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**The Importance of the Security of Energy Shipments
in the Straits of Malacca for Littoral User States
and User States**

**A thesis presented in partial fulfilment of the requirements for the
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Abstract

In the globalized world, how we understand and interpret the world is partly dependent on how we define the world we are trying to understand and interpret. A number of different definitions further are employed to define this. In the study of international relations, to understand and interpret the world we should not only learn about diplomacy and strategy but also need to look at the issues of war, peace, conflict, and cooperation. Subsequently, one has to consider world trade, communication, transportation, emergence of global society in politics, economics and security. These areas provide significant implication for study, along with the world oil energy security in the Sea Lanes of Communication having a major impact on each.

Maritime transport still remains the most inexpensive means of transporting bulk goods, and the world energy: oil, coal, etc. Over 80% of the world's trade involves ocean transit and the world's sea lanes and chokepoints are vital in supporting regional and distant economies. The Straits of Malacca, second busiest chokepoints, located in Southeast Asia, consist of the Strait of Malacca itself and the Strait of Singapore. Due to its limitation in narrow width, capacity for shipping vessels, and a number of sea criminals, the Straits of Malacca becomes increasingly important not only for user states; China, Japan, India, and the United States of America, but also for the littoral user states; Indonesia, Malaysia, and Singapore.

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List of Abbreviations/Glossary

AEC	: ASEAN Economic Community
ASC	: ASEAN Security Community
ASCC	: ASEAN Socio-Cultural Community
ASEAN	: Association of Southeast Asia Nations
ASSeT	: Accompanying Sea Security Teams
CII	: Confederation of Indian Industry
CSCAP	: Conference on Security and Co-operation in Asia and Pacific
EAI	: Enterprise for ASEAN Initiative
FTA	: Free Trade Agreement
GCC	: Gulf Cooperation Council
GDP	: Gross Domestic Product
IEA	: International Energy Agency
IFC	: Information Fusion Centre
IMB	: The International Maritime Bureau
IMET	: International Military Education and Training
IMO	: International Maritime Organization
IOC	: Intergovernmental Oceanographic Commission
ISIS	: Institutes for Strategic and International Studies
JMSDF	: The Japan Maritime Self Defense Force
JOGMNC	: Japan Oil, Gas and Metals National Corporation

LDP	: Liberal Democratic Party
LDP	: Liberal Democratic Party
MDA	: Maritime Domain Awareness
MEH	: Maritime Electronic Highway
METI	: Ministry of Economy, trade and Industry
MIMA	: Maritime Institute of Malaysia
MOEC	: Multinational Operations and Exercises Centre
MPA	: Maritime and Port Authority
NAM	: Non Aligned Movement
NFDR	: New Framework Defense Relationship
ODA	: Official Development Assistance
OIC	: Organization of Islamic Conference
PAP	: People's Action Party
PSCs	: Private security companies
PSI	: Proliferation Security Initiative
PSSA	: Particular Sensitive Sea Area
RMSI	: Regional Maritime Security Initiative
RSN	: Republic of Singapore Navy
SDF	: Self Defence Force
SIGINT	: Signals Intelligence
SLOC	: Sea Lane of Communication
SMSC	: Singapore Maritime Security Centre

SSC : Security Consultative Committee

STAR : Special Tactics and Rescue

SURPIC : Surface Picture Project

TIFA : Trade and Framework Agreements

UNCED : United Nations Conference on Environment and
Development

UNEP : United Nations Environmental Programme

US PACOM : The United States Pacific Command

VTS : Vessel Traffic Services Centres

VTS : Vessel Traffic Services Centres

WMD : Weapons of Mass Destruction

WMO : World Meteorological Organization

Introduction

'For whosoever commands the sea commands the trade; whosoever commands the trade of the world commands the riches of the world, and consequently the world itself.'

Sir Walter Raleigh (1554–1618)¹

In the early part of 21st Century, the world energy trade has indicated more dependence on sea transportation. The sea transportation has always been a leading mode of energy transport that is most economical and convenient. In 2006, 90% of the world's crude oil trade is transported by ocean shipping carriers.² With the emerging international oil supply shortage, the issue of energy shipping is getting more and more attention from international communities for their industry development. The development of industry cannot be realized without the backup of economic growth. The economic growth cannot be realized, without stable and sufficient energy supply.³ The security of energy supply therefore plays an important role and the stable ocean shipping has become an important part of the oil supply.

Because the energy consuming nations and supply nations are distantly located, there is imbalanced distribution of world energy demand and supply. By the end of 2006, 62% of world oil reserves were located in the Middle East, whereas just 5% was located in North America, the biggest consuming area, in which 30% world oil is consumed. Moreover, 3% of the world oil reserve is located in the Asian Pacific area where the petroleum

¹ Cited in David Rosenberg, *Presentation on Safety, Security & Environment in the Straits of Malacca and Singapore*, Middlebury USA: Middlebury University, 2005, p.18.

² Wei Jia Fu, 'Global Shipping and Energy Supply', *BFA Annual Conference: President & CEO of China Ocean Shipping Company*, 22 April 2006, p.2.

³ Wei Jia Fu, p.3.

consumption is about 29%.⁴ With 2% crude oil production growth continues until peak production is reached, world conventional crude oil production would be expected to peak in 2037 at a volume of 53.2 billion barrels per year.⁵ Most of this crude oil production is transported by sea and has to pass certain *choke points* between areas of productions and their final destination.⁶ Chokepoints are defined as sea lanes which tend to be shallow and narrow, impairing navigation, with their capacity being challenged by growing maritime circulation and larger ships.

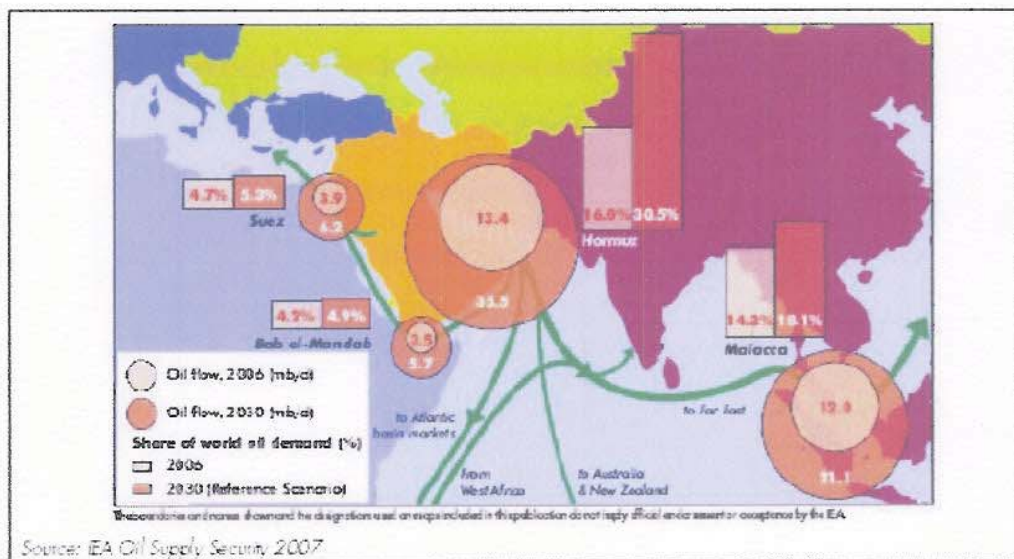


Figure 1. Global chokepoints.

The figure shows the importance of global chokepoints for energy oil shipping in the world. It is likely oil flow would increase considerably in the Straits of Hormuz from 16.0% in 2006 to 30.5% projections share of world oil demand in 2030, and in the Straits of Malacca from 14.0% in 2006 to

⁴ Wei Jia Fu, p.2.

⁵ John H. Wood, Gary R. Long, and David F. Morehouse, 'Long-Term World Oil Supply Scenarios', *Energy Information Administration*, August 18, 2004, p.5.

⁶ Hans-Dieter Evers and Solvay Gerke, 'The Strategic Importance of the Straits of Malacca for World Trade and Regional Development', *ZEF Research Development*, University of Bonn, 2006, p.4.

18.1% projections share of world oil demand in 2030.⁷ Moreover, chokepoints increase navigation risks and compromises access and use.⁸ The chokepoints as *strategic passages* can be mined, blocked by sinking ships, huge oil spills, and interdicted by naval forces, artillery or missile systems.⁹ Restriction at geographic chokepoints has serious implications for trade. This may include some impairment on regional and distance economies.

The purpose of this thesis is to examine, explore, and to analyse how important is the security of oil energy shipments in the Straits of Malacca. In the last few years, East Asia's oil energy demand has been increased considerably. It made significant increase of oil flows in world oil chokepoints in 2006. (See figure 2).

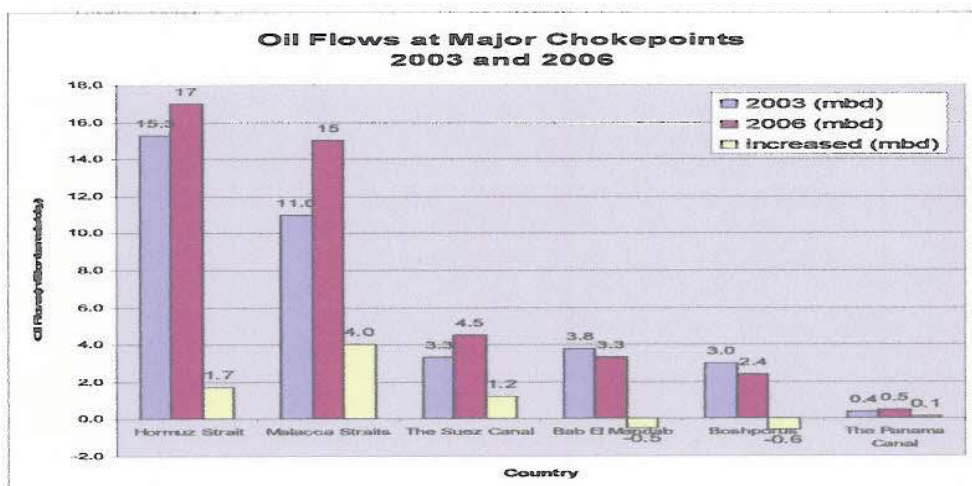


Figure 2. Oil flow at major chokepoints 2003-2006.¹⁰

⁷ Paul Y. Cheng, et al., *Global Oil Choke Points: How Vulnerable is the Global Oil Market?*, Global Equity Research Lehman Brothers, New York: January 2008, p.6.

⁸ 'Chokepoints are narrow channels along widely used global sea routes. They are a critical part of global energy security due to the high volume of oil traded through their narrow straights.' Cited in Energy Information Administration (EIA) 'World Oil Transit Choke Point', *Official Energy Statistic from the U.S. Government*, January 2008, p.1, http://www.eia.doe.gov/emeu/cabs/World_Oil_Transit_Chokepoints/Background.html (15 May 2008).

⁹ Jean Paul Rodrigue, 'Straits, Passage and Chokepoints: a Maritime Geostrategy of Petroleum Distribution', *Cashier de Geographie du Quebec*, Vol. 48, No. 135, December 2004, p.365 http://people.hofstra.edu/Jean-paul_Rodrigue/downloads/CGQ_strategicoil.pdf (25 May 2008).

¹⁰ Energy Information Administration (EIA) 'World Oil Transit Choke Point', *Official Energy Statistic from the U.S. Government*, January 2008, p.1

The graph indicates oil flows at major chokepoints of the world with the largest number of oil flows at the Straits of Hormuz of 15.5 million barrel daily (mbd) in 2003 and 17.0 mbd in 2006. The Straits of Malacca possessed the second largest oil flows with 11.0 mbd in 2003 and 15.0 mbd in 2006. Compared to other chokepoints, the Straits of Malacca has a significant increased of oil flows, approximately 4.0 mbd, since 2003 to 2006. No other region has seen such dramatic increases in numbers. The number of oil flows in Suez Canal is almost one-third of the Straits of Malacca oil flows. Looking at Bab El-Mandeb Strait, Bosphorus Strait, and Panama Canal, it is unlikely that oil flows would increase dramatically in the near future.

The table below has compared *width of narrowest point* among important chokepoints in the world:

Important World Oil Choke Point	Oil Flows in 2006 million barrels/day	Width at Narrowest Point	
The Strait of Hormuz	17	21	mile
<i>The Straits of Malacca</i>	15	1.7	<i>mile</i>
The Suez Canal	4.5	1000	feet
Bab El Mandab	3.3	18	mile
The Turkish Strait	2.4	0.5	mile
The Panama Canal	0.5	110	feet

Figure 3. Comparison among important chokepoints.¹¹

The table shows the Strait of Hormuz's narrowest point is 21 mile wide, compared to the Straits of Malacca, its narrowest point is only 1.7 mile

http://www.eia.doe.gov/emeu/cabs/World_Oil_Transit_Chokepoints/Background.html (26 May 2008).

¹¹ Energy Information Administration (EIA), p. 1.

wide. It will then likely create a natural bottleneck, potential for collisions, grounding, and or oil spills. Unlike the Straits of Hormuz and the Straits of Malacca as natural chokepoints, the Suez Canal and Panama Canal are *artificial chokepoints*, man made canals. The other chokepoints, the Turkish Straits, possesses narrowest chokepoints among them, 0.5 mile wide, however oil flows which pass through this strait is likely manageable.

In 2007, total world oil production amounted to approximately 85 million barrels per day (bbl/d), and around one-half, or over 43 million bbl/d of oil was moved by tankers on fixed maritime routes.¹² The international energy market is dependent upon reliable transport. The blockage of a chokepoint, even temporarily, can lead to substantial increases in total energy costs. In addition, chokepoints leave oil tankers vulnerable to theft from pirates, terrorist attacks, and political unrest in the form of wars or hostilities as well as shipping accidents which can lead to disastrous oil spills. Stretching the fleet then has been indicated to give another problem in the Straits of Malacca.

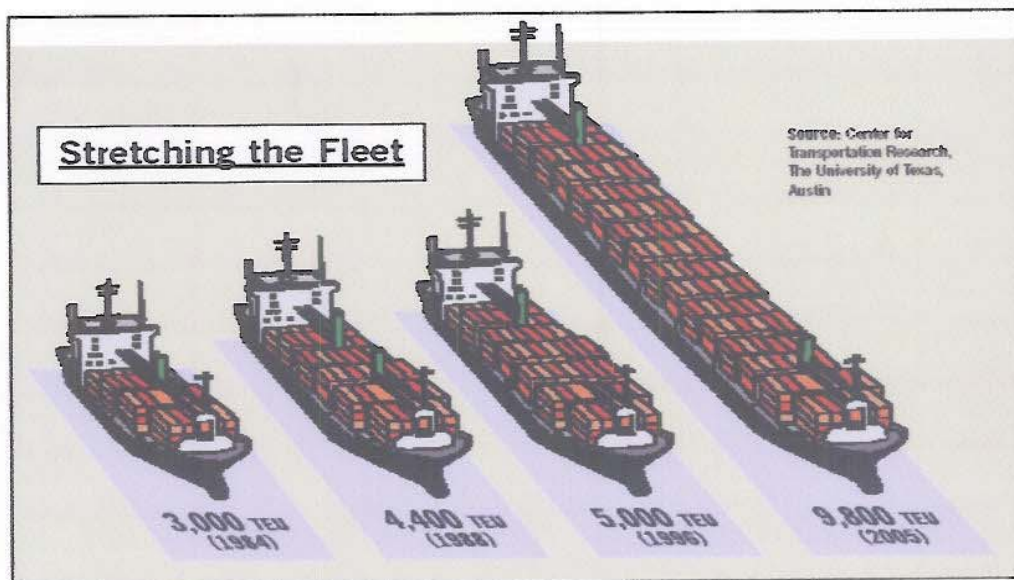


Figure 4. Stretching the fleet.¹³

¹² Energy Information Administration (EIA), p.1.

¹³ David Rosenberg, p.4.

The figure shows stretching average fleet size in 1984, 1988, 1996, and 2005. In 1984 average fleet size was only 3,000 ton equivalent oil (teu), it then increased to 4,400 and 5,000 in 1988 and 1996. In 2005, the average fleet size was 9,800 teu. The maximum limitation of ship's size and length which can pass through the Straits of Malacca is 300,000 deadweight ton (dwt).¹⁴ The alternative route for ship which has size more than 300,000 dwt is through the Straits of Lombok in the middle of Indonesia.

The Straits of Malacca has been the main connecting link between the Middle East and South Asia on one side and Southeast and East Asia on the other. Recently, estimates more than 60,000 vessels per year and more than one third of the tonnage of world shipping pass through the Straits of Malacca each year.¹⁵ This is more than double the number that crosses the Suez Canal and about three times the number of ships that use the Panama Canal. Ports and indicative shipping Routes in the Straits of Malacca can be seen in the figure below:

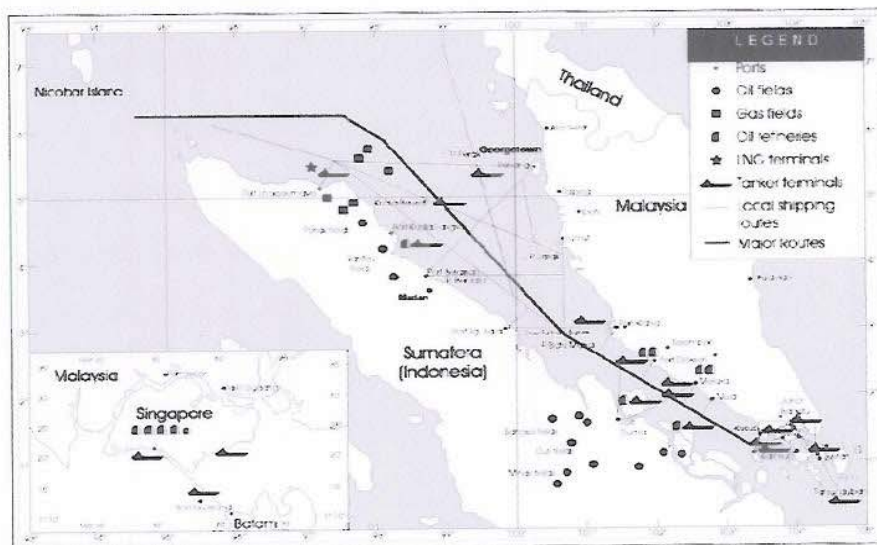


Figure 5. Malacca Straits's shipping route.¹⁶

¹⁴ Jean Paul Rodrigue, p.372.

¹⁵ Sam Bateman, et al., 'Safety and Security in the Malacca and Singapore Straits', *Institute of Defence and Strategic Studies*, Nanyang Technological University, Singapore, May 2006, p.10, http://www3.ntu.edu.sg/rsis/publications/policy_papers/IDSS%20S&S%20book.pdf (7 June 2008).

¹⁶ Sam Bateman, 'Safety and Security in the Malacca and Singapore Straits', p.14.

The figure shows that there are twelve tanker terminals located from the middle of the Straits of Malacca to the South and another four tanker terminals located from the middle of these straits to the North. Singapore has the largest oil refineries in that region.

The Straits of Malacca has increased its position as the world's most important shipping lane. The narrow channels, shallow reefs, and tiny islands create a natural bottleneck that drastically raises the risk of collision.¹⁷ The details of the Straits of Malacca as one of the important chokepoints can be seen as follows:



Figure 6. Malacca Straits's chokepoints.¹⁸

What can be inferred from the figures is that the Straits of Malacca has six chokepoints. From the North to the South, first chokepoint is *one fathom bank* which has 1,391m width and 23.3m depth. The second is *the deep water route diversion at Rupert Island* which has 3,704m width and 25m depth. The third is *western entrance to Singapore Strait* which has 2,965m

¹⁷ Paul Y. Cheng, et al., p.10.

¹⁸ David Rosenberg, p.6.

widths and 28.1m depth. Fourth, *Phillips Channel* which has 1600m widths and 22.5m depth. Fifth is the narrowest chokepoints, *westbound lane*, possesses 532m widths and 20m depth in Singapore Strait. The last chokepoint has 800m widths and 21.2m depth at *Batu berhati*, about 5km away from Singapore's Southern Island.

The Straits of Malacca also possesses vulnerability which caused by unlawful acts or violence as seen on the graphic below:

	Straits of Malacca	South China Sea	Indian Ocean	East Africa	West Africa	South America	Mediterranean	Other Regions	Total
1998	6	94	25	19	22	38	2	4	210
1999	37	136	51	16	36	29	4	0	309
2000	112	140	109	29	33	41	2	5	471
2001	58	120	86	22	58	23	2	1	370
2002	34	140	66	23	47	67	3	3	383
2003	36	154	96	22	67	72	1	4	452
2004	60	113	41	13	57	46	0	0	330
2005	20	97	51	49	23	26	0	0	266

Source: Annual Reports of the IMO (1998 - 2005)

Figure 7. Number of maritime unlawful acts.¹⁹

The table shows that the number of unlawful acts in the Straits of Malacca, as narrow chokepoints, is very significant if compared to number of unlawful acts in South China Sea, Indian Ocean, East Africa, West Africa, and South America which are located in the high seas over a huge area. The number of unlawful acts in the Straits of Malacca declined considerably from 60 in 2004 to 20 in 2005. However, a significant endeavour is likely remained to be a priority to diminish this violence.

