hijacking are virtually identical, though the product ends in different markets with different buyers. Indeed, there are a greater variety of buyers for gasoil/diesel than for CPO. It may be sold directly to smaller vessels such as fishing boats and tugs by STS from the phantom tanker, or to oil traders who transport the cargo to tank farms, typically in Thailand, Vietnam and Indonesia, where it is blended with legitimate product and sold on the international market within SE Asia or to China. That said, the level of risk increases significantly if that hijacking involves a petroleum product tanker as CPO barges trade regionally within Indonesian waters where incidents are seldom reported. Although CPO barges have increasingly hired special branch police to guard the vessels, it is relatively easy for the pirates to overpower them or simply pay them off.

The hijacking data, presented in full in Appendix B, shows how pirates diversified their targets in response to the price signals. In 2012, just under half of the reported hijackings were for petroleum product, in 2013, 90%, in 2014 two-thirds and in 2015 80%. As petroleum product hijackings are generally reported (whilst CPO hijackings are kept quiet because they involve Indonesian-flagged vessels, Indonesian cargo owners, and Indonesian suspects), the numbers of reported hijackings surged. A total of 53 hijackings were reported between March 2012 and August 2015.⁴ A number of these incidents were unsuccessful cases of product theft; however, they can be officially classified as a hijacking where the intent was to steal the product cargo and the pirates were in control of the vessel. Additionally, there are a number of unconfirmed hijacking cases the author has documented in the Java Sea, Bangka Strait and southern South China Sea involving crude palm oil (CPO) barges. It is believed that CPO barge hijackings are highly under-reported and two separate sources have claimed that within SE Asia there is a hijacking approximately every fortnight.^{xxix}

Of the 53 documented hijackings, the majority of vessels' last port of call (LPOC) was either Singapore's Shell Jetty, the Western Outer Port Limits (WOPL) or within Singapore's port limits for bunkering via ship-to-ship transfer (STS). The stolen product was sailed back to either the WOPL or Eastern Outer Port Limits (EOPL) or to an STS point in the Seribu Islands (north of west Java) where it was sold to smaller vessels or collected by tankers chartered by oil traders.

4 During this time period there were additional hijackings; however, not for product theft. Information on cases has been collated from the IMB, ReCAAP, The Interpol Special Report Overview of Attacks in Southeast Asia, confidential informants, and open source information.