¹⁹ Hans Dieter Ever and Solvay Gerke, p.9.

maintenance in a strait of necessary navigational and safety aids or other improvements in aid of international navigation.'²² The following part will look at the legal aspect of *Piracy* and *Armed Robbery* refers to the international law of the sea, especially 1982 UNCLOS.

According to Article 101, 1982 UNCLOS, *Piracy* consists of any of the following acts: any illegal acts of violence or detention, or any act of depredation, committed for private ends by the crew or the passengers of a private ship or a private aircraft, and directed: on the *high seas*, against another ship or aircraft, or against persons or property on board such ship or aircraft; against a ship, aircraft, persons or property in a place *outside the jurisdiction* of any State. *Armed Robbery* against ships means any unlawful act of violence or detention or any act of depredation, or threat thereof, other than an act of *piracy*, directed against a ship or against persons or property on board such ship, within a State's jurisdiction over such offences.²³

The significance of the 1982 UNCLOS article 34 is the legal basis for the authority of a state on a territory as an independent and sovereign state. Article 43 requires the littoral user states to cooperate with user states in maintaining navigational and safety aids for international navigation. Article 101, 1982 UNCLOS is considered that piracy occurs in the high seas outside of the jurisdictions of the states. Consequently, the international community should respect the sovereignty and the right of sovereignty of the states bordering the straits.

Furthermore, the importance of security in the sea lanes of communication in the Southeast Asia region flows from the nature and the complexity of

²² UNCLOS 1982 PART III Straits Used for International Navigations Section 2. Transit Passage, Article 43. *Navigational and safety aids and other improvements and the prevention, reduction and control of pollution*, Admiralty and Maritime Law Guide: International Conventions, <http://www.admiraltylawguide.com/conven/unclospart3.html> (25 Feb 2008).

²³ ICC International Maritime Bureau, 'Piracy and Armed Robbery Against Ships', *Annual Report 2007*, London, January 2008, p.3, <http://community.middlebury.edu/~scs/docs/ICC-IMB-PRC-2007.pdf> (12 June 2008).

the geographical environment as well as their effects in the regional countries and major powers. The World energy need, particularly in oil consumption, has increased in significant amounts. In 2007, the United States has become the world largest oil consumer (943.1 million tons in 2007), followed by China as a consequence of the remarkable increase in its economic growth (368.0 million tons).²⁴ Japan is not far behind China (228.9 million tons).²⁵ China's and Japan's oil trade is transported through the busiest international sea lanes in the Straits of Malacca. As a consequence the demand for the security of energy shipments in the Straits of Malacca has become increasingly important.

Disruption in oil shipments through the Straits of Malacca will have significant impact on China and Japan. Chinese and Japanese oil consumption is much greater than production. By 2000, oil imports accounted for almost 60% of Asian oil consumption, and by 2010 import dependence is projected to increase to at least 75%.²⁶ The rapid growth in regional seaborne energy trade from the Middle East to the South China Sea has resulted in increased numbers of tankers and LNG/LPG carriers shipping through the Straits of Malacca. Consequently, keeping the Straits of Malacca secure is a major priority for China and Japan.

China is recognized as having the greatest economic rate of growth in the world.²⁷ China has become increasingly dependent on oil imports from the Middle East. *The further development of China's economy has been closely related to seaborne trade, and the importance of the sea lanes of*

²⁴Tony Hayward, *BP Statistical Review of World Energy 2008*, London: Beacon Press, 2008, p.12., http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/downloads/pdf/statistical_review_of_world_energy_full_review_2008.pdf (28 June 2008).

²⁵ Tony Hayward, p.12.

²⁶ Ji Guoxing, *SLOC Security in the Asia Pacific*, Hawaii: Asia Pacific Center for Security Studies, 2000, p.6.

²⁷ Masahiro Akiyama, *Prospect for Change in the Maritime Security Situation in Asia and the Role of Japan*, Tokyo: Maritime Security in the Southeast and Southwest Asia International Conference, 2001, p.1.

communication in the Straits of Malacca has increased.²⁸ Unlike China, Japan has experienced economic stagnation in the last decade. At the moment, Japan desires to strengthen their oil imports from the Middle East. Meanwhile, Japan sees China as a rising competitor for oil energy from the Middle East. Most of China's and Japan's oil energy will be transported through the Straits of Malacca. The Straits of Malacca will occupy an important position for both China and Japan as it the main corridor for trade from the Middle East to East Asia.

The other very large regional power, India, located in the Indian Ocean, also has significant interest in the Straits of Malacca. Increasing Chinese interests in the Straits of Malacca and Indian Ocean is likely to push the Indian government to develop their strategy which is known as *India's Look East Policy*. There is an indication that a new maritime strategic rivalry is emerging due to the importance of the Straits of Malacca. China, Japan, and India, have their own reasons to deal with the importance of the security in these Straits. Having said that the Straits of Malacca is important for the United States, the sole remain super power at the moment has desired its presence in this area.

The United States is strongly supportive of the internationalisation of the Straits of Malacca. It is likely because the United States has a global responsibility which is very dependent on the international free passage of the sea. The United States believes that the possibility of maritime terrorism has increased since 9/11, hence it uses its Navy in the maintenance of maritime security both as a deterrence power and as an enforcement body.²⁹ The United States believes that Asia, especially the Straits of Malacca, could be thought of as an area where exercising of terrorist activities might be easier than in other regions.³⁰ The 2002 attack

²⁸ Ji Guoxing, p.1.

²⁹ Masahiro, p.3.

³⁰ Masahiro, p.5.

on the American oil tanker *Limburg* demonstrated al-Qaeda's desire to strike the petroleum distribution infrastructure.³¹

On 31 May 2003, the United States former President Bush offered a global initiative to prevent traffic of weapons of mass destruction (WMD) through the Proliferation Security Initiative (PSI)³². Concerned with security in the Straits of Malacca, the United States then proposed the Regional Maritime Security Initiative (RMSI) program in March 2004. This provided a plan of action to address maritime security needs.³³ However, the littoral user states at the Straits of Malacca; Indonesia, Malaysia and Singapore, rejected the American initiatives.

The littoral user states believes that the conduct of patrol and enforcement actions within this territorial sea must remain the responsibility of the littoral user states as it was important in order to protect state sovereignty. The foreign minister of Indonesia, Malaysia, and Singapore reaffirmed their government's commitment at Batam two-day meeting in 2005.³⁴ Based on their obligations as littoral user states and in view of user interest in the maintenance of the Strait's security, protection of the environment and marine security, the ministers were prepared to allow non littoral user states, international organizations and shipping communities to provide assistance.³⁵ These were indications that Indonesia, Malaysia,

³¹ John F. Bradford, *The Growing Prospects for Maritime Security Cooperation in Southeast Asia*, Naval War College Review, Summer 2005, Vol. 58, No. 3, p.71.
<http://community.middlebury.edu/~scs/docs/Maritime%20security%20cooperation%20in%20Southeast%20Asia.pdf> (11 June 2008).

³² The United States Information Programs, *What is the Proliferation Security Initiative*, United States Department of State Publications, 2004, p.1.
<http://usinfo.state.gov/products/pubs/proliferation/> (25 Feb 2008).

³³ Global Security, 'Regional Maritime Security Initiative', *Global Security.org*,
<http://www.globalsecurity.org/military/ops/rmsi.htm> (25 Feb 2008).

³⁴ Singapore Ministry of Foreign Affairs, *the Batam Joint Statement of the 4th Tripartite Ministerial Meeting of the Littoral user states on the Straits of Malacca and Singapore*, Singapore: Department of Foreign Affairs, Batam, 2 August 2005, p.1,
http://app.mfa.gov.sg/2006/press/view_press_print.asp?post_id=1406 (24 Feb 2008).

³⁵ Singapore Ministry of Foreign Affairs, p.1.

and Singapore had reiterated their serious commitment to the maintenance of the international sea lane's security.

The littoral user states deemed their countries were ready to receive international participation in maintaining security in the Straits of Malacca but not in the form of foreign warships. The three littoral states argued that the assistance could be provided in the form of increased capability, training and transfer of technology. They saw the need to promote cooperation in guaranteeing the Straits of Malacca security for international mutual interests. However, more distant user states have argued that the Straits of Malacca has to be managed jointly, rather than just by the littoral user states. It is necessary to note that there are a number of different perspectives between the user states and littoral user states in securing the Straits of Malacca.

*The complex problems which occur in the Straits of Malacca, along with the impact and strategic implications with the importance in the security of energy shipments in the Straits of Malacca, will be assessed. The PESTLE framework is used for the purpose of examining the factors that have implications for trade and secure passage by all user states of the Straits of Malacca.*³⁶ This also has implications for current and future measures for management of security in the Straits of Malacca.

To reiterate then, the purpose of this thesis is to examine, explore, and to analyse how important is the security of energy shipments in the Straits of Malacca. What are the strategic implications if world energy shipments through the Straits of Malacca were threatened or closed? And how do the *user states and littoral user states develop their strategy to meet the*

³⁶ The PESTLE framework categories environmental influences into six main types: political, economic, social, technological, legal and environmental. These factors are not independent of each other, many are linked. For example, technology developments change the way that people work, their living standards and their lifestyle. Cited in Gerry Johnson, Kevan Scholes, and Richard Whittington, *Exploring Corporate Strategy: Text and Cases*, Harlow England: Prentice Hall Publisher, 7th ed., 2005, p.65.

importance of the security of energy shipments through the Straits of Malacca?

The first chapter will examine China's String of Pearl Strategy and the Straits of Malacca Dilemma. The second chapter will look at a Vital Lifeline of Japan's Seaborne Trade. The third chapter will focus on a Hub of India's Look East Policy. Chapter four consider the 21st Century American's Maritime Strategy in Southeast Asia. Chapter five will observe on sovereignty and the rights of sovereignty of Indonesia. Chapter six will inspect Malaysia's Critical Economic Artery. Chapter seven will consider on the hub port of Singapore. Chapter eight will discuss and analyse how to enhance the security shipments in the Straits of Malacca by utilizing PESTLE framework comprehensively.

The conclusion will draw together the aspects analysed and discussed, will then provide recommendations on the possible useful actions that should be undertaken by littoral user states and user states to improve the security of the energy shipment in the Straits of Malacca.

Chapter 1

China's String of Pearls Strategy and the Straits of Malacca Dilemma



Figure 9. Map of China

The year 2005 marked the 6th century anniversary of China's first experience as a maritime power. In 1405, Emperor Yongle of the Ming Dynasty dispatched a "treasure fleet" of 62 ships under command of the explorer, Zheng He. Four of his ships were some of the largest wooden sailing vessels ever built, then or since, measuring over 400 feet long and 160 feet wide. Included in his fleet were specialized ships for transporting horses, ships designed to carry fresh water, supply ships, troop transports, and military vessels for defense. The fleet embarked into the open ocean with 27,800 men and thousands of tons of Chinese goods to trade during their voyage. By comparison, 87 years later in 1492, Columbus embarked on his fateful voyage with only 3 ships and 87 men. His flagship, the Santa Maria, was barely seaworthy at 75 feet long.³⁷

³⁷ Christopher J. Pehrson, *String of Pearls: Meeting the Challenge of China's Rising Power Across the Asian Littoral*, Strategic Studies Institute of the USA Army War College, Carlisle, July 2006, p.1.

Following centuries of Western maritime dominance, a rising China is taking concrete steps to develop its maritime reach beyond China's periphery. China's dramatic rise poses complex challenges and opportunities for the region. China's growing interest and influence from the South China Sea to the Indian Ocean and the Arabian Gulf through the Straits of Malacca then described as a *String of Pearls* approach that potentially could present with complex challenges for the region.³⁸ A great deal of China's import trade transport from the Indian Ocean to the South China Sea goes through the Straits of Malacca. Hence, over the past few years' Chinese political leaders have come to view the narrow Straits of Malacca as a strategic vulnerability and as a part of the String of Pearls for China's strategic interests.

Each *pearl* in the *String of Pearls* is a nexus of Chinese geopolitical influence or military presence. Hainan Island, with recently upgraded military facilities, is a *pearl*. An upgraded airstrip on Woody Island, located in the Paracel archipelago 300 nautical miles east of Vietnam, is a *pearl*. A container shipping facility in Chittagong, Bangladesh, is a *pearl*. Construction of a deep water port in Sittwe, Myanmar, is a *pearl*, as is the construction of a navy base in Gwadar, Pakistan. Port and airfield construction projects, diplomatic ties, and force modernization form the essence of China's *String of Pearls*. The *pearls* extend from the coast of mainland China through the littorals of the South China Sea, the Strait of Malacca, across the Indian Ocean, and on to the littorals of the Arabian Sea and Persian Gulf.³⁹ Therefore, the *String of Pearls* describes the manifestation of China's rising geopolitical influence through efforts to increase access to ports and airfields, develop special diplomatic

³⁸ The Phrase 'String of Pearls' was first used to describe China's emerging maritime strategy in a report titled 'Energy Future in Asia' by defense contractor, Booz Allen-Hamilton, which was commissioned in 2005 by the US Department of Defense's Office of Net Assessment. Christopher J. Person, *String of Pearls*. Cited in Christina Y. Lin, 'Militarization of China's Energy Security Policy-Defense Cooperation and WMD Proliferation Along its String of Pearls in the Indian Ocean', *Institute fur Strategie-Politik-Sicherheits-und Wirtschaftsberatung, Berlin, 2008, p.2.*

³⁹ Christopher J. Pehrson, p.3.

relationships, and modernize military forces that extend from the South China Sea to the Indian Ocean through the Straits of Malacca.

At the beginning of the 21st century, political leaders in Beijing argue that China has a number of complex threats. The most likely threats for China include the United States military and foreign policies (especially in relation to Taiwan), Japan's re-emergence as a regional military power, India's growing military power and regional influence.⁴⁰ Hence, in the region, China has been actively involved in the establishment and expansion of a regional security organization among China, Russia, and the Central Asian States known as the Shanghai Cooperation Organization.

At the end of 2006, China's government launched China's National defence policy, the fourth white paper that the Chinese government has issued since 2000, which seems simply defensive in nature. China's national defence provides the guarantee for maintaining China's security and unity, and realizing the goal of building a moderately prosperous society in an all-round way. This defence policy is likely swayed towards a realist approach which emphasizes state power and the security dilemma in determining Chinese national security.

Current Chinese threat assessment, however, has also reflected a new recognition of the challenges; new challenges posed by non traditional security issues such as terrorism, arms control, the proliferation of weapons of mass destruction, drug-trafficking, and environmental issues among others.⁴¹ China believes that trans-national issues could be sources of instability that threaten China's national security interests. These are new premises in Chinese policy which in the past focused on the traditional security threats posed by other nations. This development is

⁴⁰ Keith Crane et al. 'Modernizing China's Military: Opportunities and Constraints', *RAND National Defense Research Institute*, Santa Monica: RAND Corporation Publisher, 2005, p.193.

⁴¹ Keith Crane, et.al, p.199.

in part an outgrowth of China's emphasis on ensuring *comprehensive security* which links national security to overall Chinese political and economic development.⁴² It seems likely that China will become an increasingly dominant power over the next few decades. Moreover, why is the security of energy shipments through the Straits of Malacca important for China?

In November 2003, China's President, Hu Jianto, declared that *certain major powers* were bent on controlling the Straits, and then he called the adoption of *String of Pearl strategy* to mitigate the perceived vulnerability. Thereafter the Chinese press devoted considerable attention to the country's *Malacca Dilemma*. For instance, *the China Youth Daily*, June 15 2004, declared: 'It is no exaggeration to say that whoever controls the Strait of Malacca will also have stranglehold on the strategic route of China'.⁴³ This recognition of strategic vulnerability is founded on seaborne trade.

China's government has undertaken a series of economic reforms since 1979. The Chinese government fosters a dual economic structure that has evolved from a *socialist, centrally planned economy* to a *socialist market economic system*, or a market economy with socialist characteristics.⁴⁴ It is in fact state capitalism. From 1979 to 2007 China's real gross domestic product (GDP) grew at an average annual rate of 9.8%. Real GDP grew 11.4% in 2007.⁴⁵ It was the fastest annual growth since 1994. Together with strong economic growth, China's demand for energy has surged rapidly. In 2007, the Chinese share of world energy consumption growth

⁴² Francis P. Sempa, *Geopolitics: From the Cold War to the 21st Century*, New Jersey: Transaction Publishers, 2002, p.116.

⁴³ Ian Storey, 'China's Malacca Dilemma', *China Brief: a Journal of Analysis and Information*, Vol. VI, No. 8, April 2006, Washington DC, 2006, p.4.

⁴⁴ Federal research Division, *Country Profile China*, Library of Congress, August 2006, p.1., <http://lcweb2.loc.gov/frd/cs/profiles/China.pdf> (26 May 2008).

⁴⁵ Wayne M. Morrison 'Report for Congress: China's Economic Condition', *USA Congressional Research Service*, May 2008, p.4.

was 52%.⁴⁶ In 2009 China's oil production was only 3,790 thousand barrels daily, China's oil consumption however increased to 8,625 thousand barrels a day.⁴⁷ (See figure 10).

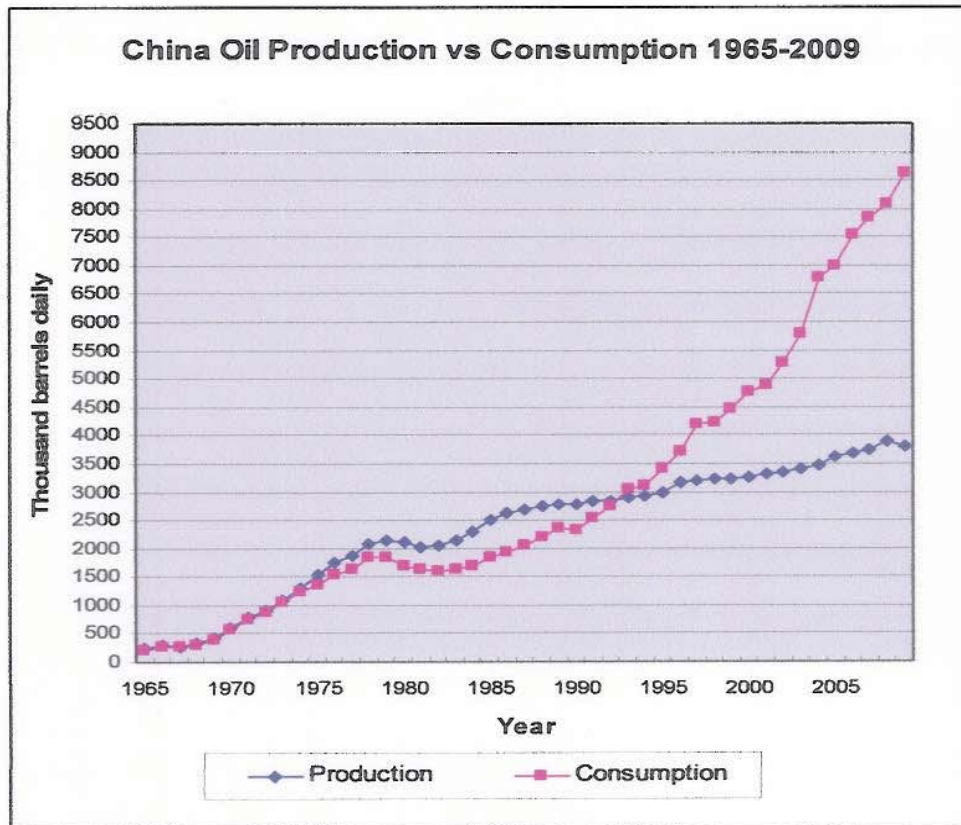


Figure 10. China's oil production and consumption 1965-2009.
(See Appendix A, B, C, and D)

China was the second largest of oil consumer behind the United States of America which consumed 18,686 thousand barrels daily in 2009. (See figure 11).

⁴⁶ British Petroleum, *Statistical Review of World Energy 2008*, London, 2008, p.5, http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/downloads/pdf/statistical_review_of_world_energy_full_review_2008.pdf (28 June 2008).

⁴⁷ British Petroleum, *Statistical Review of World Energy 2010*, London, 2010, pp.8-11, http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/2010_downloads/statistical_review_of_world_energy_full_report_2010.pdf (3 June 2010).

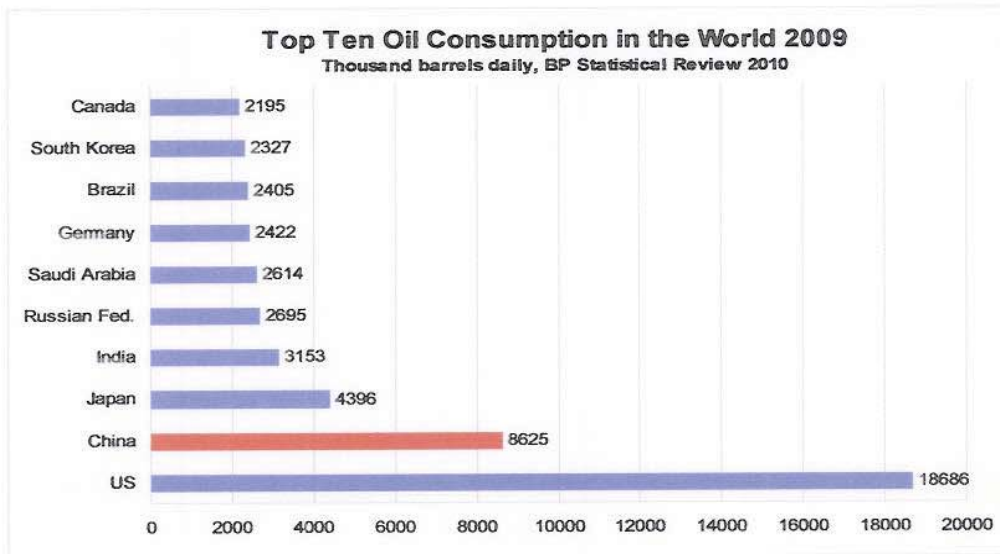


Figure 11. Top ten oil consumption in the World 2009.⁴⁸

In 2009, China was also the world's second-largest net importer of crude oil behind the United States. (See figure 12).

2009	At thousand barrels daily			
	Crude imports	Products imports	Crude exports	Product exports
US	8893	2550	44	1871
China	4086	1041	94	614
Japan	3545	738	–	345
India	2928	217	1.9	740
Singapore	930	1668	47	1505
Canada	785	320	1938	538
S. & Cent. America	504	863	2588	1137
Australasia	458	358	258	42
East & Southern Africa	439	119	297	6
North Africa	369	209	2232	528
Middle East	140	219	16510	1916
Former Soviet Union	18	67	6868	2197
Mexico	9	439	1282	168
West Africa	1	254	4263	110

Figure 12. Crude oil imports and exports 2009.⁴⁹

⁴⁸ British Petroleum, *Statistical Review of World Energy 2010*, p.11.

⁴⁹ British Petroleum, *Statistical Review of World Energy 2010*, p.21.

Most of China's oil imports are transported from Africa and the Middle East passing through the Straits of Malacca. Consequently the need for security in the Straits is very important for China. (See figure 13).



China's Critical Sea Lines of Communication.

Note: In 2004, over 80 percent of Chinese crude oil imports transited the Straits of Malacca, with less than 2 percent transiting the Straits of Lombok.

Figure 13. China's critical sea lanes of communication.⁵⁰

Chinese social factors also have great influence on the security. There were 23% of the 1.3 billion Chinese who didn't have access to clean drinking water. Only 1% of the 560 million people living in urban areas breathe air that by the regulations of the European Union would be called tolerable. 20 of the 30 cities with the highest air pollution are in China because of heavy reliance on coal for their energy. It makes Chinese reform more difficult.⁵¹ As early as 1994, it was estimated that China had a

⁵⁰ United States Secretary of Defence, *Report to Congress: Military Power of the People's Republic of China 2006*, Washington D.C.: the United States Department of Defense., 2006, p.33.

⁵¹ Peter Mattis, 'The Strategic Vulnerability of China's Reliance on Coal', *China Brief*, Volume VI, Issue 8, 12 April 2006, p.7.

surplus of approximately 200 million agricultural workers, and the number was expected to increase to 300 million in the early twenty-first century and to expand even further into the long-term future. China then needs much more energy for its people transportation.

China's technology at present absolutely depends on fossil fuels, both for industries and transportation needs. While there are alternatives to oil, at least for some purposes, these are generally not nearly as effective, are harder and more costly to exploit, or will probably not be viable alternatives. China is having significant increases in the use of cars for transportation and motorization in its overall industry. Thus, the need of oil energy will increase significantly. In this regard the highlight was that China's development in technology provides a significant influence on the need for the security of its oil energy supplies.

Furthermore, the Chinese good governance is needed to ensure the efficient in using the oil energy. The lack of the rule of law has led to widespread government corruption, financial speculation, and misallocation of investment funds on oil energy. Many foreign firms find it *difficult to do business in China because rules and regulations are generally not consistent or transparent, contracts are not easily enforced, and intellectual property rights are not protected.* It is because the lack of an independent judicial system.⁵² China's government then considers that the lack of the rule of law will limit competition and undermines the efficient allocation in using oil energy and its supplies.

With regard to environmental issues, China is the largest producer and consumer of coal, which accounts for about 69% of China's energy requirements.⁵³ Air pollution (greenhouse gases, sulphur dioxide particulates) from reliance on coal produces acid rain. China experiences water shortages, water pollution from untreated wastes, and the effect of

⁵² Wayne M. Morrison, p.23.

⁵³ Energy Information Administration 'China', *EIA Country Analysis Briefs*, January 2007, p.10, <http://www.eia.doe.gov/emeu/cabs/China/pdf.pdf> (25 May 2008).

deforestation. The level of pollution in China continues to worsen, posing serious health risks to the populations. According to a prognosis of the International Energy Agency (IEA) China may overtake the United States as the biggest producer of air pollution by the end of 2007. This is not because the United States has decreased its production, but because China's industry is growing so rapidly and nobody seems to be controlling it. China considers changing coal energy to oil energy for a number of its industries. Accordingly, the need of oil energy and security of its supplies will increase considerably. Moreover, what are the strategic implications for China if energy shipments through the Straits of Malacca were threatened or closed?

There are particular strategic implications for China related to the security of oil shipments in the Straits of Malacca if these Straits are threatened or closed. While the US Energy Information Administration (EIA) projects that China's oil consumption will continue to grow rapidly in the next few decades, political implications can be seen to have an impact from China's foreign policy.⁵⁴ China's foreign policy signals more assertive and aggressive stance in this matter. The implication was that China's oil energy needs have given its political leader a clear direction to promote a more expansive and assertive foreign security policy.

Moreover, disruption on its oil energy supply would have significant detrimental impacts for China's economy. If the oil tankers took longer to get to China, caused by a threat in the Straits of Malacca, could bring increases of the price of its oil energy and would likely affect on its economic. This economic affect may include lower industrial output, a decline in investment, reduced consumer demand, a worsening balance of payments record and overall flow of resources from oil importing to

⁵⁴ Roland Dannreuther 'Asian Security and China's Energy Need' *International Relations of the Asia Pacific* Volume 3, August 2003, Oxford University Press, p. 198.
<http://irap.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/3/2/197?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=Japan+energy+security&searchid=1&FIRSTINDEX=0&resourcetype=HWCIT> (25 May 2008).

China.⁵⁵ It is natural that an energy importing country, particularly one pursuing a fast process of economic development, should devise an effective energy security policy. The Chinese government believes more secure energy supply to China through the Straits of Malacca seems likely continue to allow China on its economic growth path.

In October 2005, the Fifth Plenum of the Sixteenth CCP Central Committee took place. The plenum was set to review and approve the 11th Five-Year Plan, a *blueprint* for political, economic, and social activities, which would be adopted by the National People's Congress.⁵⁶ The Fifth Plenum then approved the new Eleventh Five-Year Plan (2006–2010), which emphasized a shift from extensive to intensive growth in order to meet demands for improving social wellbeing. With greater personal wealth comes demands for a higher standard of living, this has further contributed to the overall increase in oil energy demand. Interesting point made that social factor provided significant implications to the China's government in shaping the level of security of oil energy imports from other countries. The demand to improve their social wellbeing will impact on increasing oil energy consumption. It indicated the need of oil energy imports will then constantly increase. Consequently demand for the security of its oil energy supply will increase significantly. Further, what are the strategic implications if oil energy shipments through the Straits of Malacca were threatened or closed?

Initially China's government would likely employ diverse means to acquire energy resources, for instances providing technological assistance by offering packages that combine development of ports, and other infrastructure developments and sometimes even weapons exports and military aid.⁵⁷ China then pursues a three-step development strategy in

⁵⁵ Roland Dannreuther, p.199.

⁵⁶ John Paul, 'Date Fixed for Fifth Plenum of Chinese', *AsiaNews.it*, September 2005, Beijing, p.1. <http://www.asianews.it/view.php?l=en&art=4230> (24 May 2008).

⁵⁷ Tsutomu Toichi, 'Asian Energy Demand and Competition', *The Institute of Energy Economics*, Tokyo, June 2008, p.8.

modernizing its national defence and armed forces, in accordance with the state's overall plan to realize modernization of its technology.⁵⁸ One of the objectives in modernizing its forces is to ensure the secure of its oil energy supply along the Straits.

Looking at law and regulations, law and regulation often go un-enforced or are ignored by Chinese local government officials. China maintains a weak and relatively decentralized government structure to regulate economic activity in China. Growing concerns over the health and safety of Chinese products (such as fish, pet food, tires, and toys), the implications were that many countries could lead consumers to reduce their purchases of Chinese products and could undermine China's efforts to develop and promote internationally recognized Chinese brands. This has led to a proliferation of unsafe food and consumer products being sold in China or exported abroad. The lack of law and regulation has significant strategic implications on its export and import system including oil energy import from abroad.

Further, due to changes in the global environment, China has taken part in several environment agreements. Most of environment agreements were signed by China's government, it included an Antarctic-Environmental Protocol, Antarctic Treaty, Biodiversity, Climate Change, Climate Change-Kyoto Protocol, Desertification, Endangered Species, Hazardous Wastes, Law of the Sea, Marine Dumping, Ozone Layer Protection, Ship Pollution, Tropical Timber 83, Tropical Timber 94, Wetlands, and Whaling.⁵⁹ It was evident that the government of China has positive intentions to secure the environment. Chinese government ensures that its oil shipments will not cause pollution along the *Sea Lanes of Communication*. As a result, its oil safety and security supplies will increase considerably.

⁵⁸ State Council of the People's Republic of China, *China's National Defense 2006*, Beijing: Information Office of the State Council of the People's Republic of China, 2006, part II National Defense Policy, p. 1.
<http://www.china.org.cn/english/features/book/194421.htm> (30 May 2008).

⁵⁹ Central Intelligence Agency, *the World Fact Book*, June 2008,
<https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (24 June 2008).

Furthermore how does China develop its strategies to meet the importance of the security of energy shipments through the Straits of Malacca? The first strategy is that regionally China has a strong stake in maintaining good relations with its neighbours and a stable environment in the Asia-Pacific region. These trends are reflected in China's increased engagement with regional security organizations, and China's also growing attention to regional non-traditional security challenges.⁶⁰ Moreover, China has begun to implement a range of policies to boost domestic energy exploration and production, together with energy diversification and conservation.

Second, China's international politics has undergone an important evolution. Beijing's foreign policy began to reflect a more sophisticated, confident, less confrontational, and more proactive approach not only toward regional but also to global affairs. China has emerged as far more active in addressing trans-national security issues. Chinese perceptions of the international and regional security environment began to moderate.⁶¹ China has emerged as a major player in global politics and its influence will steadily rise in the coming years.

Third, China has identified a number of challenges in the economic energy sector. As reported by Vice Premier Zeng Peiyan to the People's Congress in March 2006, China faces the following problems in the economic energy sector.⁶² To counter the economic problems, the Chinese leadership further has set the following other new strategies: speeding up the development of new energy and renewable energy sources; building up petroleum reserves; enhancing energy resources

⁶⁰ Angel M. Rabasa, 'Southeast Asia After 9/11: Regional Trends and U.S. Interests' *RAND National Defense Research Institute*, Santa Monica: RAND Corporation Publisher, 2001, p.3. <http://www.dtic.mil/cgi-bin/GetTRDoc?Location=U2&doc=GetTRDoc.pdf&AD=ADA400152> (3 March 2008).

⁶¹ David C. Gompert et. al., 'China on the Move: a Franco-American Analysis of Emerging Chinese Strategic Policies and Their Consequences for Transatlantic Relations', *RAND National Defense Research Institute*, Santa Monica: 2005, p.1.

⁶² Wenran Jiang, 'Beijing's New Thinking on Security Energy', *China Brief: a Journal of Analysis and Information*, Vol. VI, No. 8, April 2006, Washington DC, 2006, p.2.

survey capabilities; coal mining with high efficiency and clean burning technology⁶³; adjusting electricity supply structure for higher efficiency; increasing the supply of natural gas.

Fourth, in social factors, China has proclaimed that one child policy should be continued, which limits couples to having one child, in the five years planning period (2006-2010). One demographic consequence of the *one child policy* is that China is now one of the most rapidly aging countries in the world.⁶⁴ However, China's government believe that reductions in birth rate will have a direct affect on the reduction of China's energy consumption. China's government believes that a further reduction in energy consumption will give a positive impact to China's energy security.

Fifth, in reducing its vulnerability of the Straits of Malacca, China is diversifying its sources of energy away from the Middle East and is considering financing transit routes that would by pass the Straits of Malacca altogether. In diversifying its sources, the Chinese government has earmarked \$100 billion for overseas acquisition of oil and gas, and the Chinese are going on a buying spree investing in Canadian energy companies.⁶⁵ One of the Chinese oil companies, Sinopec, has acquired 40% of the Northern Lights Oil Sands Project in Alberta, Canada at cost of C\$150 million. Production was expected to begin in 2009-2010 from these

⁶³ Peter Mattis, p.8.

⁶⁴ Matt Rosenberg, *China's One Child Policy: China's One Child Policy designed to Limit Population Growth*, About.Com.Geography, p.1.
<http://geography.about.com/od/populationgeography/a/onechild.htm> (23 May 2008).
China's one child policy was established by Chinese leader Deng Xiaoping in 1979 to limit communist China's population growth. Although designated a 'temporary measure,' it continues a quarter-century after its establishment. The policy limits couples to one child. Fines, pressures to abort a pregnancy, and even forced sterilization accompanied second or subsequent pregnancies.

⁶⁵ Theodore W. Boll, 'Canadian Oil Sands: A New Force in the World Oil Market', *Joint Economic Committee United States Congress*, June 2006, pp.1-13,
http://www.house.gov/jec/publications/109/06-26-06_oil_sands.pdf (24 May 2008)
Platts, 'Canadian oil sands vital to China's energy security', *China Institute*, University of Alberta, May 2006, p.2,
<http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=46273&nav02=43112&nav01=43092> (12 May 2006).

investments.⁶⁶ The oil would transport to China through the Straits of Malacca and some more reaching China by other sea to reduce the vulnerability of the Straits of Malacca.

The plan for Gwadar Deep Sea Port in Pakistan was one of the other alternatives for which China had flown its Vice Premier, Wu Bangguo, to Gwadar to lay its foundation on March 22, 2002. This route would involve oil tanker off loading their cargoes at Port Gwadar. Energy resources would then be transported by road to Karakorum then to Xinjiang province.⁶⁷ This mega project will take 8-10 years to complete. The first phase of the project was completed at a cost of \$250 million with the Chinese assistance in a span of nearly three-years. The implementation of the second phase of Gwadar Port project began with the release of the first instalment of Rs16.3 billion. It will help undertake deepening of the port at a cost of \$865 million. China has also promised to provide \$50 million soft loan.⁶⁸ Beijing already has set up electronic eavesdropping posts at Gwadar in the country's southwest corner, the part nearest the Persian Gulf. The post is to monitor ship traffic through the Straits of Hormuz and the Arabian Sea. The Gwadar port will enable China to monitor its energy shipments from the Persian Gulf. It may offer a safer alternative route from sea and then joint to Pakistan overland route (see figure 14) for its energy imports from Persian Gulf as one among other solutions of China's Malacca dilemma.

⁶⁶ Platts, 'Canadian oil sands vital to China's energy security', *China Institute*, University of Alberta, May 2006, p.2, <http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=46273&nav02=43112&nav01=43092> (12 May 2006).

⁶⁷ Ian Storey, p.5.

⁶⁸ Syed Fazl-e-Haider 'Gwadar Project in Second, *Dawn Group*, Karachi: Haroon House, June 2005, p.1 <http://www.dawn.com/2005/06/27/abr9.htm> (26 May 2008).



Figure 14. Plan for upgrade Pakistan highway.

In Sri Lanka, there has been allocated an exploration block in the Mannar Basin to China for petroleum exploration. This allocation would connote a Chinese presence just a few miles from India's southern tip, thus causing strategic discomfort for India. At Hambantota, on the southern coast of Sri Lanka Beijing has built bunkering facilities and on oil tank farm.⁶⁹ This infrastructure will help service hundreds of ships that traverse the sea lanes of communications to China.

⁶⁹ Dipanjan Roy Chaudhury, 'Boosting Maritime Capabilities in the Indian Ocean', *Indian Currents*, New Delhi August 23, 2007, p.3, <http://www.worldpress.org/Asia/2908.cfm#down> (4 June 2008).

In Maldives, China has engineered a manner of naval base by coaxing Maldives' Abdul Gayoom government to let it establish a China's naval base in Marao. Marao is one of the largest of the 1192 coral islands grouped into atolls that comprise Maldives and lies 40 km south of Male, the capital. The base deal was finalised after two years of negotiations when Chinese Prime Minister Zhu Rongji visited Male on 17 May 2001.⁷⁰ A Chinese base in Marao islands puts it in a direct position to influence oil shipments in Indian Ocean from Straits of Hormuz to the Straits of Malacca.

In Bangladesh, China is strengthening its ties to the government and building a container port facility at Chittagong. The Chinese are seeking much more extensive naval and commercial access in Bangladesh. Prof Nie Youlie, an influential Chinese Navy advocate for economic security of the East China University, argues that a country that depends on sea trading faces the greatest threat to its survival in areas outside its own border.⁷¹ Port facilities at Chittagong seem likely to support China's String of Pearls strategy to secure the energy shipments in the Indian Oceans and the Straits of Malacca. (See figure 15).

⁷⁰ A.B. Mahapatra, 'China: Base Strategy-China acquires a base in Maldives against India with some help from Pakistan', *Dhivehi Observer*, 8 May 2005, p.2, <http://www.dhivehiobserver.com/speicalreports/China-base-in-Maldives0705051.htm> (13 August 2008).

⁷¹ Paul Burnell and Andy Denwood, 'Perils of New Pacific Arms Race', *BBC news*, August 2007, p.1., on line in <http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/asia-pacific/6937293.stm> (22 May 2008).

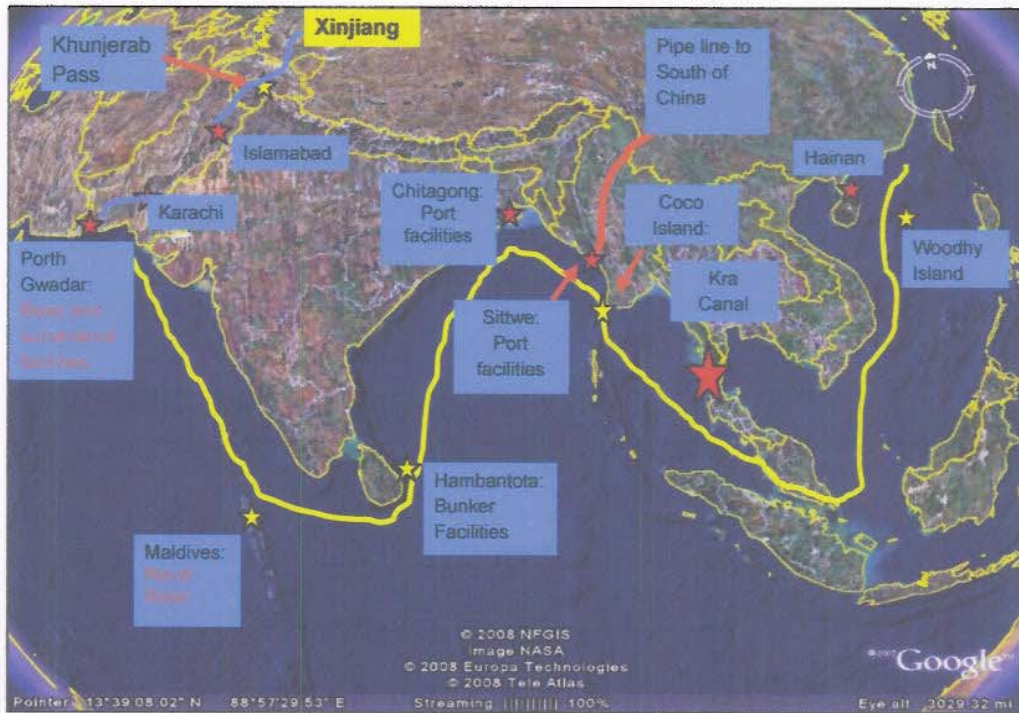


Figure 15. China's String of Pearls strategy

In Burma, China is giving serious consideration to do infrastructure project 750 mile pipeline from Sittwe Burma to Kunming in Yunan province in China with an estimated cost \$2 billion. Then in December 2005 the Burmese junta signed a deal with Petro China to supply 6.5 trillion cubic feet of natural gas to China over 30 year period.⁷² China has built naval bases in Burma and has electronic intelligence gathering facilities in Coco Islands in the Bay of Bengal and near the Strait of Malacca. (See figure 16).