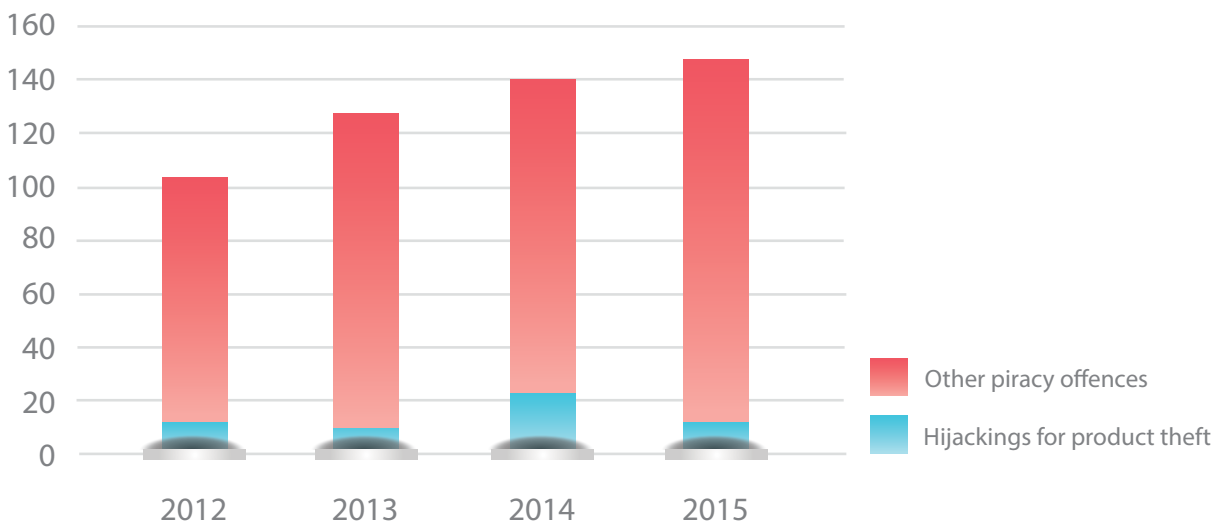


Figure 13: Singapore port limits, including outer port areas



The illicit fuel transfers involved in STS operations have caused many oil spills. Since 2013, the east coast of Bintan and particularly the Berakit peninsula has been suffering frequent marine fuel and heavy fuel oil spills, significantly damaging its pristine coast. Referred to as bulong ('black balls' in Bahasa), the oil drifts south from the anchorages towards shore damaging everything in its path. This is at its worst in the wet season between November and February when the prevailing wind blows north to south, covering Bintan's beaches in a coating of oil.^{xxx} In addition to destroying the coast, bulong is also damaging the fishing community's boats as well as fishing equipment. Between January and August 2014, incidents of armed robbery and petty theft surged off Berakit; 32 cases were documented in which vessels at anchor approximately ten nautical miles off the coast were targeted by villagers in wooden boats who had taken to perampak (literally 'shopping' but basically petty theft, still classed as piracy) from those who had harmed their livelihood.^{xxxii} In this way, the increase in hijacking for product theft since 2012 has also considerably boosted the number of incidents of petty theft and armed robbery.

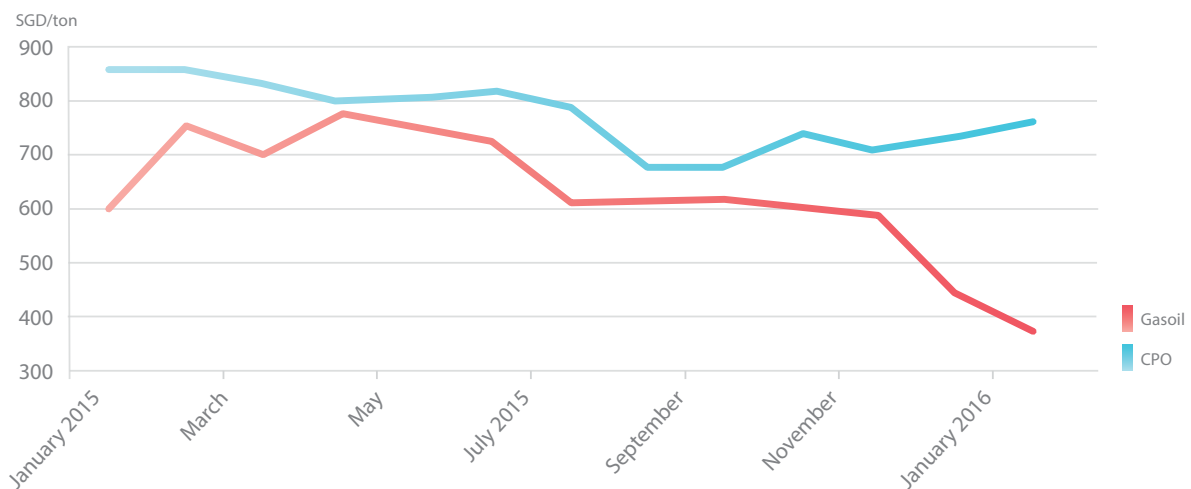
Figure 14: Major & Minor Piracy Incidents (Source: Own data, Appendix B; IMB, Appendix A)



Current Situation

Commodity prices generally fell sharply during 2015; gasoil was particularly hard hit, ending the year down 26%. In the second half of 2015, only two hijackings for product theft were reported as gasoil prices fell to well below the levels that made hijacking cargoes an economic proposition. Unlike gasoil, CPO prices started to recover in the fourth quarter. Given that tanker rates and fees paid to boarding team leaders, foot soldiers and insiders were under pressure, year-end CPO prices were sufficient to justify cargo theft, particularly if the cargo was large enough to compensate for lower product realizations. Indeed, 6,000 tons of CPO may have been stolen from the MV MARE MAS V 90 off the Indonesian coast in January 2015.