⁷² Ian Storey, p.5.



Figure 16. Burma China pipeline.

If a gas pipeline has constructed, it seems likely that China would also build an oil pipeline running parallel as described by Secretary of the Yunnan Provincial Committee of China, Bai Enpei: 'The plan of the oil pipeline, linking Myanmar's deep-water port of Sittwe with Yunnan provincial capital Kunming, was approved by China's National Development and Reform Commission April 2007.'⁷³ Many technical problems remain to be solved, which requires time. However, in January 2008 next to the naval base Kyaukphyu a deep water harbour was being

⁷³ Bai Enpei 'China, Burma Still Discussing Proposed Pipeline', *Xinhua Economic*, March 2008, p.1, http://www.downstreamtoday.com/News/Articles/200803/China_Burma_Still_Discussing_Proposed_P_9249.aspx?AspxAutoDetectCookieSupport=1 (25 May 2008).

built. It will be a terminal for oil from Middle East and Africa, which will be piped to China along the same route.⁷⁴ Now perhaps Burma is China's most important ally in Southeast Asia.⁷⁵

As mentioned the vulnerability of China's energy shipments has set Beijing scrambling for alternative safe supply routes for its energy shipments. Chinese has also been proposed to construct a canal across the Kra Isthmus in Southern Thailand.⁷⁶ The canal, it was argued, would create jobs, generate revenue in the form of transit fee and oil refining, and benefit the China economy because ships could save 3-4 days sailing time by avoiding the Straits of Malacca.

In 2003, China desired to speed up the building of China-ASEAN program which work for the construction of the Pan-Asia Railway network.⁷⁷ China is ready to provide, according to its ability, technical, human and equipment support for the initial study and construction of the non-China section of the railway. It is a development of comprehensive 5,500km trans-Asian railway network that would link China to many ASEAN nations, and construction is set to commence as early as 2008.⁷⁸ (See figure 17).

⁷⁴ Graeme Jenkins, 'Burmese Junta Profits from Chinese Pipeline', *Telegraph.co.uk.*, 16 January 2008, p.2, <http://www.telegraph.co.uk/news/ukews/1575571/Burmese-junta-profits-from-Chinese-pipeline.html?service=print> (26 May 2008).

⁷⁵ John Walsh, 'Myanmar Solves Malacca Dilemma', *Suite 101 the Genuine Article*, August 2007, p.1., http://burma.suite101.com/article.cfm/myanmar_solves_malacca_dilemma (27 May 2008).

⁷⁶ Ian Storey, p.5.

⁷⁷ Wen Jiabao, 'Expand Cooperation for Mutual Benefit and Win-Win Progress', *Government Document*, Statement at the 11th China-ASEAN Summit by Chinese Premier, Singapore, November 20, 2007, p.2, http://www.bjreview.com.cn/document/txt/2008-01/03/content_94026.htm (12 June 2008).

⁷⁸ Zhang Xuegang, 'Southeast Asia and Energy Gateway to Stability', *China Security*, Vol. 3, No. 2, p. 23, http://www.wsichina.org/cs6_2.pdf (14 June 2008).



Figure 17. Pan-Asia railway.

In November 2007, at the 11th China-ASEAN Summit, the Chinese Premier Wen Jiabao said that China and ASEAN was making continued efforts to build the *Great Mekong Information System*. In addition, China will support the maritime investigation training program and the port country monitoring training program for the three littoral user states of the Straits of Malacca for the next few years.

Sixth, China was building up military forces and setting bases along sea lanes from the Middle East to project its power overseas and protect its oil shipments.⁷⁹ China has very greatly increased its defence expenditure,

⁷⁹ Bill Gertz, p.1.

\$103 billion in 2005 to \$122 billion in 2006,⁸⁰ and has also significantly boosted its nuclear capabilities, and naval forces. The country has realised that China need high maritime force capability in order to secure its sea lanes of communication.

Previously China did not have the capability to maintain anything but a symbolic naval presence on the approaches to the mainland. Recently, the PLA is building contingency capabilities for the SLOC challenge. At the combat level, before the navy is able to organize escort fleets to deep oceans; submarine warfare has been identified as the most cost-effective to enhance security of its oil supplies along the sea lane of communication from Indian Ocean to South China Sea through the Straits of Malacca.⁸¹ In 2005, Chinese naval vessels visited Pakistan, and for the first time conducted combined naval manoeuvres outside their home waters.⁸² China seems likely to shift to a broader sea control strategy in the sea lanes for its energy imports, in the Indian Ocean, the Straits of Malacca, and the South China Sea. (See figure 18).

⁸⁰ Klaus Naumann, et al., 'Towards a Grand Strategy for Uncertainty World Renewing Transatlantic Partnership', *Noaber Foundation*, AK Lunteren, 2007, p.54, http://www.csis.org/media/isis/events/080110_grand_strategy.pdf (11 June 2008).

⁸¹ You Ji, 'Dealing With the Malacca Strait Dilemma: China's Efforts to Enhance Energy Transportation Security', *EAI Background Brief No. 329*, 12 April 2007, p.3., <http://www.nus.edu.sg/NUSinfo/EAI/BB329.pdf> (25 May 2008).

⁸² Office of the Secretary of Defense 'Military Power of the People's Republic of China 2006', *Report to Congress*, Department of Defense of the U.S., 2006, p. 31.

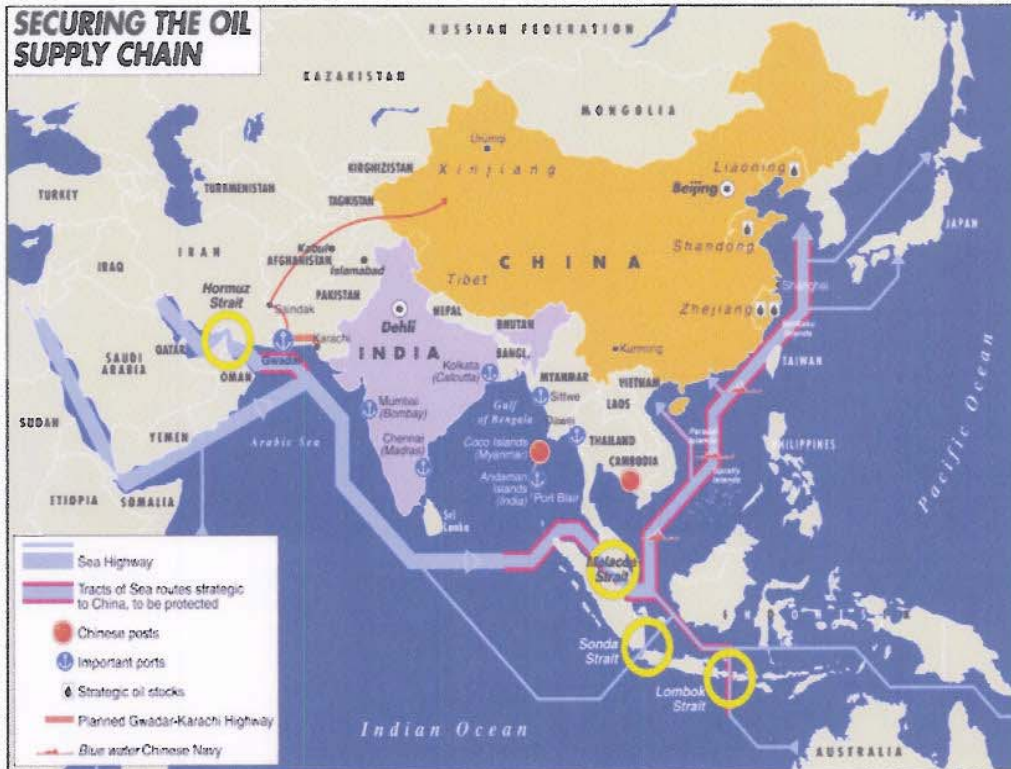


Figure 18. Securing China's oil supply chain.⁸³

Additionally, China is building up its military forces in seeking ability to project air and sea power from the mainland and Hainan Island. There has been signal of China's development of a blue water navy with a global strategic reach capability: a huge underground naval base on the well-placed island of Hainan that, with good reason, is believed to be the home of its latest class of nuclear submarines equipped with nuclear weapons. Particularly noteworthy is the ability of departing and incoming submarines to leave and enter the base underwater, thus significantly enhancing their ability to remain hidden from prying eyes.⁸⁴ China recently upgraded the

⁸³ Heartland Geopolitical Map, 'Securing the Oil Supply Chain', *Eurasian Review of Geopolitics*, Limes 4 2005, http://www.heartland.it/map_securing_oil_supply_chain.html (29 May 2008).

⁸⁴ Michael Hunstman, 'Why Does China Need a Blue Water Navy', *the Brussels Journal: Forging Transatlantic Alliances*, May 2008, p.1., <http://www.brusselsjournal.com/node/3223>

military airfield on Woody Island and increased its presence through oil drilling platforms and ocean survey ships.⁸⁵ (See figure 19).



Figure 19. Woody Island airfield

Since 1980, 15 groups of Chinese naval ships have visited 20 countries. In the spring of 2001, People's Liberation Army Navy (PLAN) warships conducted one deployment to India and Pakistan. The semi-annual PLAN out-of-area deployments and port visits are maritime diplomacy conducted as an integral part of Beijing's global and regional engagement strategy. These goodwill deployments demonstrate China's slowly emerging *blue water navy* capability. This strategy is likely to enhance oil energy security to deter the potential disruption from potential threats along the route of its oil energy transportation.

⁸⁵ Alexander's Gas and Oil Connection, 'China builds up strategic sea lanes to protect its oil shipments', *Washington Times: News and Trend East and Southeast Asia*, volume 10, issue #3, February 10, 2005, p.1., <http://www.gasandoil.com/goc/news/nts50647.htm>

To conclude, China considers the safe passage of energy oil through the Straits of Malacca as extremely important. China views the Straits of Malacca as a strategic vulnerability and therefore China should strengthen their '*String of Pearl's Strategy*'. The solution of the China's Malacca dilemma consists of a number of critical parts. Politically, China's government should maintain good relationships with regional and international actors along the sea lanes of communication from the Middle East, the Indian Ocean and the Straits of Malacca.

In environmental aspect, Chinese government is seeking to reduce import dependence through oil energy efficiency program and harnessing alternative sources which give consideration to environmental issues. The Chinese government also believes that the most important elements to reduce China's Malacca dilemma was to speed up the development of China's oil reserves in the country and renewable energy sources from abroad such as from Canada which then the oil coming to another way to get to China.

In developing technology, China puts emphasis on investment in a number of construction projects that can bypass its oil energy supplies through the Straits of Malacca, such as Gwadar Port Pakistan, Sittwe Port Burma, and Kra Isthmus in Southern Thailand. Trans Asia railway plan is another transport alternative route of oil supplies to China. It was a development of comprehensive 5,500km trans-Asian railway network that would link China to many ASEAN nations along the Straits of Malacca. China also places emphasis on legal aspects of its economic trade including law and regulations to enhance security of its oil supplies. Moreover, to secure its oil shipments, PLA Navy seems more active to enhance China's role in Blue Water Navy diplomatic and presence in the Sea Lane of Communication from South China Sea goes through the Straits of Malacca to Indian Oceans.

Chapter 2

A Vital Lifeline of Japan's Seaborne Trade



Figure 20. Map of Japan

Japan is a country located in Eastern Asia an island chain between the North Pacific Ocean and the Sea of Japan, east of the Korean Peninsula. Japan has limited natural resources and a population estimate of 127,288,419 people.⁸⁶ In order to ensure survival and prosperity, securing stable access to various resources including energy supplies, assuring stable markets, and ensuring the safety of sea lanes of communications, which contributes to Japan's strategic interests, are extremely important. Security in the sea lane of communications, especially in the Straits of Malacca appears to be a major priority for maintaining Japan's national security. Japan's peace, stability, and prosperity are connected directly to

⁸⁶ Central Intelligence Agency 'Japan', *the World Fact Book*, July 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/ja.html> (18 July 2008)

that of other regions and the world. Japan, a democratic nation, has the world's second-largest economy.⁸⁷

Since the end of Second World War, Japan has seemed reliant on the United States. The United States committed to defend Japan from external aggression, given the importance of Japan's geopolitical and economic power. The Japanese government believed that, in order for Japan to ensure peace, security, and prosperity, it was of vital importance to strengthen its alliance with the United States.⁸⁸ Most importantly Japan could share its ideals and values, a common geopolitical condition as a maritime nation, and hold the strongest economic relationship. During the Cold War Japan's geopolitical characteristics constituted an important part of the United States system of deterrence against the Soviet Union, contributing to the defence of the West as a whole.⁸⁹ Japan was permitted to only use self-defence but remained dependent on the United States. The Japan and the United States security arrangement was further strengthened in terms of the importance to Japan's defence during this period.

However, since the end of the Cold War significant changes have been seen in the strategic environment such as the proliferation of threats, ambiguities, the occurrence of various regional disputes, and the increase in new, complex, and diverse dangers, including concern for the proliferation of weapons of mass destruction, and ballistic missiles.⁹⁰ The Japan and the United States security relationship was however not necessarily a result of the Cold War. It is a partnership that is deeply

⁸⁷ Kim R. Holmes, et al. '2008 Index of Economic Freedom', *The Heritage Foundation and Wall Street Journal*, 2008, p.229, <http://www.heritage.org/research/features/index/downloads/Index2008.pdf> (17 July 2008)

⁸⁸ Central Intelligence Agency 'Japan', 2008.

⁸⁹ Nishimoto Tetsuya, 'Roles and Missions of the United States and Japan in the Japan-U.S. Alliance' *Pacific Forum CSIS May 2001*, Honolulu, Hawaii, 2001, p.16., http://www.csis.org/media/csis/pubs/issuesinsights_v01n01.pdf (27 May 2008).

⁹⁰ Fumio Kyuma, 'Summary of Defense of Japan 2007', *Defense of Japan White Paper 2007*, Japan Ministry of Defense, 2007, p.1. http://www.mod.go.jp/e/publ/w_paper/pdf/2007/04Summary.pdf (23 May 2008).

rooted in politics, economics, society, technology, and security. The original meaning of the Japan and the United States alliance was to deter aggression against Japan, including nuclear deterrence, and to defend Japan from an unexpected future threat which remains fundamentally unchanged. Furthermore, why is the security of energy shipments through the Straits of Malacca important for Japan?

With regard to Japanese regional politics, Japan's National Diet (parliament) elected Shinzo Abe as the country's prime minister on September 26, 2006, succeeding Junichiro Koizumi. Shinzo Abe was widely expected to make a foreign policy declaration, including a key statement on Tokyo's Middle East policy. The Japanese government desired that the Middle East should become Japan's 'Corridor of Peace and Prosperity'.⁹¹ In February 2007, the Japanese government listed three reasons highlighting the importance of the Middle East and the Gulf Cooperation Council Countries (GCC) to Japan are: oil, economic transformation that is throwing up lucrative investment opportunities, and value of Middle East stability for global peace.⁹² In September 2008 former Japan Prime Minister Taro Aso commits to continue Japan's government aims to bring its initiative: Middle East as 'Corridor of Peace and Prosperity'.⁹³ Middle East will remain to be the main sources of Japan's oil import and Japan's oil imports will likely transport from the Middle East to Japan goes through the Straits of Malacca. Apparently the Straits of Malacca seem to be very important for Japan.

⁹¹ Abdulaziz Sager, 'Japan's Chance to Build Mideast's Corridor of Peace', *Saudi US Information Service*, April 2007, p.1, <http://www.saudi-us-relations.org/articles/2007/loi/070429-sager-japan.html> (26 May 2007).

⁹² Abdulaziz Sager, p.1.

⁹³ Taro Aso, 'The Sixty Third Session of the General Assembly of the United Nations', *Speeches and Statement of Japan's Prime Minister*, New York, 25 September 2008, p.4., http://www.kantei.go.jp/foreign/asospeech/2008/09/25speech_e.html (28 November 2008)

Looking at Japan economic aspects, while Japan boasts one of the largest economies in the world however Japan has for more than a decade experienced economic stagnation into the early 21st century. Why has Japan's economy, once the envy of the world, fallen on such hard times, and why has recovery taken so long? Daniel I. Okimoto, in *Causes of Japan's Economic Stagnation*, argues that Japan's economic crisis from 1985 through 2000 was a result of surplus in savings.⁹⁴ Japan has traditionally enjoyed an unusually high savings rate and a comparatively low consumption rate. During the decades of recovery and high-speed growth, this *savings surplus* supplied sorely needed capital to private industry in the form of bank loans. Another reason was the ruling party LDP has been reluctant to implement far-reaching reforms or tackle the tough issues, such as the warning overhang of nonperforming loans (NPLs).⁹⁵ A combination of surplus in saving and reluctance to reform made Japan stayed in economic stagnation for more than a decade before 2000.

Further, examining Japan's oil consumption compared to other countries. In 2009 Japan oil consumption was 4,396 thousand barrels daily. It endowed Japan with the third largest oil consumer behind China (8,625 thousand barrels daily) and the United States (18,685 thousand barrels daily). (See figure 21).

⁹⁴ Daniel I. Okimoto, 'Causes of Japan's Economic Stagnation', *Asia Pacific Research Center*, Institute for International Studies Stanford University, April 2004, p.1, http://aparc.stanford.edu/research/causes_of_japans_economic_stagnation/ (24 May 2008).

⁹⁵ Daniel I. Okimoto, p.2.

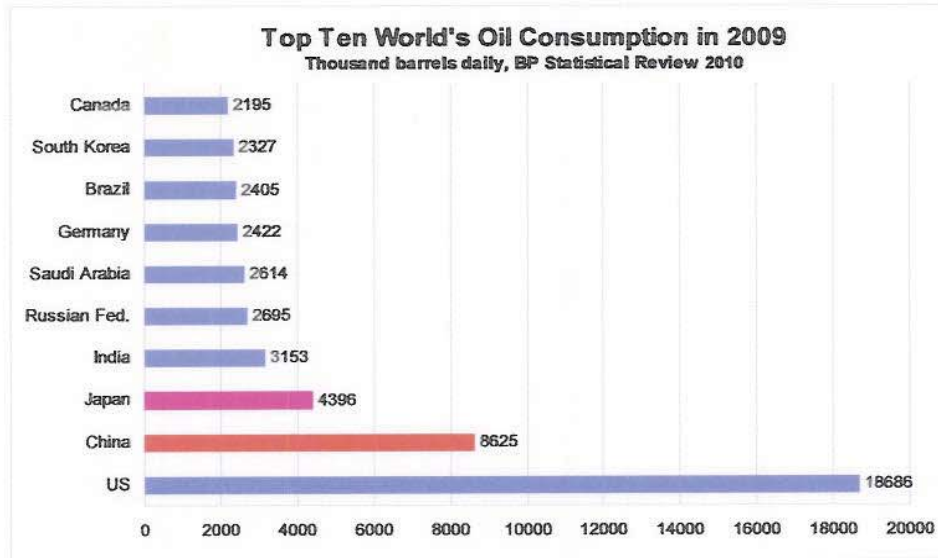


Figure 21. Top ten world's oil consumption 2009.⁹⁶

Moreover, in 2009, Japan's crude oil imports was 3,545 thousand barrels daily. Japan remains the third largest crude oil importer behind China (4,086 thousand barrels daily) and the United States (8,893 thousand barrels daily). (See figure 22).

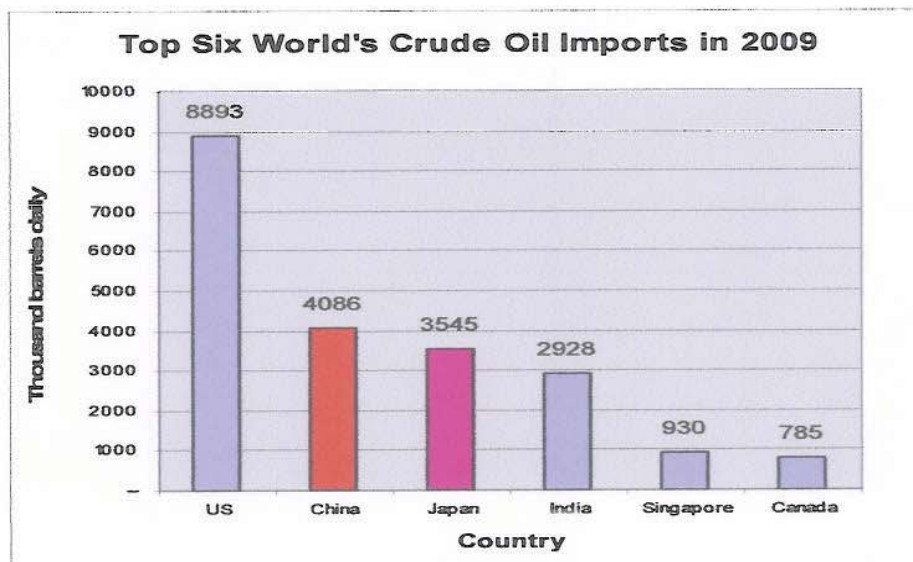


Figure 22. Top six world's crude oil imports 2009.⁹⁷

⁹⁶ British Petroleum, *Statistical Review of World Energy 2010*, p.11.

⁹⁷ British Petroleum, *Statistical Review of World Energy 2010*, p.11.

Subsequently Japan has considerable problem with the long vulnerability sea lanes of communication for its oil supplies from Middle East to Japan. (See figure 23).

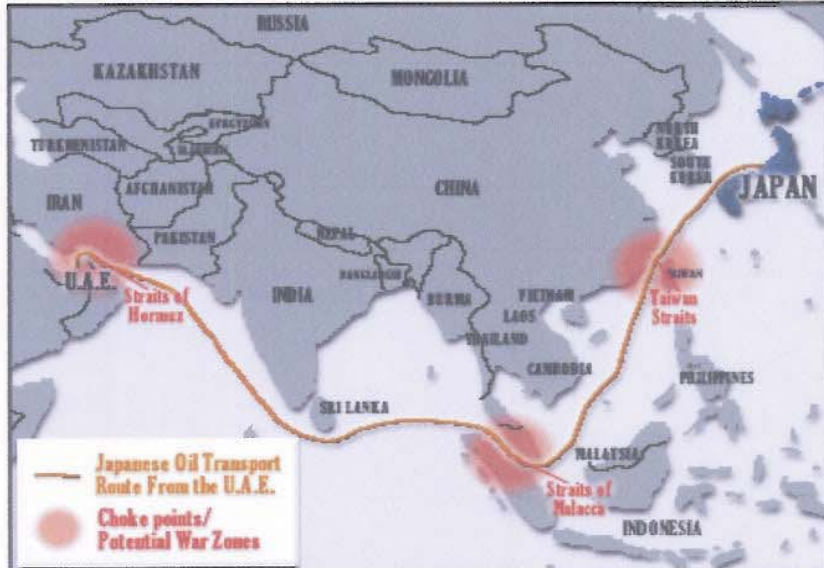


Figure 23. Japan's oil transport route.⁹⁸

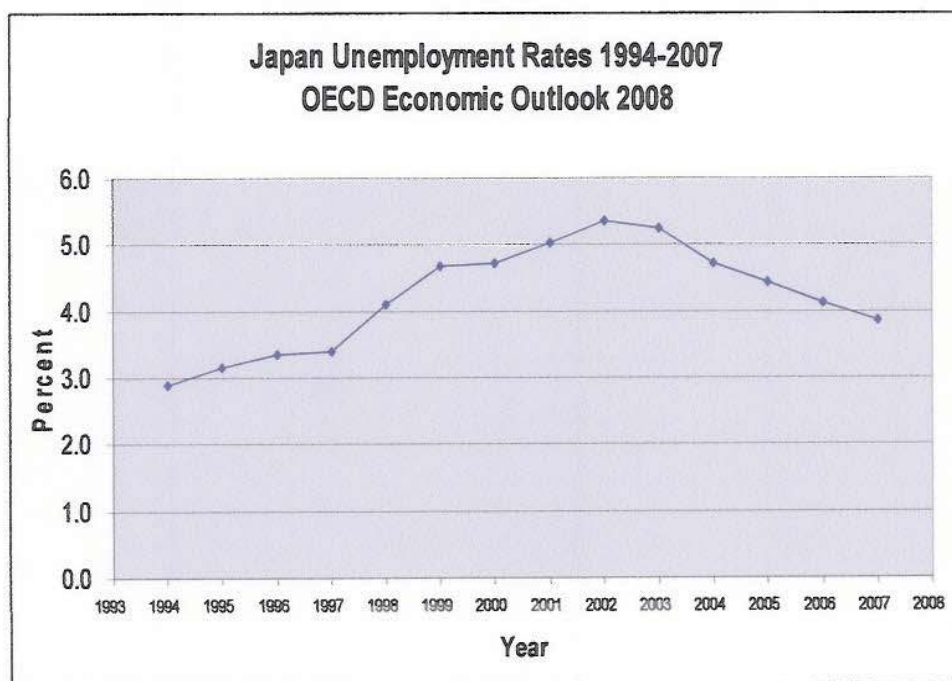
Figure shows the Straits of Malacca is one of the most potential choke points for Japan's oil transport route. Japan's government needs to enhance security of its oil import on this sea lane of communication. Hence, Japan as a major oil consumer realized the importance of maintaining a tangible presence in the Middle East and securing oil distribution along the route of its oil supplies from the Middle East through the Straits of Malacca to Japan.

Looking at Japan's social factors, a period of high inflation, averaging about 16%, was happen during 1973-75. It was caused by a major oil shock and accommodative policy stance by the Bank.⁹⁹ High inflation

⁹⁸ David Rosenberg, p.8.

⁹⁹ Michael M. Hutchison, et al., 'The Great Japanese Stagnation: Lessons for Industrial Countries', *Economic Policy Research Unit Department of Economics University of Copenhagen*, December 2005, p.15, <http://www.econ.ku.dk/epru/files/wp/wp-05-13.pdf> (25 May 2008).

occurred in tandem with a sharp recession. This confluence of events was in large part responsible for labour strife and social discord that proved disastrous for the Japanese model of economic cooperation.¹⁰⁰ The early 1990s was then a period of Japanese recession or weak economic activities. There has been commodity and asset price deflation, banking failures, increased bankruptcies and rising unemployment. Moreover, what are the issues in Japan's social factors? The impact of economic stagnancy increased unemployment until 2002. (See figure 24).



Unemployment rate: unemployment as a %age of the total labour force and the average of the years indicated. (Source: OECD Economic Outlook, 83 data base, 2008).

Figure 24. Japan's unemployment rates 1994-2007.¹⁰¹

Japan's economic reform, shortly after 2001, could reduce Japan's unemployment problems. Japan's unemployment fell to 3.9% in 2007, down from 2002 peak of 5.4%. Japanese economic reform therefore could

¹⁰⁰ Michael M. Hutchison, p.15.

¹⁰¹ OECD, *Annex Table 13 Unemployment Rates*, Economic Outlook No. 83, June 2008, <http://www.oecd.org/dataoecd/5/47/2483871.xls> (8 July 2008).

reduce the rates of unemployment and it likely will continue in next few years. These unemployment conditions unlikely provide significant implications for Japan's energy security in the Straits of Malacca. However the number of population in Japan is considered as one of the social factors that will have a significant influence on consuming oil energy.

The next factor what we will analyse is Japanese marine science and technology. Oceans, which occupy 70% of the world's surface, not only contain vast resources but also play an important role with respect to the global environment. Not all functions of the oceans, however, have yet been analyzed by scientists. Japan further is determined to cooperate with the research programs promoted by such international organizations as the World Meteorological Organization (WMO), the Intergovernmental Oceanographic Commission (IOC) of UNESCO, and the United Nations Environmental Programme (UNEP).¹⁰² It demonstrates that the Japanese government believes that research is essential in areas such as the interests of maritime security.

Japan is also very concerned with legal factors for maritime and sea security. In 2001, Japan hosted a symposium regarding Japanese foreign policy as a Maritime State in the 21st Century. Yamamoto, a Japanese Judge of the International Tribunal for the Law of the Sea, explained that in order to respond for the maritime conflicts in recent years, it is not sufficient to interpret rigidly provisions of maritime law, the United Nations Convention on the Law of the Sea, based on the context and how each provision was drafted.¹⁰³ The Japanese government believes it is necessary to apply maritime law with more flexible and effective

¹⁰² Yoshiyuki Motomura, 'Japan: Drift-Net Fishing and Fish Stocks Agreement' *Agenda Oceans and the Law of the Sea*, the General Assembly Meeting, December 2002, <http://www.mofa.go.jp/announce/speech/un0212.html> (23 May 2008).

¹⁰³ The Ministry of Foreign Affairs of Japan, 'Foreign Policy of Japan as a Maritime State in the 21st Century', *Japan Ministry of Foreign Affairs at Symposium the Legal Order of the Sea Based on the United Nations Convention on the Law of the Sea*, Februari 2001, p.1, <http://www.mofa.go.jp/policy/maritime/symposium/outline0102.html> (27 May 2008).

interpretations of each provision based on objectives and practices to enhance security of its oil transportation.

In the 21st century the government of Japan has also placed emphasis on the maritime environmental issues. Japan has been determined to continue playing an active and constructive role in the maritime environment issues, such as the safety shipments in the Straits of Malacca. In 2001-2002, Japan has conducted the study for the Maritime Traffic Safety System Development Plan in Southeast Asia. Japan wishes to extend assistance to the main components of that plan, including the installation of Vessel Traffic Services Centres (VTS), which is to enhance the safety environment in the narrow parts of the Straits of Malacca. The Japanese government considers the importance of environmental factors in the Straits of Malacca for Japan's strategic interests to ensure the security of Japan's oil transportation from Middle East to Japan. Furthermore, what are the strategic implications for Japan if energy shipments through the Straits of Malacca were threatened by the other countries such as China and Southeast Asia countries?

Japan sees that China has a long history of trading with the Middle East that goes back many centuries to the Silk Road era. China alongside India and Iran form the triangle of Asian ancient civilization. In recent time, Japan's companies have lost part of their Middle East markets to Chinese goods. According to current trends, China will likely replace Japan as Saudi Arabia's top economic trading partner by the end of this decade. Other countries in the region may also follow suit, in the same way that Iran replaced Japan with China as the biggest importer of its oil.¹⁰⁴ Japan may face serious implications from the new energy rush and the prospect of reaching peak global oil production, particularly in the face of rising competitors in Asia. Japan's *vital energy lifeline* runs through the South China Sea and the Straits of Malacca. Japan has many good reasons to

¹⁰⁴ Shirzad Azad, 'Japan Infiltrates the Middle East', John Feffer (ed.), *Foreign Policy in Focus*, May 2007, p.1, <http://www.fpif.org/fpiftxt/4256> (22 May 2008).

worry about the security of its oil supplies. Japan sees that Southeast Asia is increasingly important both in terms of source of supplies (oil and gas resources) and transportation (SLOC via the Straits of Malacca) for Japan.

Recently, Japan is not just a buyer of its oil, but also a great source of investment and reservoir of expertise. In fact, the relationship between the Gulf Cooperation Council (GCC) countries and Japan is one of mutual interest and respect. As a result of the increase in oil prices as well as economic expansion in the region and Japanese economic recovery, the GCC-Japan trade surged 39.1% to \$88.5 billion in 2005, making Japan one of the biggest trading partners for the GCC.¹⁰⁵ Moreover, oil imports made up nearly 85% of its trade, with Japan importing about 1.2 billion barrels of crude oil from the region.¹⁰⁶ Then in 2009, Japan with 179.4 million tonnes oil remains the second largest Middle East's oil export destination behind other Asia Pacific countries with 230.0 million tonnes oil from Middle East. (See figure 25).

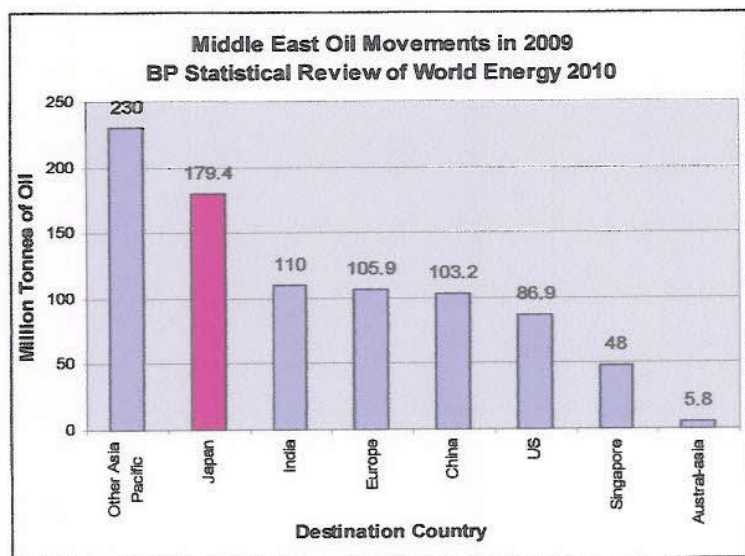


Figure 25. Middle East oil exports destination 2009.¹⁰⁷

¹⁰⁵ Peter C. Evan, 'Bracing for an uncertain Energy Future', *Executive Summary the Brookings Foreign Policy Studies*, December 2006, p.12, <http://www.brookings.edu/fp/research/energy/2006japan.pdf> (22 May 2008).

¹⁰⁶ Abdulaziz Sager, p.2.

¹⁰⁷ British Petroleum, *Statistical Review of World Energy 2010*, p.20.

Such concerns have forced Japan to reconsider its Middle East strategy and broaden its involvement in the region to include non-oil investments. However, Japanese efforts to strengthen its economic development seems likely remain reliant on the Straits of Malacca as a *vital lifeline*.

In order to guarantee supplies from Saudi Arabia, the Japanese government has made strenuous efforts to encourage investment over there. In 2002, the Ministry of Economy, trade and Industry (METI) provided 75% of the cost of any investment mission by Japanese companies to that country.¹⁰⁸ Japan saw that investment in technology for oil industry is significantly important. The Japanese government considered if they didn't concern themselves with this investment, it could no longer play a major strategic role in Middle East for their oil energy.

Examining legal aspects on Japan's maritime security, Japan's legal position on the sea, mainly laid down by the United Nations Convention on the Law of the Sea, has been challenged by emerging issues which were addressed in the symposium 'Foreign Policy of Japan as a Maritime State in the 21st Century.'¹⁰⁹ The implications of these as a matter of principle for cooperation, especially in the Straits of Malacca challenges were that Japan should fully respect the sovereignty of the littoral user states. Japan has endorsed them so as to play a central and primary role in various programs and activities to be carried out in the Straits.¹¹⁰ Upon this principle, it is also of essential importance that the user states cooperate in

¹⁰⁸ Jonathan Rynhold, 'Japan's Cautious New Activism in the Middle East: a Qualitative Change or More of the Same?', *International Relations of the Asia-Pacific*, Volume 2, 2002, p.254, <http://irap.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/2/2/245?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=Japan+energy+security&searchid=1&FIRSTINDEX=0&resourcetype=HWCIT> (23 May 2008).

¹⁰⁹ Akihiko Tanaka, 'Foreign Policy of Japan as a Maritime State in the 21st Century', Japan Ministry of Foreign Affairs at Symposium the Legal Oder of the Sea Based on the United Nations Convention on the Law of the Sea, Februari 2001, p.1, <http://www.mofa.go.jp/policy/maritime/symposium/outline0102.html> (27 May 2008).

¹¹⁰ Akio Sudas, 'Basic Policy of Japan's Contributions and Cooperation in the Straits of Malacca and Singapore', *Japan Statement in Charge of International Counter-Terrorism Cooperation*, September 2006, p.2, <http://www.mofa.go.jp/policy/terrorism/state0609.html> (26 May 2008).

these programs and activities in the spirit of burden sharing by beneficiaries. Japan's government argue the initiatives and close cooperation between the littoral user states, as well as the strong support of the user states for the initiatives of the littoral user states, are both necessary to solve the problems and improve conditions in the Straits of Malacca.¹¹¹ It seems that legal factors were increasingly important for the Japanese government to take account in order to make the sea lanes of communication along the Middle East, the Straits of Malacca to Japan a region of harmony.

Japan's government further argues that the tasks over the Straits of Malacca are becoming more diverse, requiring a comprehensive approach encompassing navigational safety, maritime security, and environmental protection. Japan relied heavily on the sea routes for its oil transportation from the Middle East, and the figure was believed to reach 90% in the 21st Century.¹¹² Japan saw peace in the area as vital and being anxious about potential conflicts caused by the territorial disputes. For instance, China's territory disputes with the Southeast Asian countries over the South China Sea formed another strategic question for Japan on the rights of free navigation and the safety of the Straits of Malacca. Accordingly, the Japanese government deems that there is a need for a more close relationship and mutual understanding between littoral user states and all of the user states along the route of sea lanes of communication including the Straits of Malacca. Moreover, how does Japan develop its strategies to meet the importance of the security of energy shipments through the Straits of Malacca?

Japan's government political outlook, especially in foreign policy, has changed significantly. Its foreign policy and security perceptions have undergone a perceptible and steady change over the past decade. The Japanese government desire for a stable supply of energy has run up

¹¹¹ Akio Sudas, p.2.

¹¹² Jonathan Rynhold, p.246.

against its other foreign policy objectives. Japan worried that the emergence of new energy-hungry economies of Asia, especially China and India, may challenge its long-term access to crude oil and natural gas in the countries surrounding the Persian Gulf area.¹¹³ Japan then sought an active international role to deal with its emerging security challenges, and a greater influence on global institutions that deal with security issues.¹¹⁴ The Japanese fundamental change in security policies has demonstrated Japan's emergence as a normal state.

Regarding China as a hungry oil consumer, the Japanese government believes that it still relies heavily on foreign policy as a strategic approach to ensure its energy security, including oil stockpiles and oil resources. In the long run, Japan and some distinguished energy economists hold the belief that China's increasing oil demands will ultimately lead to a higher oil price.¹¹⁵ The Japanese wisely suggested to China that they should help China pursue a more effective policy in energy conservation, and to make more investment in oil exploration.

With regard to Japan's economic strategy, the Japanese government started to revisit its past economic strategy and make certain reforms. Japan seems to need to implement monetary and fiscal policies appropriate to its unique macroeconomic situation, advancing on a wide range of economic reforms necessary to sustain growth.¹¹⁶ For instance,

¹¹³ Shirzad Azad, p.2.

¹¹⁴ Arpita Mathur 'Japan's Security Concerns and Policy Responses' *Strategic Analysis*, Vol. 30, No. 3, Jul-Sep 2006, Institute for Defence Studies and Analysis, 2006, p.619, <http://www.idsa.in/publications/strategic-analysis/2006/jul-sep06/Arpita090107.pdf> (28 April 2008).

¹¹⁵ Xuanli Liao 'the Petroleum Factor in Sino-Japanese Relations: Beyond Energy Cooperation', *International Relations of the Asia-Pacific*, Vol.7 No.1 2006, Oxford University Press and the Japan Association of International Relations, 2006, p.33, <http://irap.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/7/1/23?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=Japan+energy+security&searchid=1&FIRSTINDEX=0&resourcetype=HWCIT> (23 May 2008)

¹¹⁶ OECD, *Key Challenges to Sustaining Japan's Improved Economic Performance*, Japan Economic Survey, July 2006, http://www.oecd.org/document/36/0,3343,en_2649_34111_37127588_1_1_1_1.00.html (24 May 2008).

the long-existing Japan National Oil Corporation was turned into a public company in February 2004, the Japan Oil, Gas and Metals National Corporation (JOGMNC), to provide financial support only to the projects that have economic viability; and the scope of government financial support was also reduced to less than 50% compared to the previous 70%.

Looking at social factors, as Japan's population increased rapidly since 1960 which has 94.302 million populations (mp) to 1980: 117.060 mp, and 2006: 127.770 mp, the Japanese government has launched the population projection for 2030: 115.224 mp and in 2050: 95.152 mp. It will be employed by push down average annual rate from 0.21 in 2000 and projected to be -1.05 in 2050.¹¹⁷ This strategy will likely provide significant affect on their oil consumption, and further it will reduce their dependency on oil supplies in the Middle East.

Furthermore, Japan has placed emphasis on the need for coordinated mechanism to increase anti terrorism efforts and reduce sea crime in the Straits of Malacca. The Japanese government believed that maritime terror was a threat for many vessels which passing through the Strait. Maritime security, and security of sea lanes has been described as a matter that very important for Japan.¹¹⁸ Under the agreement with the signatory countries, Japan would share information on piracy through an information-sharing centre. The quest for energy further leads Japan to the larger question of maritime security in terms of ensuring a safe transit passage of energy supplies from the Middle East, and the Straits of Malacca then to Japan area.

Following three years of negotiations, the Regional Co-operation Agreement on Combating Piracy and Armed Robbery against ships in Asia (ReCAAP) was concluded in November 2004. ReCAAP entered into

¹¹⁷ Statistic Bureau, MIC, Japanese Ministry of Health, Labor and Welfare, http://www.stat.go.jp/english/data/handbook/c02cont.htm#cha2_1 (28 August 2008)

¹¹⁸ Arpita Mathur, p.630.

force on the 4th September, 2006. There were 11 countries have ratified the agreement, namely Japan, Cambodia, Laos, Singapore, Thailand, the Philippines, Myanmar, the Republic of Korea, Vietnam, India and Sri Lanka.¹¹⁹ Brunei and Bangladesh have also signed the Agreement and are in the process of ratification. It is the first government to government agreement designed to enhance the security of regional waters.