Figure 15: Palm Oil and Gasoil Prices, 2015-16



It is extremely important to stress that the recent decrease in reported hijackings for product theft is a market price phenomenon and has little to do with international or regional counter-piracy efforts (although it is fair to say that the MMEA has become extremely effective in their counter-piracy operations). The low prices of CPO and gasoil simply make it less economic to hijack due to the significant overhead and upfront investment costs demanded by the pirate boarding teams. For example, the author has learned of numerous masters of regional product tankers, heavily indebted due to gambling and seeking to be paid as insiders, who are actively soliciting their cargoes to be hijacked but not finding interest due to current low rates of return. This may be expected to change when the price of product increases again.

Notwithstanding the recent lull, the many incidents of the previous three years have increased demands by shippers that regional navies beef up anti-piracy operations. Authorities in Indonesia, Singapore and Malaysia say they are discussing this, but patrols in the South China Sea could be controversial while tensions are heightened by China's territorial claims and the three SE Asian countries have yet to resolve the 'hot pursuit' issue preventing navy boats from pursuing pirates who flee into neighbours' waters. Nor have they resolved how best to share information about the piracy networks multilaterally (although Indonesia and Malaysia have recently begun sharing information to foster prosecutions); Although the Navy have improved their counter-piracy operations, Indonesia seems unwilling to cooperate any further as it may expose blind spots in their intelligence gathering or corruption in their law enforcement agencies. The archipelago also believes that the big ports of Singapore and Malaysia benefit disproportionately from Indonesian navy efforts to monitor traffic in the shipping lanes without paying for the costs of the patrols.

These are issues which need to be resolved otherwise the economics of hijackings for product theft guarantee that as prices improve the problems will flare up once more.

Conclusion

Pirate cultures ensconced on islands in the Indonesian archipelago have opportunistically preyed on vessels passing through the busy straits of Malacca and Singapore for centuries. The steady growth of palm oil production in Indonesia and Malaysia over the past thirty years now provides these pirates with their staple target, barges carrying crude palm oil from ports in the production areas to the refineries, but if prices for gasoil are higher, pirates opportunistically target that product.

In a typical hijack of a CPO barge, the vessel is boarded, the crew is taken hostage and the vessel sailed to a rendezvous point where the cargo is transshipped to a tanker under the control of the pirates. The vessel and crew are released unharmed after the cargo transfer is completed, the pirates disembark and the barge is released. On average, the entire incident lasts between 11 and 48 hours. The lack of violence and the absence of kidnappings are the principle reasons why SE Asian piracy receives less attention than piracy in other geographical zones. Particularly in the case of CPO hijackings, many incidents are not reported due to suspicions that the crew, employees of either the shipping company or the cargo owners, or even port authority, marine police and navy personnel are involved.

The pirates of SE Asia have responded to the steady increase in opportunities offered by the surge in palm oil production by becoming more professional, more organised and by developing extensive networks of corruption on land as well as at sea. A naval focus on controlling piracy will therefore not be sufficient; it must be harnessed to an equivalent land-based law enforcement response.

However, regional bodies need to have sufficient mandate and independence to be effective in a region where corruption is widespread and creating complicity around the crime.



Recommendations

Even if fewer hijackings for product theft are expected in 2016 due to low product prices, it would be wrong to be complacent given the high levels of piracy experienced in SE Asia during the last few years. The projected lull in hijacking activity offers an opportunity for the shortcomings that prevent a sustainable long-term response to be addressed:

- **Establish piracy and other maritime crimes as a law enforcement issue**

As David Rosenberg neatly put it, “all maritime piracy begins and ends on land...effective antipiracy measures need more than maritime security measures; they also need close coordination with national law enforcement authorities and anticorruption agencies.”^{xxxii} Similar to the drive in East Africa, where Interpol urged nation states to maintain intelligence on piracy and transnational criminal activity at a Law Enforcement Sensitive level so as to promote easier information sharing, this must be done in SE Asia. Another benefit to making piracy and transnational crimes predominantly a law enforcement sensitive issue is that it will assist in the link between marine policing, land-based policing and the financial crimes-based task forces that ‘follow the money’. In addition, law enforcement agencies, via Interpol, are better equipped in addressing the transnational challenges to maritime organised crime as well as extraditions and cross-border information sharing. It would also be far easier for law enforcement agencies to build cross-border capacity build to boosting investigative, forensic and surveillance skills.

- **Replace ReCAAP by a new organisation that embraces all littoral states and is mandated to work closely with both law enforcement and the International Maritime Bureau**

In its ten years of existence, ReCAAP has been unable to harmonise diplomatic relations with the two most influential littoral states, Malaysia and Indonesia, and has achieved little in terms of information sharing. The organisation has also failed to take into consideration other maritime transnational criminal issues such as smuggling, cargo theft and illegal fishing. It is therefore recommended that ReCAAP be disbanded and a new organisation with a law enforcement mandate be created that not only actively embraces Malaysian and Indonesian maritime interests including illegal migration, smuggling and illegal fishing, but also follows the SUA Convention on hijackings rather than downplay incidents for fear of diplomatic embarrassment. A new organisation cooperating closely with Interpol and the existing (and neutral) International Maritime Bureau could make a significant difference in preventing hijackings when their economics improve.

- **Create a private sector intelligence sharing platform with Interpol**

Interpol, which has increased its profile in connection to the hijacking for product theft cases, cannot share information with non-law enforcement entities nor accept intelligence from private entities, only with national law enforcement agencies. Unless a new organisation replaces ReCAAP, it would be logical for Interpol to work with the IMB to overcome this deficiency. The IMB is neutral, it does not have political linkages to regional governments, it has a good rapport with the shipping industry and accepts a broad definition of piracy and armed robbery. If for whatever reason this were not to prove practical, Interpol could create a specialist unit (similar to those focusing on East and West Africa) tasked with tackling maritime organised crime in SE Asia.

- **Support proposed reforms of Indonesia’s maritime industry and address corruption**

Addressing systemic product theft in a sustainable way will require comprehensive reforms to both enhance port infrastructure and restructure maritime agencies in Indonesia. Maritime agencies must receive better pay in order to stamp out the tradition of ‘moonlighting’ within the police and navy. It has long been acceptable for personnel to be work a second job or seek income outside of the services, namely because the pay scales are so poor. This form of corruption directly facilitates opportunities for organised crime. Indonesia’s anti-corruption commission must also be restructured and greater efforts made to curb the bribing of judges



and public prosecutors; pirate convictions mean very little if suspects routinely only serve ten per cent of their term. Indonesia must also strengthen its weapons possession laws and more importantly enforce them. In addition, there must be increased penalties for law enforcement personnel caught selling ammunition to criminals.