Japan started the Grant Aid Program for Cooperation on Counter-Terrorism and Security Enhancement to enhance security measures in the sea lanes including measures to combat terrorism and piracy. The total possible amount goes up to 7 billion yen since 2006.¹²⁰ The program would cover provision of maritime enforcement vessels, protection of harbours and airports, and also capacity building of law-enforcement agencies.

With regard to Japan's technology, the Japanese government argues they have to enhance the Japan Maritime Self Defense Force (JMSDF) technology to ensure the security of Japan, strengthen peace and stability in the Asia-Pacific region, and maintain the capability to address contingencies affecting Japan. It also to enhance the stability of the global energy supply, maintain the security of maritime traffic, discourage destabilizing sales and transfers of arms and military technology, terrorism and proliferation of WMD, along the energy supply from the Middle East to Japan via the Straits of Malacca. The JMSDF then desires to schedule to take part in maritime exercises in the Straits of Malacca.¹²¹

¹¹⁹ Singapore Ministry of Foreign Affairs, *Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP)*, Singapore: Department of Foreign Affairs, 4 Sept 2006, <http://www.mfa.gov.sg/internet/> (12 June 2008).

¹²⁰ Akio Sudas, p.4.

¹²¹ Vijay Sakhuja 'Supporting the Malacca Strait Troika: Indo-Japanese Approach to Counter Piracy', *Society for the Study of Peace and Conflicts*, Article No. 31, April 2005, New Delhi: JNU Old Campuss, 2005, p.2, http://www.sspconline.org/article_details.asp?artid=art37 (9 Feb 2008).

Another landmark strategy was the meeting of the United States-Japan Security Consultative Committee (SSC) in Washington and the consequently released Joint Statement on February 19, 2005.¹²² The Common Strategic Objectives earmarked in the statement were the following: development of regional cooperation and security of maritime traffic as well as ensuring of stability of global energy supply. As the Middle East is of vital importance to the prosperity and overall security of Japan, in 2006, Japan was dependent on the Middle East for 89.2% of its imported crude oil.¹²³ It is well understood in Japan that the oil market would increasingly become a strategic commodity. Hence, as a major oil consumer, Japan realized the importance of maintaining a tangible presence in the Middle East and securing their energy supply along the sea lanes. For that reason, the Japanese government urged using diplomatic resources, economic, and intellectual in all Japan effort in achieving Japan's political engagement in the Middle East and security along the sea lanes of communication including chokepoints the Straits of Malacca.

*Japan needs to develop flexible foreign policy based on the stage of maturity of each country. An issue unique to Japan is the necessity of strengthening the Japan and the United States alliance as a maritime alliance in order to prepare for situations in the sea lanes of communication.*¹²⁴ Japan seeks to develop multilateral diplomacy to make the Mediterranean Seas, the Straits of Malacca, and the East Asia Sea as seas of harmony rather than seas of conflict. The Japanese government considers to the international law of the sea 1982 UNCLOS could ensure the Japanese government interests in the sea lanes of communication from the Middle East to Japan.

¹²² Arpita Mathur, p.632.

¹²³ Abdulaziz Sager, p.2.

¹²⁴ Akihiko Tanaka, p.1.

Looking at environmental issues, private enterprise was forced to make large-scale investments for industrial pollution prevention. Private enterprise made use of the various industrial policy measures and the experience accumulated in industrial development policy prior to that. Given that industrial pollution regulation policy was delayed at that time, industrial pollution regulation promoted as a part of industrial policy was an effective method.¹²⁵ Various industrial policies for development of those industries were implemented, based on the Machine Industry Promotion Temporary Measures Law. The standardization of anti-pollution devices and measuring devices was carried out as well and contributed to reducing the Japanese dependency on oil energy. In the long term it likely could provide significant meaning Japan dependent for security in the sea lanes of communication.

The most important Japanese government strategy is looking for alternative routes. Japan pursued the alternatives route other than the Straits of Malacca. Japan identify that the Straits of Lombok, Makasar and a lesser extent the Straits of Sunda are other *vital lifelines* to maintain steady energy flows to Japan. These routes will increase 3 to 4 days shipping to Japan. The Japan government recognised, therefore the shipping route via the Straits of Malacca is the most effective one for Japan.

To conclude, the solution of Japanese predicaments around the Straits of Malacca has been approached in a number of ways. Politically, the Japanese government has sought an active international role to deal with its emerging energy security challenges. However in this political solution the Japanese government has been constrained because its alliance with the United States makes the Japanese susceptible to echo much of United States policy. In economic issues, the Japanese government started to

¹²⁵ Tadayoshi Terao and Kenji Otuka, *Development of Environmental Policy in Japan and Asian Countries*, Hampshire: Macmillan Publishers, 2007, p.17, <http://www.palgrave.com/PDFs/0230004709.Pdf> (7 June 2008).

revisit its past economic strategy and making certain reforms. Japan believes that they need to implement monetary and fiscal policies to reduce Japan's economic stagnation.

In recent times, the Japanese government believes that a long term social program, particularly around population numbers, has to be considered. Meanwhile, in technological development, Japan has placed emphasis on utilizing modern technology to maintain security, strengthen peace and stability along the energy supply from Middle East to Japan via the Straits of Malacca. Moreover, the Japanese government believes that maritime terror is a threat for many vessels which passing through the straits. Maritime security and security of sea lanes then has been described as a matter that very important for Japan. In 2006 Japan started Grant Aid Program for Cooperation on Counter-Terrorism and Security Enhancement and on September 4th, 2006, ReCAAP was established. It is the first government to government agreement designed to enhance the security of regional waters. Nonetheless, there are two littoral user states of the Straits of Malacca, Indonesia and Malaysia, did not ratify this security agreement. Another Japan's effort on this maritime security cooperation is needed.

Japan is also concerned about the international law of the sea under UNCLOS. Japan deems that they should develop flexible foreign policy based on the stage of maturity of each country. Japan also seeks to enhance multilateral diplomacy to make the Mediterranean Seas, the Straits of Malacca, the East Asia Sea and the South China Sea as seas of harmony rather than seas of conflict. In environmental issues, the standardization of anti-pollution devices and measuring devices was carried out and contributed to reducing the Japanese dependent on oil energy. In long term it would provide significance meaning in reducing Japan oil energy and security in the sea lanes along the Middle East, the Straits of Malacca to Japan.

Furthermore, the Japanese government is also looking for alternative routes in securing its oil supplies, other than the Straits of Malacca. Japan recognizes that the Straits of Lombok and the Straits of Sunda are other possible vital passages to maintain a steady flow of oil supplies to Japan. However, the Japanese government considers that these routes will increase 3 to 4 days shipping for Japanese vessels. And therefore the shipping route through the Straits of Malacca is the most effective for Japan.

Chapter 3

A Hub of India's Look East Policy

India Strategic Feature



Figure 26. Map of India.

Geographically the area of India is about 3.29 million sq. km. (1.27 million sq. mi.) and it lies between the longitudes $68^{\circ} 0'$ & $97^{\circ} 30'$ east and between latitudes $8^{\circ} 0'$ & $37^{\circ} 0'$ north.¹²⁶ Compared to the United States, India is only one third of the United States territory but the Indian population was almost fourth times of America's population. India has

¹²⁶ Suresh Chandra, 'Damodar River Basin', *India Flood Management Central Water Commission*, December 2003, p.2, http://www.apfm.info/pdf/case_studies/cs_india.pdf (12 June 2008).

1,147,995,898 population (July 2008 est.) compared to United States which has 303,824,646 (July 2008 est.)¹²⁷. India is surrounded by the Bay of Bengal in the east, the Arabian Sea in the west, and the Indian Ocean to the south. The Indian peninsula is separated from mainland Asia by the Himalayas. India borders are Afghanistan and Pakistan to the north-west; China, Bhutan and Nepal to the north; Myanmar to the east; and, Bangladesh to the east of West Bengal.

The seas around India are among the busiest sea lanes in the world, with over 100,000 ships transiting the shipping lanes every year while the Straits of Malacca, in the east of the Indian Ocean, accounts for some 60,000 ships annually. India itself has a 4,670-mile long (7,516km) coastline and several far-flung island territories.¹²⁸ The 13 major and 185 minor ports that mark India's coastline constitute the landward ends of the country's sea lines of communication. In the next period it is likely that India's geographic location at the natural junction of busy international shipping lanes will have a major impact upon the formulation of India's geopolitics and strategy interests in international world affairs. Moreover, why is the security of energy shipments through the Straits of Malacca important for India?

India's political core values are democracy, secularism and peaceful co-existence. The Indian political system is influenced by its geographic conditions which are located in relation to both continental Asia as well as the Indian Ocean. Two Islands in the Far East of India, the Andaman and Nicobar Islands, possess unique challenges to India's security. These island territories are 1,300km away from the main land and are physically closer to South East Asia.¹²⁹ In the past, the Eastern Indian Ocean has

¹²⁷ Central Intelligence Agency 'India', *the World Fact Book*, July 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html> (18 July 2008).

¹²⁸ Dipanjan Roy Chaudhury, p.8.

¹²⁹ Indian Ministry of Defense, 'Indian Armed Force: Security Environment an Overview', *the Government of India*, 2008, p.2, <http://mod.nic.in/aforces/welcome.html> (2 June 2008).

attracted superpower political rivalries, and will likely continue to be a region of heightened activity by extra regional powers, such as China and Japan. It is illustrated that the security of the Straits of Malacca as a hub of the eastern Indian Ocean is increasingly important for Indian strategic influence.

The Indian government has placed more emphasis on its economic development since the economic reforms in year 2000. Subsequently India has had considerable economic growth. In the last five years, India's economic growth average was more than 8.5%. In 2006 India's real economic growth was 9.75%, however in 2007 India's economic growth decreased to 9.21%¹³⁰, then continue to 7.4% in 2008 and 6.5% in 2009.¹³¹ There was an indication that India's economic growth is likely to be sustained. (See figure 27).

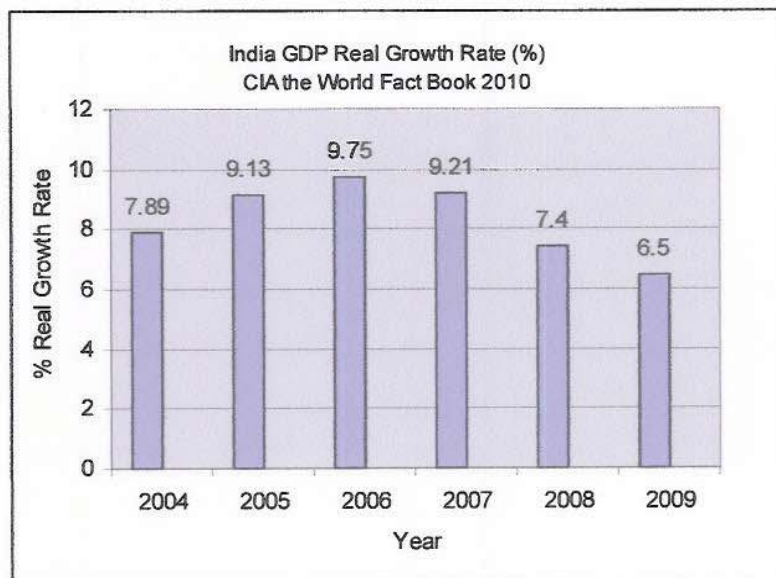


Figure 27. India's GDP real growth rate (%).

¹³⁰ Country Factfile, 'Country, Market and Lifestyle Statistics on India', *Euromonitor International*, p.1, <http://www.euromonitor.com/factfile.aspx?country=IN> (12 June 2008).

¹³¹ Central Intelligence Agency 'India', *the World Fact Book*, March 2010, <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html> (23 March 2010).

Meanwhile, about 70% of India's oil and natural gas demand is met by Middle East suppliers. The Indian government argue that to sustain its economy they have to find other sources for its long-term energy needs. There is an indication that some quantity of oil and gas may be sourced from the East such as from Sakhalin in Russia, Vietnam and Indonesia.¹³² Most of the energy imports would then be transported traversing the Straits of Malacca to reach India. It is evident that the importance of the Strait of Malacca may increase significantly for India's economy in the next few years.

In addition the Andaman and Nicobar Islands, Islands which are located to the north of the Straits of Malacca, contribute about 30 % of the EEZ to India's total EEZ area. Its adjoining waters contain various species of unexploited marine life that are highly prized as seafood and for a variety of other uses which has indicated the high potential of economic activity there through for example the export of seafood products to Singapore.¹³³

There are also plans to develop Port Blair as an international trade centre and to build an oil terminal and trans-shipment port in Campbell Bay (Great Nicobar) to cater for the increasing maritime trade in the region.¹³⁴

The Far Eastern Naval Command of the Indian Navy is then based at Port Blair in the Andaman and Nicobar Islands. It was created to safeguard India's strategic interests in Southeast Asia and the Strait of Malacca.

¹³²G. S. Khurana, 'Shaping Security in India's Maritime East: Role of Andaman & Nicobar', *Strategic Analysis Institute for Defence Studies and Analyses*, Vol. 30, No. 1, Jan-Mar 2006, p.163, http://www.tamilnation.org/intframe/indian_ocean/060301GSKhurana.pdf (12 June 2008).

¹³³ G. S. Khurana, p.164.

¹³⁴ G. S. Khurana, p.165.

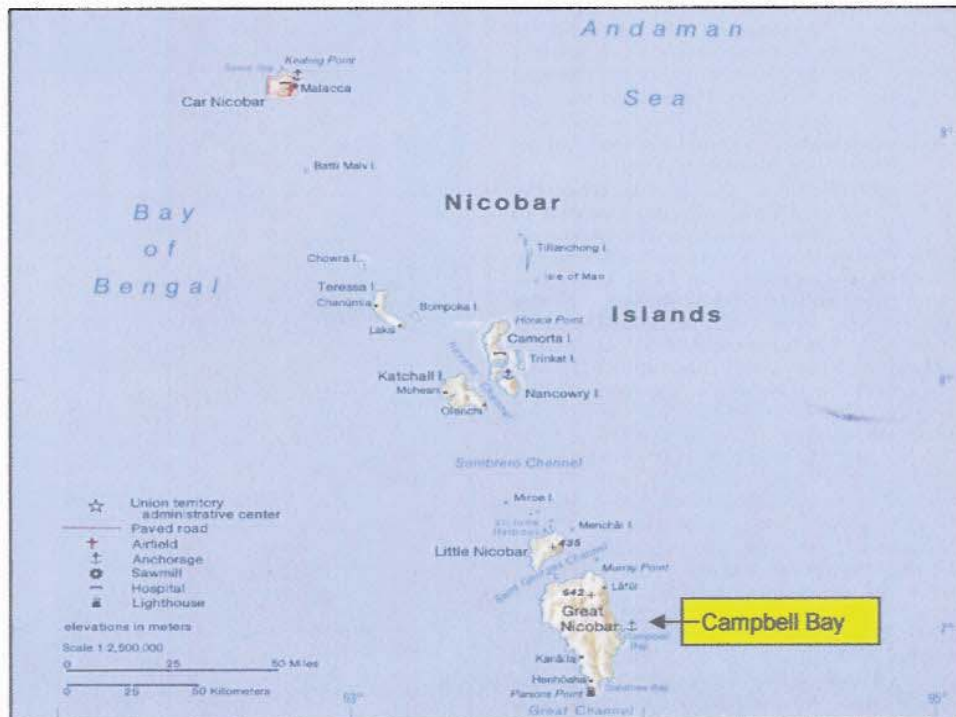


Figure 28. Nicobar Islands.

Therefore, given India's rising trade and energy stakes, the importance of eastern sea lanes and the Southeast Asian Straits, particularly in the Straits of Malacca, will grow significantly. This provides further evidence that the Straits of Malacca possess a strategic meaning for Indian economy.

India had similar development strategies with China prior to their breaking out of their deliberate insulation from the world economy and the ushering in of market-oriented economic reforms and liberalization. Indian interests will likely challenge the Chinese interests in the Indian Ocean and the Straits of Malacca. But, the fact Indian and Chinese oil majors are now signing deals in oil energy exploration in the Middle East. In April 2005, India and China agreed to engage in joint exploration for oil and gas in other countries.¹³⁵

¹³⁵ Chris Atkins, et.all., 'China and India – Partners in Competition', *Accenture Policy & Corporate Affairs Practice: Executive Summary*, Washington, 2005, p.6

China is already building an oil refinery in Sudan for which India is laying a pipeline, and gas giants GAIL (India) Ltd and China gas recently agreed to create a joint venture to pursue business opportunities the world over. There has been competition and cooperation among them. (See figure 29).



Figure 29. China-India competition and cooperation.¹³⁶

Both countries seek to secure oil from multiple locales around the globe where most Western nations cannot compete, including Sudan and Myanmar. The oil seems likely to transport through the Indian Oceans and the Straits of Malacca. China and India, whose relations are sometimes troubled by border disputes, are warming up to each other. Leaders in both countries recognize that cooperation may be a better way of overcoming many of their challenges. A cooperation agreement reached through the dialogues between them seems likely could prevent

¹³⁶ Heartland Geopolitical Map, 'China and India: Cooperation and Competition', *Eurasian Review of Geopolitics*, Limes 4 2005, http://www.heartland.it/map_china_india.html (29 May 2008).

competition and conflict over oil in the future in the Indian Oceans and the Straits of Malacca.

In 2007, the combined output of Indian and Chinese accounts is almost 25% of global GDP.¹³⁷ In 2009, China with 8.79 trillions US\$ GDP on Purchasing Power Parity (PPP) was the second World's largest economy after the United States which has 14.26 trillions US\$ of GDP on PPP. India which possess 3.56 trillions US\$ GDP on PPP was fourth behind the United States, China, and Japan. (See figure 30).

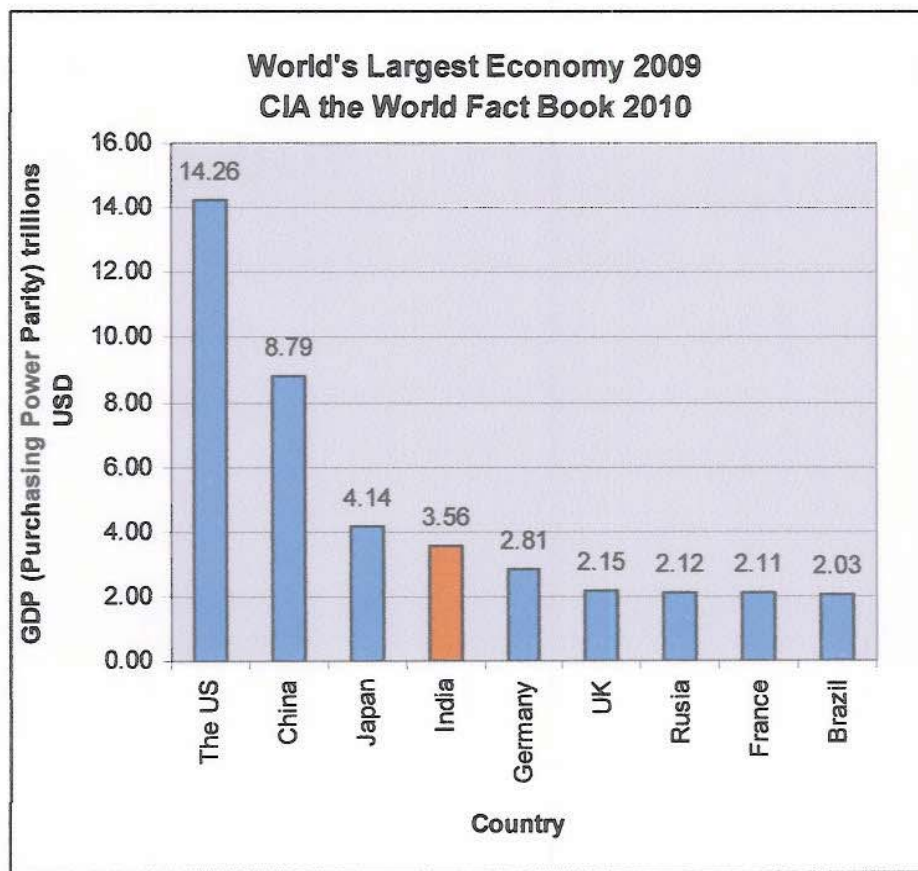


Figure 30. The World's largest economy 2009.¹³⁸

¹³⁷ Ira Kalish, 'China and India: the Reality Beyond the Hype', *A Deloitte Research Study*, 2006, p.2, http://www.deloitte.com/dtt/cda/doc/content/US_ChinaIndiaReality_Research.pdf (12 June 2008).

¹³⁸ Central Intelligence Agency, 'India', 2010.