Appendices

(A) IMB Piracy Incidents

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Indonesia | 10 | 22 | 33 | 57 | 47 | 60 | 115 | 119 |
| Other SE Asia | 6 | 16 | 38 | 67 | 44 | 29 | 46 | 123 |
| SE Asia | 16 | 38 | 71 | 124 | 91 | 89 | 161 | 242 |
| Total Far East | 69 | 32 | 47 | 17 | 19 | 10 | 6 | 20 |
| Total Indian Subcont. | 3 | 3 | 16 | 24 | 37 | 22 | 45 | 93 |
| Asia | 88 | 73 | 134 | 165 | 147 | 121 | 212 | 355 |
| Somalia | 0 | 1 | 14 | 4 | 5 | 9 | 14 | 22 |
| Other | 15 | 16 | 40 | 59 | 95 | 72 | 74 | 92 |
| Total | 103 | 90 | 188 | 228 | 247 | 202 | 300 | 469 |
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Indonesia | 91 | 103 | 121 | 94 | 79 | 50 | 43 | 28 |
| Other SE Asia | 62 | 50 | 49 | 64 | 23 | 33 | 27 | 26 |
| SE Asia | 153 | 153 | 170 | 158 | 102 | 83 | 70 | 54 |
| Far East | 17 | 17 | 19 | 15 | 20 | 5 | 10 | 11 |
| Indian Subcont. | 53 | 52 | 87 | 32 | 36 | 53 | 30 | 23 |
| Asia | 223 | 222 | 276 | 205 | 158 | 141 | 110 | 88 |
| Somalia | 19 | 17 | 21 | 21 | 48 | 22 | 53 | 111 |
| Other | 93 | 131 | 148 | 99 | 70 | 76 | 100 | 94 |
| Total | 335 | 370 | 445 | 325 | 276 | 239 | 263 | 293 |
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | |
| Indonesia | 15 | 40 | 46 | 81 | 106 | 100 | 108 | |
| Other SE Asia | 31 | 30 | 34 | 23 | 22 | 41 | 39 | |
| SE Asia | 46 | 70 | 80 | 104 | 128 | 141 | 147 | |
| Far East | 23 | 44 | 23 | 7 | 13 | 8 | 31 | |
| Indian Subcont. | 30 | 28 | 16 | 19 | 26 | 34 | 24 | |
| Asia | 99 | 142 | 119 | 130 | 167 | 183 | 202 | |
| Somalia | 218 | 229 | 237 | 75 | 15 | 13 | 0 | |
| Other | 93 | 74 | 83 | 92 | 82 | 49 | 44 | |
| Total | 410 | 445 | 439 | 297 | 264 | 245 | 246 | |



(B) Hijacking for Product Theft Cases 2011 - 2015

| NAME | DATE | FLAG | OWNER | STS | | Product | Qty (M.Ton) |
|------------------------|----------|------------|-----------|----------|----------|---------|-------------|
| | | | | SUCCESS? | | | |
| | | | | Yes | No | | |
| NAMSE BANGDZOD | 15.04.11 | Indonesian | Indonesia | 1 | | MDO | 0.8 |
| NAUTICA JOHOR BAHRU | 27.10.11 | Malaysia | Malaysia | | 1 | CPO | Unknown |
| | | | | 1 | 1 | | |
| V.L.6 | 25.03.12 | Thailand | Thailand | 1 | | MGO | Unknown |
| GREAT FISH | 15.04.12 | Panama | Singapore | 1 | | MGO | Unknown |
| AI MARU | 05.06.12 | Honduras | Singapore | | 1 | CPO | Unknown |
| SWARA BAHRU | 12.09.12 | Indonesia | Indonesia | 1 | | CPO | 5000 |
| SCORPIO | 13.09.12 | Kiribati | Singapore | | 1 | CPO | Unknown |
| AROWANA UNITED | 19.10.12 | Malaysia | Malaysia | 1 | | MFO | 650 |
| BINTANG | 22.09.12 | Mongolia | Indonesia | | 1 | CPO | Unknown |
| YUNITA | 11.11.12 | Singapore | Singapore | 1 | | MGO | 80 |
| ZAFIRAH | 20.11.12 | Malaysia | Malaysia | | 1 | CPO | Unknown |
| MERLION DUA | 11.12.12 | St. Kitts | Singapore | | 1 | CPO | Unknown |
| OLUMPUS 99 | 31.12.12 | Indonesia | Indonesia | 1 | | MFO | Unknown |
| | | | | 6 | 5 | | |
| ORAJAH HAJI | 28.02.13 | Singapore | Singapore | 1 | | MGO | 1200 |
| PU2417 | 09.06.13 | Singapore | Singapore | 1 | | MFO | Unknown |
| DANAI 6 | 02.08.13 | Thailand | Thailand | 1 | | MGO | Unknown |
| MORESBY 9 | 17.08.13 | Honduras | Singapore | | 1 | Unknown | Unknown |
| DANAI 4 | 10.10.13 | Thailand | Thailand | 1 | | MGO | 100 |
| VIRGO 2 | 15.10.13 | | | 1 | | CPO | 3800 |
| DANAI 5 | 26.10.13 | Thailand | Thailand | 1 | | MGO | Unknown |
| GPT21 | 07.11.13 | Singapore | Singapore | 1 | | MGO | 300 |
| HOE HOW 6 | 2013 | Singapore | Singapore | 1 | | MDO | Unknown |
| | | | | 8 | 1 | | |
| Unknown Vessel | 07.03.14 | Mongolia | Singapore | 1 | | MGO | Unknown |
| Unknown Vessel | 23.04.14 | Mongolia | Singapore | 1 | | MDO | Unknown |
| SRI PHANG NGA | 17.04.14 | Thailand | Thailand | 1 | | MGO | 450 |
| NANIWA MARU No1 | 22.04.14 | St. Kitts | Singapore | 1 | | MDO | 2500 |
| NEW GLORY | 25.05.14 | Singapore | Singapore | | 1 | Unknown | Unknown |
| ORAPIN 4 | 27.05.14 | Thailand | Thailand | 1 | | MDO | 3200 |
| LUCAS | 31.05.14 | Panama | Singapore | | 1 | Unknown | Unknown |
| BUDI MERSA DUA | 04.06.14 | Malaysia | Malaysia | 1 | | MDO | 940 |
| AI MARU | 14.06.14 | Honduras | Singapore | 1 | | MGO | 650 |
| ARESNAL | 17.06.14 | Indonesia | Indonesia | 1 | | Unknown | Unknown |
| MORSEBY 9 | 04.07.14 | Honduras | Singapore | 1 | | MGO | 2118 |
| ORIENTAL GLORY | 15.07.14 | Malaysia | Malaysia | 1 | | MFO | 1600 |



| | | | | | | |
|------------------|----------|-----------|-----------|-----------|----------|---------|
| JI XIANG | 25.07.14 | Mongolia | Malaysia | 1 | Unknown | Unknown |
| V.L.14 | 28.08.14 | Thailand | Thailand | 1 | Base Oil | Unknown |
| ORAPIN 2 | 17.09.14 | Thailand | Thailand | 1 | Unknown | Unknown |
| PENTRADER | 22.09.14 | Malaysia | Malaysia | 1 | MFO | Unknown |
| OCEAN OSPREY | 22.09.14 | Dominica | Singapore | 1 | Unknown | Unknown |
| SUNRISE 689 | 02.10.14 | Vietnam | Vietnam | 1 | MGO | Unknown |
| SRIKANDI 515 | 09.10.14 | Indonesia | Indonesia | 1 | CPO | 3100 |
| SURATCHANYA | 15.10.14 | Thailand | Thailand | 1 | MGO | Unknown |
| YUFENG | 21.10.14 | Hong Kong | Hong Kong | 1 | CPO | Unknown |
| VP ASHPALT 2 | 07.12.14 | Vietnam | Vietnam | 1 | Asphalt | Unknown |
| | | | | 16 | 6 | |
| SUNBIRDIE | 28.01.15 | Malaysia | Malaysia | 1 | Unknown | Unknown |
| REHOBOT | 28.01.15 | Indonesia | Indonesia | 1 | Unknown | Unknown |
| LAPIN | 13.02.15 | Thailand | Thailand | 1 | MFO | Unknown |
| PHUBAI PUTTRA 1 | 20.02.15 | Thailand | Thailand | 1 | MGO | Unknown |
| SINGA BERLIAN | 09.03.15 | Malaysia | Malaysia | 1 | MFO | 1500 |
| DAVID TIDE II | 22.03.15 | Vanuatu | Singapore | 1 | MDO | 200 |
| DOFANG GLORY | 01.04.15 | Malaysia | Malaysia | 1 | MGO | Unknown |
| OCEAN ENERGY | 02.05.15 | Singapore | Singapore | 1 | MGO | Unknown |
| ORIENTAL GLORY | 15.05.15 | Malaysia | Malaysia | 1 | MFO | Unknown |
| ORKIM VICTORY | 04.06.15 | Malaysia | Malaysia | 1 | MGO | Unknown |
| ORKIM HARMONY | 11.06.15 | Malaysia | Malaysia | 1 | Gasoline | 6000 |
| JOAQUIM | 08.08.15 | Singapore | Singapore | 1 | MFO | 3000 |
| | | | | 9 | 3 | |
| MV MARE MAS V 90 | 01.01.16 | Indonesia | Indonesia | 1 | CPO | 6000 |