Looking at social aspects, the Indian government is concerned to develop and to build a better life in the entire Indian Territory and wishes to protect the lives and property of its citizens against war, terrorism, nuclear threats and militant activities.¹³⁹ With a better life overall, the Indian government believes that they could focus a developing its resources on more positive social endeavours.¹⁴⁰ The Indian government believe through positive social endeavours it would change the Indian life style. As they become richer, the citizens of India are using more energy to run their offices and factories. They are buying more electrical appliances and cars. Better life means more energy supply is needed. Hence, the need for security of its energy supply will increase significantly.

The Indian government has also put emphasis on modernising its technology that could provide sustainability on defence and security areas. This plan of modernization appears in the most recent Indian defence policy. It covers the development of material, equipment and technology that have a bearing on India's security. The Indian government also wishes to increase its defence preparedness through indigenous research, development and production in order to overcome restrictions on the transfer of items that are critical to its security.¹⁴¹ These were the reasons why advanced technology is very important for India in securing its interests in the Indian Ocean and the Straits of Malacca.

With regard to international law, the Indian President, Smt. Pratibha Devisingh Patil, has placed emphasis on understanding the complexity of the global world. She noted in her speeches to the International Conference of Jurists on the Rule of Law in November 2007: '...some of the basic principles governing international relations that are enshrined in the UN Charter such as sovereignty, equality of States, protection of basic

¹³⁹ Government of India, 'Indian Armed Force: Security Environment an Overview', p.1.

¹⁴⁰ Richard L. Armitage and Joseph S. Nye, 'The US-Japan Alliance: Getting Asia Right through 2020', *Center for Strategic and International Studies*, Feb 2007, Washington DC., 2007, p.6, http://www.csis.org/media/isis/pubs/070216_asia2020.pdf (22 May 2008).

¹⁴¹ Government of India, 'Indian Armed Force: Security Environment an Overview', p.1.

human rights and prohibition of the use of force, have to be adhered to by all nations...¹⁴² In today's world, India also points out the need for focus on the real purpose of the rule of law and structures of governance which is to uphold human dignity, encourage broad-based growth and develop accountably systems. It demonstrates that the Indian government considers the rule of law and values in international world affairs as very important.

The Indian government is also concerned with environmental issues. The Indian government argues that the Bay of Bengal is highly susceptible to *nature's fury*. The cyclones frequently hit Andaman and Nicobar Island two to four times in a year causing much devastation in the sea and littoral areas. The attendant environmental degradation is another cause for concern. The Andaman and Nicobar area has a fragile ecosystem. 70% of the oil in the Persian Gulf is routed through waters close to the Andaman and Nicobar Islands. There is global demand for safety measures of shipping and specific regulations for oil tankers to avoid oil spills. Oil spill pollution could be caused by non state acts of violence against shipping or accidents due to human errors. It requires India to have great ability to manage its strategic environment in the Indian Ocean and the Straits of Malacca. Therefore, the Indian Ocean and the Straits of Malacca have become considerable regions for Indian interests. Moreover, what are the strategic implications for India if energy shipments through the Straits of Malacca were threatened or closed?

On March 9, 2007, the Ministry of Foreign Affairs and Confederation of Indian Industry (CII) hosted the Japan and India Symposium 'Japan and India Strategic Partnership in the Era of Asian Regional Integration' in New Delhi. India share with Japan, as with the United States as allies, the same universal values of freedom and democracy. The Indian government

¹⁴² Smt. Pratibha Devisingh Patil, 'International Conference of Jurists on the Rule of Law', *Speech of the President of India*, New Delhi, 24th November 2007, p.1, <http://presidentofindia.nic.in/sp241107.html> (11 June 2008).

believes that the mutual future cooperation of Japan and India is highly important in handling regional and international security issues. The Indian government argues that security cooperation among the two countries would have positive implications for eliminating the vulnerabilities found in the sea lanes of communication along the Indian Oceans and the Straits of Malacca.

Cooperation among India, Japan and the United States has the following points in common: they are based on mutual trust under the Japan and the United States alliance and they emphasize universal values such as freedom and democracy. The last common point is likely to provide a solution against China's strategies in the Indian Ocean and the Strait of Malacca.¹⁴³ It illustrated political rivalries between India, Japan, and the United States towards China. However, in economic factors there are signs of different perspectives particularly on India's and China's balance of trade.

The Indian Prime Minister, Manmohan Singh, began to reform the Indian economy since 2000. This economic reform has the theme: '*India shining through rapid economic growth*'.¹⁴⁴ Afterward, India's economic reform increased its foreign direct investment and external trade relative to GDP. However, there is a dilemma with oil consumption and oil production in India. India's oil consumption continue to grow much more than its production.¹⁴⁵ India's economic reform made its oil consumption increase steadily. India's oil consumption is likely continued to increase in the next few years and there is no indication that India's oil production will increase. (See figure 31).

¹⁴³ Yoshihide Soeya, 'Japan-India Strategic Partnership in the Era of Asian Regional Integration', *Japan-India Symposium*, , The Ministry of Foreign Affairs of Japan, March 2007, p.4, <http://www.mofa.go.jp/region/asia-paci/india/sympo0704.html> (12 June 2008).

¹⁴⁴ Michael J. Green, 'Democracy, Identity and the Balance of Power: The Cases of Japan and India', *Mortara Center*, Georgetown University, November 14, 2007, p.23.

¹⁴⁵ Energy Information Administration, 'India', *Country Analysis Briefs*, January 2007, p.3, <http://www.eia.doe.gov/emeu/cabs/India/pdf.pdf> (25 May 2008).

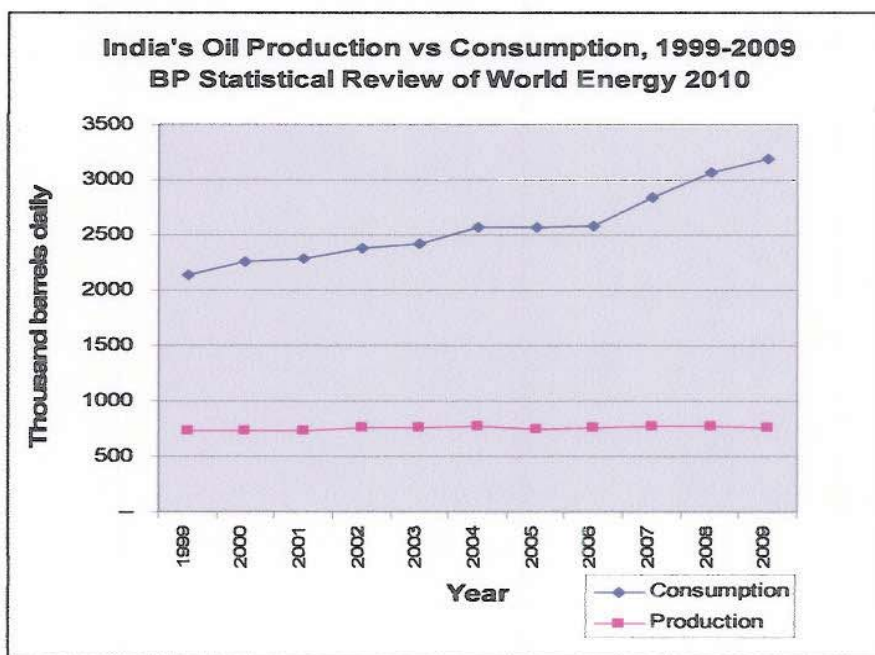


Figure 31. India's oil production and consumption 1999-2009.¹⁴⁶

India's foreign economic government spending and its exports and imports were increasingly dependent on other countries in the region in which the Straits of Malacca are located.¹⁴⁷ More importantly, China has to be the first largest India's imports partners with 10.8% of total India's trade and also as the third largest exports partners with 5.40% of total India's trade in 2008. (See figure 32).

Exports Partners		Imports Partners	
UAE	12.30%	China	10.80%
US	11.70%	Saudi Arabia	6.90%
China	5.40%	US	6.70%
Singapore	4.50%	UAE	6.70%
		Iran	4.20%

Figure 32. India's trading partners 2008.¹⁴⁸

¹⁴⁶ British Petroleum, *Statistical Review of World Energy 2010*, p.11.

¹⁴⁷ Chietigj Bajpae, 'The Panda and the Peacock', *China Security*, World Security Institute, Vol. 3 No. 4 Autumn 2007, p.105.

¹⁴⁸ Central Intelligence Agency 'India', *the World Fact Book*, March 2010

Ryuichi Ushiyama, a Japanese Senior Economist has argued: '...Indian trade with East Asia has been expanding without falter. East Asia has already become its largest trading partner...'.¹⁴⁹ Subsequently, the Indian government considers that any disruption in the route of seaborne trade to East Asia may have serious implications for the Indian economy.

Looking at social factors, China and India's social culture and history could be used to strengthen a better understanding between them. It is important to develop a mutual trust relationship between India and China. Moreover, these cultures could then emerge as *generators of wealth* which further play a significant role, not only in social factors but, also in the economic order, market access, and new investment.¹⁵⁰ That could provide a positive balance of trade in the next few years. Accordingly, the importance of the Straits of Malacca will increase significantly for the trade of both countries. Moreover, the Indian government has also placed emphasis on the importance of the international rule of law to secure its seaborne trade.

The Indian government has argued that the perpetrators of sea crimes are well organized and well-funded. Trans-national crime syndicates take full advantage of the vastness of the Ocean.¹⁵¹ The Indian government further believes that the United Nations Convention on the Law of Sea should be set appropriately as the legal framework within which all activities for security in the sea lanes of communications exists. The need for cooperation among the countries of the region in preventing trans-national

¹⁴⁹ Ryuichi Ushiyama, 'Signs of a Structural Change in Indian Trade', *Japan Center for Economic Research*, September 2007, p.1, <http://www.jcer.or.jp/eng/pdf/kenho070902e.pdf> (14 June 2008).

¹⁵⁰ Evelyn Goh, 'Hierarchy and the Role of the United States in the East Asian Security Order', *International Relations of the Asia-Pacific*, July 2008, p.6, <http://irap.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/lcn011v2?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=India+China+security&searchid=1&FIRSTINDEX=0&resourcetype=HWCIT> (29 July 2008).

¹⁵¹ Manmohan Singh, 'PM Inaugurates Indian Ocean Naval Symposium Seminar 2008', *Prime Minister of India Speech*, February 14, 2008, p.2, <http://www.pmindia.nic.in/speech/content.asp?id=655> (12 June 2008).

crime is therefore very important. So, what are the issues faced by the Indian government with regard to the sea lane of communication?

The Indian government has recognised that India's coastal ecosystem sustain livelihoods and are host to a diverse species of marine life. The Indian Ocean is a repository of rich fish and mineral resources. A better understanding of the Ocean through the application of marine science and technology, and greater synergy between scientific knowledge and decision making are necessary for the sustainable use and management of the Ocean.¹⁵² Moreover, the Indian government wishes to address the issues relating to navigation, conservation and management of these resources. The Indian government offers to share its experience with countries of the region in harnessing the resources of the Indian Ocean for sustainable economic development. The Indian government believes that better environmental management systems could provide significant improvements for security of the seaborne trade in the Indian Ocean and the Straits of Malacca. Furthermore, how does India develop their strategies to meet the importance of the security of energy shipments through the Straits of Malacca?

The Indian government considered that the Indian Ocean and the Straits of Malacca are to be secured by applying a number of strategies. In the political arena, India has launched *the Indian Look East Policy*. The Indian government believed they should have a presence in East and Southeast Asia to help share India's political values with others. Meanwhile, the Indian government promote their values in playing its universal norm of independence by emphasizing *Non-alignment Policy*.

With regard to economics strategy, the Indian government believes that to enhance its economic development, they should strengthen their economic relationship with East and Southeast Asia. The Indian government further takes into account that they should have additional

¹⁵² Manmohan Singh, p.2.

access to the region of Chinese influence, not only by establishing political ties but also economic ties with East and Southeast Asian countries. New Delhi believed it should strengthen its ties with other major regional countries and also global forums to maintain its sphere of influence. At a strategic level, India should create a balance of power with China through development of its own economic and military potential. Building strong economic and military relationships with neighbours where the Straits of Malacca is located is very important for India.

The Indian government has considered the need for military power to undertake its security in the Indian Ocean and the Straits of Malacca. Almost 97% of India's foreign trade by volume and 60% of the world's sea-borne trade and energy resources are transported through these strategic bottlenecks.¹⁵³ For that reason, it is essential for the country to maintain a credible military force to safeguard its security interests.¹⁵⁴ This is because the area of operation of the Indian military forces includes numerous sea lines of communication and chokepoints, from the Strait of Hormuz, Bab El Mandeb, Indian Oceans including Bay of Bengal and northern of the Straits of Malacca. Moreover, India's strategic oceanic platform is having presence in the Indian Ocean, including the Straits of Malacca.¹⁵⁵ India is trying to create a balance of power in the sea lanes by using its maritime power. India considers maritime power is a symbol of comprehensive force of military, political, and economic power.

In 2000, the Indian Government approved the opening of a Joint Forces Command at the Andaman and Nicobar Islands. These islands were at the entrance of the Strait of Malacca and in close proximity to Myanmar's Coco Islands where China allegedly has a signal intelligence (SIGINT)

¹⁵³ James Martin Center, 'India Current Capabilities', *Monterey Institute of International Studies*, 2007, p.1, <http://www.nti.org/db/submarines/india/index.html> (13 June 2008).

¹⁵⁴ Government of India, 'Indian Armed Force: Security Environment – An Overview', p.2.

¹⁵⁵ Margherita Paolini, 'the Giants Take Field' in 'Chindia the 21st Century Challenge', *Eurasian Review of Geopolitics*, March 2005, p.6, http://www.heartland.it/lib/docs/2005_03_chindia_the_21st_century_challenge.pdf (25 May 2008).

station.¹⁵⁶ India has expanded its facilities both for berthing larger vessels and dispatching naval aviation at the Far Eastern Naval Command Port Blair. In addition, the home ports of the Western and Eastern fleet were removed from the congested docks of Mumbai and Visakhapatnam to new bases in Karwar, INS Kadamba, and one other base 50km south of the current port of Visakhapatnam.¹⁵⁷ The Indian Navy has also strengthened its surveillance capacity. All along the Indian shore, new intelligence installations were erected to penetrate further into the Ocean. India and Iran has also developed the Iranian port at Chabahar as an alternative to the China-Pakistan port at Gwadar to access the resources and markets of Central Asia. On June 28, 2005, the United States and India signed a *New Framework for the United States and India Defense Relationship* (NFDR). The NFDR was in essence a United States and India Defense Agreement of ten years duration.¹⁵⁸

Some critics have questioned the value of the NFDR, yet at the same time India had already signed a *Strategic and Cooperative Partnership for Peace and Prosperity* with China in April 2005. Critics of the NFDR and nuclear energy agreements speculated that India was skilfully manipulating the United States into conceding too much in the nuclear proliferation realm. Indian nuclear tests made it clear that India has at last decided to assert itself in international relations.¹⁵⁹ So as an emerging regional major power, India is often regarded as a pivotal influence in the region's geopolitics.

¹⁵⁶ Chietigj Bajpae, p.112.

¹⁵⁷ Jonathan Holslag, 'China, India and the Military Security Dilemma', *Asia Paper*, Brussels Institute of Contemporary China Studies, Vol. 3 No.5, 2008, p.15, http://www.vub.ac.be/biccs/documents/APaper_BICCS_2008_China%20India%20Security%20Dilemma.pdf (26 June 2008).

¹⁵⁸ Ramtanu Maitra, 'India-U.S. Military Alliance Threatens Trilateral Cooperation', *EIR*, June 29, 2007, p.45, http://www.larouche.com/eiw/public/2007/2007_20-29/2007_20-29/2007-26/pdf/44-46_726.pdf (12 June 2008).

¹⁵⁹ P. M. Kamath, 'India-China-Pakistan the Insecurity Triangle', *Chindia the 21st Century Challenge*, *Eurasian Review of Geopolitics*, March 2005, p.71, http://www.heartland.it/lib/docs/2005_03_chindia_the_21st_century_challenge.pdf (25 May 2008).

Meanwhile, Dr. Subhash Kapila, an Indian analyst, described that the 'Defense Agreement' was not a 'defense pact' as some have made it out to be. It was only a framework for the United States and India Defense Relationship. India is said to be playing off the United States and China against each other in order to establish its own regional power base.¹⁶⁰ Moreover, in September 2007, India hosted the exercise 'Malabar CY 07-2'. The Indian Navy together with the United States, Japan, Australia and Singapore conducted of five days long naval exercise. (See figure 33).

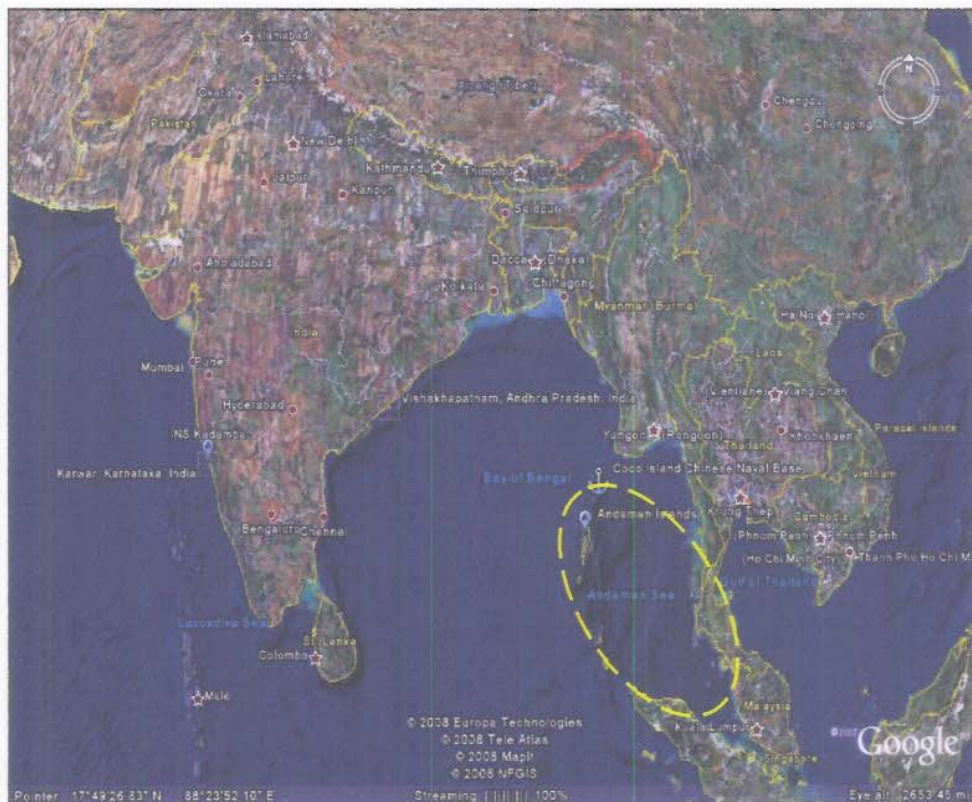


Figure 33. Area of the exercise 'Malabar CY 07-2'.

The exercise involved over 200 aircraft operating from both land and sea. The scenario being played out entailed operating combat ships in an air dominated environment. With close to 40 types of aircraft participating in

¹⁶⁰ William T. Tow and Amitav Acharya, 'Obstinate or obsolete? the US Alliance Structure in the Asia-Pacific', *Working Paper April 2007*, Department of International Relations Australian National University, 2007, p.15, http://rspas.anu.edu.au/ir/pubs/work_papers/07-4.pdf (26 May 2008).

the manoeuvres, planners had worked out scenarios like dissimilar air combat, interception of shore-based aircraft and air defense of war ships towards the end of the exercise.¹⁶¹ The exercise involved cross deck helicopter operations to develop interoperability for disaster relief and rescue missions.

The exercise was the first exercise which held around the Andaman Islands near the Straits of Malacca and close to the Coco Islands, the most important Chinese electronic intelligence installation in Myanmar Islands which have been leased to China since 1994.¹⁶² Moreover, India remains conscious of the Chinese efforts to reach out to the Indian Ocean via Myanmar, Bangladesh and Pakistan.¹⁶³ In contrast, the Indian Ministry of Defence, A.K. Antony, said: '...there is no question of confrontation. There is no military alignment. It's only an exercise...'¹⁶⁴ Therefore, one can argue that a new great game has begun between India and China to bring their respective sphere of influence in the Indian Ocean and the Straits of Malacca.

What can be inferred from the above is that the Indian government viewed the exercise as strategically important for state interests. In international security the Indian navy must engage with navies of different countries across the world. The Indian government views the Bay of Bengal as India's location where India has a crucial role to play in protecting the sea-lanes of communications in the Indian Ocean and the Straits of Malacca. As the result, there is no doubt that India has a significant increase on their military budget. (See figure 34).

¹⁶¹ Syed Ali Mujtaba, 'India's Largest Naval War Game in Bay of Bengal', *Global Politician*, September 2007, p.1, <http://globalpolitician.com/23382-india> (11 June 2008).