Information on cases has been collated from the IMB, ReCAAP, The Interpol Special Report Overview of Attacks in SE Asia, confidential informants, and open source information.



Glossary of Terms

| | |
|---------------|--|
| ADO | Automotive Diesel Oil <i>A petroleum fraction burnt in diesel engines.</i> |
| AGO | Automotive Gas Oil <i>An alternative name for diesel.</i> |
| AIS | Automated Identification System <i>An automatic tracking system used on ships for identifying and locating vessels by electronically exchanging data with other nearby ships, AIS base stations, and satellites. AIS allows maritime authorities to track and monitor vessel movements. The International Maritime Organization requires AIS to be fitted aboard international voyaging ships with gross tonnage (GT) of 300 or more, and all passenger ships regardless of size.</i> |
| ASEAN | Association of SE Asian Nations <i>Indonesia, Malaysia, the Philippines, Singapore, Thailand (original members) plus Brunei, Cambodia, Laos, Myanmar and Vietnam.</i> |
| CPO | Crude Palm Oil <i>An edible oil extracted from the pulp of fruit of oil palms.</i> |
| DWT | Dead weight ton <i>A measure of how much mass a ship is carrying or can safely carry; it does not include the weight of the ship.</i> |
| EEZ | Exclusive Economic Zone |
| EOPL | Eastern Outer Port Limits <i>A narrow space situated between the port limits and the traffic separation scheme (TSS) through the Singapore Strait, popular with owners for purposes such as bunkering, taking supplies, change of crew and repairs or just waiting at anchor.</i> |
| FOC | Flags of Convenience <i>Registering a merchant ship in a sovereign state different from that of the ship's owners, and flying that state's civil ensign on the ship. Ships are registered under flags of convenience to reduce operating costs or avoid the regulations of the owner's country. Panama, Liberia and the Marshall Islands are the world's three largest registries.</i> |
| HHL | Hainan/Hong Kong/Luzon <i>A maritime area between the South China Sea and the East China Sea waters.</i> |
| HUMINT | Human Intelligence <i>Intelligence gathered by means of interpersonal contact.</i> |
| IDR | Indonesian Rupiah |
| IFC | Information Fusion Centre <i>A regional Maritime Security information-sharing centre hosted by the Republic of Singapore Navy.</i> |
| ISC | Information Sharing Centre (ReCAAP) <i>The ReCAAP Information Sharing Centre (ISC) was established under the ReCAAP Agreement. The roles of ReCAAP ISC include exchanging information among Contracting Parties on incidents of piracy and armed robbery.</i> |



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|-----------------|--|
| IMB | International Maritime Bureau <i>A specialised division of the International Chamber Of Commerce, the focal point in the fight against all types of maritime crime and malpractice.</i> |
| IMO | International Maritime Organisation <i>The United Nations specialised agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships.</i> |
| ISPS | International Ship & Port Facility Code <i>Prescribes responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to “detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade.</i> |
| JWC | Joint War Committee <i>Underwriting representatives from both the Lloyd’s and International Underwriting Association of London, representing the interests of those who write marine hull war business in the London market.</i> |
| JTF | Joint Task Force |
| K&R | Kidnap and Ransom |
| LES | Law Enforcement Sensitive |
| LPOC | Last Port of Call |
| LRIT | Long Range Identification System <i>An IMO mandated system by which ships must report their position to their flag administration at least four times a day. Most vessels set their existing satellite communications systems to automatically make these reports. Not to be confused with AIS, a collision avoidance system also mandated by the IMO, which operates in the VHF radio band, with a range only slightly greater than line-of-sight.</i> |
| MALSINDO | Malaysia/Singapore/Indonesia |
| MARAD | Maritime Administration <i>The agency within the U.S. Department of Transportation dealing with waterborne transportation.</i> |
| MCID | Maritime Criminal Investigation Division (MMEA). |
| MGO | Marine Gas Oil <i>A blend of gasoil and heavy fuel oil, widely used by medium speed and medium/high speed marine diesel engines. Also known as MDO (marine diesel oil).</i> |
| MFO | Marine Fuel Oil <i>Any type of fuel oil used aboard vessels, but generally a more viscous fuel than MGO/MDO. Also known as bunker fuel.</i> |
| MMEA | Malaysian Maritime Enforcement Agency <i>The coast guard of Malaysia.</i> |
| MPA | Maritime Port Authority (Singapore) <i>Regulates and manages port and marine services, facilities and activities within the Singapore waters. This includes vessel traffic and navigational safety and security.</i> |
| MT | Metric Ton |
| NCIS | Naval Criminal Investigative Service <i>The primary law enforcement agency of the United States Department of the Navy.</i> |



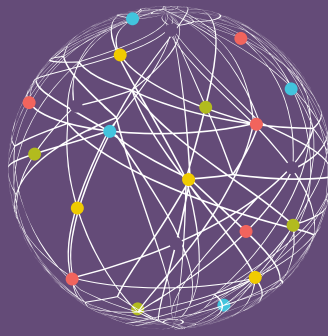
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|---------------|---|
| NGO | Non Governmental Organisation |
| NATO | North Atlantic Treaty Organisation |
| OPL | Outer Port Limits |
| OSINT | Open Source Intelligence <i>Intelligence collected from publicly available sources (as opposed to covert or clandestine sources).</i> |
| POCC | Port Operations Control Centre |
| PRC | Piracy Reporting Centre (IMB) <i>An independent and non-governmental agency based in Kuala Lumpur, providing a single point of contact for shipmasters anywhere in the world whose vessels have been attacked or robbed by pirates. All information received is immediately relayed to the local law enforcement agencies requesting assistance.</i> |
| ReCAAP | Regional Agreement on Combating Piracy and Armed Robbery Against Ships in Asia <i>A multilateral agreement between 16 countries in Asia, concluded in November 2004 and includes the RECAAP Information Sharing Centre (ISC), an initiative for facilitating the dissemination of piracy-related information.</i> |
| RSN | Republic of Singapore Navy |
| RHIB | Rigid Hull/Inflatable Boat |
| RMN | Royal Malaysian Navy |
| SGD | Singapore Dollar |
| SPG | Singapore Police Coast Guard |
| STS | Ship-to-ship transfer |
| SUA | Suppression of Unlawful Acts <i>A multilateral treaty by which states agree to prohibit and punish behaviour which may threaten the safety of maritime navigation.</i> |
| TNI-AL | Indonesian Navy |
| UNCLOS | United Nations Convention on the Law of the Sea <i>Codifies customary international law on piracy and is binding on every state (unlike SUA, to which Indonesia, Malaysia and Thailand et al are not signatories).</i> |
| USD | United States Dollar |
| WFQR | West Fleet Quick Response (Indonesian Navy) |
| WOPL | Western Outer Port Limits |



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