¹⁶² Yossef Bodansky, 'Beijing Surge for the Straits of Malacca', *FAS: Intelligence Resource Program*, November 1997, <http://fas.org/irp/world/china/facilities/coco.htm> (16 November 2008)

¹⁶³ Syed Ali Mujtaba, p.2.

¹⁶⁴ Gwalior, 'Multilateral Naval Drill not a Military Alignment', *Webindia123*, August 2007, p.1, <http://news.webindia123.com/news/articles/India/20070825/751971.html> (11 June 2008).

Constant 2005 Rsbn	Outurn		Outurn		Outurn		Outurn		Budget	
	2002	%	2003	%	2004	%	2005	%	2006	%
Army	343.6	48.0	338.8	45.2	361.4	40.7	403.0	45.4	407.4	45.9
Navy	90.3	12.6	105.9	14.1	127.0	14.3	145.2	16.4	151.1	17.0
Air Force	132.8	18.6	144.8	19.3	229.8	25.9	212.0	23.9	237.2	26.7
R&D	34.2	4.8	35.9	4.8	39.4	4.4	53.5	6.0	51.0	5.7
Pensions	108.1	15.1	114.2	15.3	117.8	13.3	127.1	14.3	126.8	14.3
Other	6.7	0.9	9.2	1.2	12.0	1.3	17.6	2.0	22.9	2.6
Total	715.8		748.9		887.3		958.1		997.6	
Real change %	-4.6		4.6		18.5		8.0		4.1	

Figure 34. Indian defence budget.¹⁶⁵

Figure 34 shows India's defence budget in 2002 was 715.8 Rsbn, and then steadily increased up to 997.6 Rsbn in 2006. In addition, India is developing its first indigenously developed nuclear submarines and has ambitions to develop submarine-launched ballistic missiles (SLBMs).¹⁶⁶ On 6 October 2006, in a major arms deal, India signed a \$3.5bn contract with France to build six advanced *Scorpene* submarines in Mumbai's *Mazagon* shipyard for 2012–2017.¹⁶⁷ The submarines are to be armed with 36 SM 39 exocet anti ship missiles.

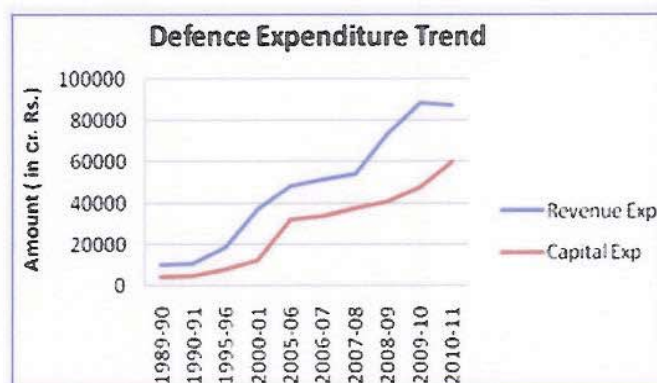


Figure 35. Defence Expenditure Trend 1989-2011

¹⁶⁵ The International Institute for Strategic Studies, *the Military Balance 2006*, Routledge Publisher, London: 2006, p.225.

¹⁶⁶ Chietigj Bajpaee, p.112.

¹⁶⁷ The International Institute for Strategic Studies, p.222.

Figure 35 shows that India's Revenue expenditure is growing at a much faster pace in comparison to Capital expenditure. The Revenue expenditure of Defence has grown from Rs.10,194 cores in 1989-90 to Rs.87,344 cores in 2010-2011.¹⁶⁸ It increases of almost nine times during the last two decades. The increase of this expenditure is likely to strengthen India's maritime strategy.

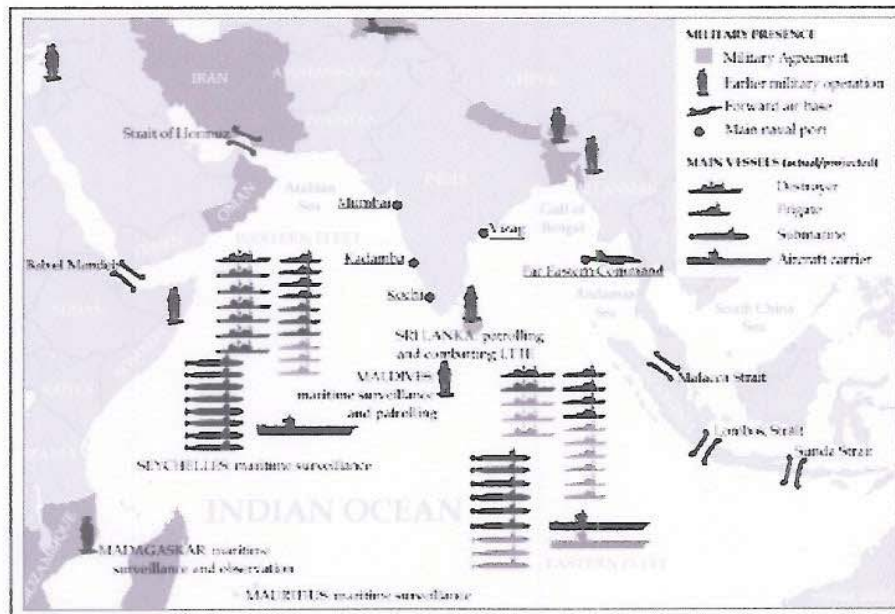


Figure 36. India's Military Presence in the Indian Ocean Region.¹⁶⁹

Figure 36 demonstrates that the India's maritime and sea strategy is now to be an essential component of 'the Indian Look East Policy'. The disruption of energy flows in the Indian Ocean and the Straits of Malacca is a considerable security concern for India.

¹⁶⁸ Aryind Kadyan, 'India's Defence Budget 2010-2011', India Institute for Defense Studies Analysis, p.2., New Delhi, 2010, p.2.
http://www.idsa.in/idsacomments/IndiasDefenceBudget2010-2011_akadyan_030310 (10 March 2010)

¹⁶⁹ Jonathan Holslag, p.17.

To conclude, with regard to India's political strategy, the Indian government wishes to achieve a balance of democracy and openness to provide greater domestic stability. In economics, India has well established legal and financial institutions. It has also world class, international high-tech firms that are competitive in the global marketplace. As India's economy and influence expand, the Indian strategic culture is likely to remain in transition. Combining these three political, economic and social factors, it is likely that India's strategy may not completely move away from its traditional *Non-Aligned Movement*.¹⁷⁰ Furthermore, there are complicated relationships among India, China, Japan and the United States, India's strategy *Look East Policy* is then needed to engage with these complexities. India growing economic, political, and cultural ties to East Asia could provide further larger part of the strategic partnership in the Straits of Malacca for foreseeable future.

The Indian government considers that the Indian Navy and the Indian Coast Guard would be major stabilizing forces in the movement of energy across the sea lanes of communication. The modernization of Indian naval forces has also complemented a significant improvement in onshore infrastructure. The Indian government further believes that the Indian navy should engage with navies of different countries across the world. The Indian government is likely to be sufficient confident to declare that the Indian Navy has the ability to be a significant element of the *Indian Look East Policy* in securing the Indian Ocean and the Straits of Malacca.

The Indian government believes that *the United Nations Convention on the Law of Sea* should be set appropriately. The Indian government deemed that the need for cooperation among countries of the region in preventing trans-national crimes by using legal factors was therefore very important. With regard to environmental issues, the Indian government has argued that it is necessary to sustain the management of the Ocean.

¹⁷⁰ Richard L. Armitage and Joseph S. Nye, p.6.

This can be applied by increasing the synergy of scientific knowledge and decision making in environmental systems.

Given the Indian Ocean and the Straits of Malacca are very important for India, there is an indication nevertheless that India's 'security dilemma' would appear to be well managed, because it is unlikely that the Indian government will shut their nuclear submarines projects down in the next few years. The Indian government is likely to use both soft power and hard power to meet the importance of security in the Indian Ocean and the Straits of Malacca.

Chapter 4

21st Century America's Maritime Strategy in Southeast Asia



Figure 37. Map of the United States of America.

After the end of the Cold War in the 1990s, the United States was the sole remaining superpower. The rise of United States power in the world affairs was very astonishing. The United States possessed dominance in economics, monetary, culture, technology and military in the common sense of the world.¹⁷¹ American ideological challengers or geographical balancers were unlikely to be found. United States power had a strong influence on most of world politics by providing ideas and institutional frameworks. However, according to the United States government, it was certainly not. The United States former President, George W. Bush, articulated that America had never been an empire and they didn't seek to be an empire. Other evidence issued by the United States Secretary of

¹⁷¹ John G. Ikenberry, 'American Power and the Capitalist Democracy', *Review of International Studies British International Studies Associations*, No.27, 2001, p. 191.

Defense, Donald Rumsfeld, who argued that the United States is not imperialistic.¹⁷²

However, most of the world recognizes that the United States is an emerging imperial power. The United States has grown to be the world's most powerful state that operates globally without constraints from other states. It is likely that the United States has no competitor geo-politically and geo-strategically. Some nations support the United States precisely because of this, viewing it as a benevolent empire that can protect them against ambitious regional powers.¹⁷³ It still remains that the United States imperial predominance is a fact in the world affairs that cannot be changed. Furthermore, why is the security of oil energy shipments through the Straits of Malacca important for the United States of America?

Firstly, we will look at the United States foreign policy. Foreign policy is one of the most important aspects in the United States political system. Ignoring foreign policy could make the world a dangerous place for the country. To keep the United States safe in the world, in the presidential campaign the candidates must include foreign policy issues into their campaigns.¹⁷⁴ Strong foreign policy supported by other political power around the world makes the United States a hegemonic super power. The United States view the Straits of Malacca as one of the strategic locations in the world needed to maintain American hegemonic superpower. The United States has sought ways to develop a presence in the Straits of Malacca. United States foreign policy recognises that its presence in the

¹⁷² Niall Ferguson, 'Hegemony or Empire?', *Foreign Affairs*, New York: Council on Foreign Relations, September/October 2003, p.2, <http://www.foreignaffairs.org/20030901fareviewessay82512/niall-ferguson/hegemony-or-empire.html> (6 April 2008).

¹⁷³ Simes, D.K., 'America's Imperial Dilemma', *Foreign Affairs*, *November / December 2003*, p.1., <http://www.foreignaffairs.org/20031101faessay82609/dimitri-k-simes/america-s-imperial-dilemma.html> (7 April 2008).

¹⁷⁴ Charles Krauthammer, 'the Black Hole of American Politics: Foreign Policy', *Analysis of the American Academy of Political and Social Science*, Vol. 572, Presidential Campaigns: Sins of Omission, 2000, p. 142.

Straits of Malacca would have significant strategic importance for American interests in Southeast Asia.

Secondly, we will examine the United States economy. Between 1990 and 1998 the United States economic growth was 26%, it was likely the only giant in economic growth in that time compared to the Europe, which only 17%.¹⁷⁵ In 2000, the US world merchandise exports per capita amounted to \$1,094.¹⁷⁶ However, the United States has trouble with housing and credit markets which made its economic growth slow sharply at the end of 2007.

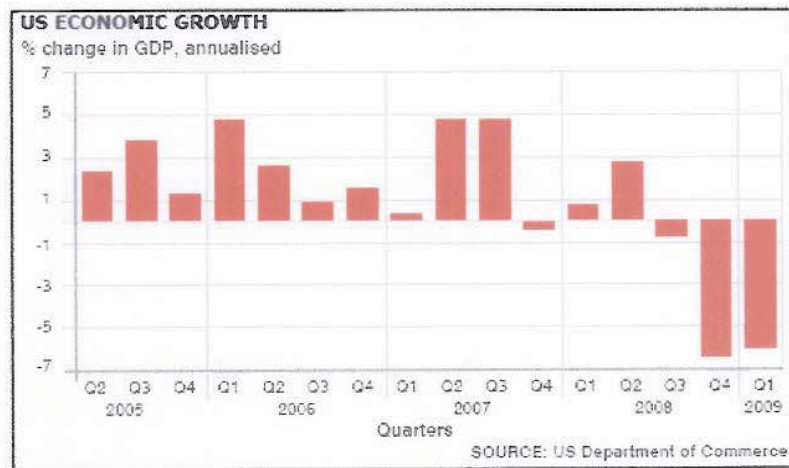


Figure 38. The United States economic growth 2005-2009.¹⁷⁷

Figure 38 shows that the United States economic growth in 2008 was negative, with a mild recession in the first half of the year, and only very slow growth in the first quarter 2009. The global economic crisis has then worsened the United States economic situation. Furthermore, how can the United States maintain its economic capability?

The United States can maintain its economic capability and dominates the world currency because of the value of their dollars. Current international

¹⁷⁵ Ikenberry, *American Power and the Capitalist Democracy*, p.191.

¹⁷⁶ Henry C.K. Liu, 'US Dollar Hegemony Has Got to Go', *Asia Times online April, 2002*, p.1. <http://www.atimes.com/global-econ/DD11Dj01.html> (9 April 2008).

¹⁷⁷ US Department of Commerce, 'US Economy at a Glance', *BBC News, 2008*, p.1., <http://news.bbc.co.uk/2/hi/business/7373158.stm> (30 May 2009).

financial systems are based on the United States dollar as the dominant reserve currency. The fact is that the United States produces dollars as a currency and the rest of the world produces things to buy dollars. In the quarter of 2008, an account of global currency reserves was 6,873,920 million US Dollars, up from 1,643,957 million US Dollars a decade ago.¹⁷⁸ In 2006 however, Iran desired to change their currency to the Euro as an alternative for oil transactions.

The Iranian government announced it would begin competing with respect to international oil trades by using the Euro as an international oil trading mechanism. *If Iran can open its upcoming euro based on the Oil Bourse in Tehran, it will threaten the United States dollar.*¹⁷⁹ China and Russia seem likely to change to the Euro for their oil trade to Iran, and the Euro is likely to establish a firm foundation in the international oil trade. Tehran's objective constitutes an obvious violation of the United States dollar supremacy in the international oil market.

In October 28, 2004, Iran and China signed a huge oil and gas trade agreement, valued between \$70 - \$100 billion dollars. Sinopec Group will be awarded the rights to participate in developing one of the world's largest oilfields in Iran in exchange for buying 10 million tons of LNG for 25 years from Iran.¹⁸⁰ Despite desires by United States elites to enforce the monopoly petrodollar recycling system, it would surely create a crisis between Washington and Beijing.¹⁸¹ It should also be noted that China

¹⁷⁸ IMF Statistics Department, 'Currency Composition of Official Foreign Exchange Reserves', *COFER Data Base*, 2008, p. 6, <http://www.imf.org/external/np/sta/cofer/eng/cofer.pdf> (13 May 2008).

¹⁷⁹ Clark William R., 'Petrodollar Warfare: Dollars, Euros and the Upcoming Iranian Oil Bourse', *Media Monitor Network*, 2005, p.1. <http://usa.mediamonitors.net/content/view/full/17450> (7 April 2008).

¹⁸⁰ Zhao Renfeng, 'Iran prefers China for oil exploration projects', *China Business Weekly*, 2004, p.1., http://www.chinadaily.com.cn/english/doc/2004-11/09/content_390435.htm (8 April 2008).

¹⁸¹ William Clark, 'Oil Currency Geopolitics: Europe, China, Iran and the United States', *Baltimore: New Society Johns Hopkins University Publishers, online: Peak Oil News and Message Board*, 2005 http://peakoil.com/static/editorial/Oil_Currency_Geopolitics.htm (24 April 2008).

currently receives 13% of its oil imports from Iran which passing through the Straits of Malacca. The United States recognises that its presence in the Straits of Malacca would have significant strategic importance for the United States economic interests in the region.

In social behaviour, the Americans believe that everyone should have an equal say in their lives with democracy, helping to shape what government does. The United States further believes that democracy is *essential* to human development where people can participate in the debates and decisions that shape their lives.¹⁸² 'A world without the United States primacy will be a world with more violence and disorder and less democracy and economic growth than a world where the United States continues to have more influence than any other country shaping global affairs.'¹⁸³ The United States considers promoting their primacy around the world including in the area of the Straits of Malacca.

The Straits of Malacca has become an area in which the United States, Japan, and China have increasingly invested. Each of the major powers is keen to connect the region to their interests. The importance of Southeast Asia is further emphasized as the Northeast Asian states pursue economic regionalism.¹⁸⁴ The Chinese and Japanese economies seem likely dependent on the Straits of Malacca. Though it seems that Sino-Japanese relations have improved more recently, the stronger economic but weaker political relations duality appears to be impelling the United States toward greater integration with the region. Moreover, what are the strategic

¹⁸² Jennifer L. Windsor, 'Promoting Democracy Can Combat Terrorism', *the Washington Quarterly*, Summer, 2003, p. 47.
http://www.twq.com/03summer/docs/03summer_windsor.pdf (12 June 2008).

¹⁸³ Robert Kagan, 'The Benevolent Empire', *Foreign Policy*, No. 111, summer, 1998, p. 26. <http://people.cas.sc.edu/rosati/a.kaplan.benevolentempire.fp.sum98.pdf> (14 June 2008).

¹⁸⁴ Maryanne Kelton 'US Economic Statecraft in East Asia', *Oxford University Journal: International Relations of the Asia-Pacific*, Vol.8, No.2, 2008, p.164,
doi:10.1093/irap/lcn001,
<http://irap.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/8/2/149?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=Malacca+Straits+Security&searchid=1&FIRSTINDEX=0&resourcetype=HWCIT> (12 July 2008).

implications for the United States of America if energy shipments through the Straits of Malacca were threatened or closed?

In September 2002, the United States under the Bush government emphasised its National Security Strategy to offer the way forward to pursue American global interests after 11 September 2001. The greater the threat, the greater is the risk of inaction, and the more compelling the case for taking anticipatory action to defend.¹⁸⁵ The United States President commented at West Point in June 2002; '...if we wait for threats to fully materialize, we will have waited too long, we must take the battle to the enemy, disrupt his plans, and confront the worst threats before they emerge...'¹⁸⁶ Subsequently, the United States considered their presence in the Straits of Malacca would have strategic implications, and wishes to employ American forces confidently to demonstrate their presence in the Straits of Malacca. However, the littoral user states rejected the United States strategic initiatives. If there is no significant change to America's national strategy, the United States power will end subsequent economic decline.

The strategic shift was backed by bipartisan support in Washington for increased military spending on sea lanes of communication around the world, including the Strait of Malacca. It focused on controlling sea lanes through which flow the trade of the Asian economic miracle by using their military forces. *The United States military forces are unique. Not only the United States military forces control all of the world's oceans and seas, stretch from the western to the eastern oceans and the Persian Gulf, but also are likely to control the South China Sea and the Straits of Malacca. Since 2003, the United States Navy has been prepared to reassert control over the Straits of Malacca which is the most vulnerable chokepoint for the*

¹⁸⁵ James Steinberg, 'Preventive Force in US National Security Strategy', *Survival*, Vol. 47, No. 4., Winter, 2005–06, p. 55, <http://www.brookings.edu/views/articles/steinberg/20060101.pdf> (2 August 2008).

¹⁸⁶ James Steinberg, p.58.

Persian Gulf oil trade to the Chinese, Japanese, and Korean economies.¹⁸⁷ It was an indication that the United States, which has global military commands, wishes to use its broad range of tools to maintain its dominance in the Straits of Malacca.

The United States believes that promoting security in the Straits of Malacca supported by military forces is the way to show the United States plans to lead the world order in the region. To do this, the United States considers the need for advanced technology. The United States argues that to deter the rise of a new great power competitor and to preserve America's pre-eminence through the coming transformation of war will be made possible by new military technology.¹⁸⁸ The United States must lead by action as well as by example.¹⁸⁹ Likewise, the United States believes that to avoid worse implications for American interests in Southeast Asia, they must have the ability to control those Straits by using military forces.

In the defence budget planning for 2008, the United States considered every possibility. Total Bush defence spending requested for 2008 was \$ 647.2 billion including the regular military budget plus supplemental spending on the Iraq and Afghan Wars.¹⁹⁰ Other facts are that the majority of the United States military bases are overseas in Germany, Japan and South Korea. At present the United States Air Force, Navy and Marine Corps have more than 5000 tactical combat airplanes and 1800 armed helicopters. However, in Southeast Asia predominantly in the Straits of Malacca, American forces are too sparse to address rising security

¹⁸⁷ Joseph Gerson, 'The Age of US Hegemony', *Peacework*, November, 2000, p. 2., <http://www.peaceworkmagazine.org/pwork/1100/112k06.htm> (6 April 2008).

¹⁸⁸ Rainer Rilling, 'American Empire as Will and Idea: the New Major Strategy of the Bush Administration', *Rosa Luxemburg Foundation*, 2003, p.3, <http://www.globalpolicy.org/empire/analysis/2003/03americanempireaswillandidea.pdf> (9 April 2008).

¹⁸⁹ George W. Bush, *The National Security Strategy of the United States of America*, Washington: White House, Marc 2006, p. 49.

¹⁹⁰ Foreign Policy in Focus, 'Just security: an Alternative Foreign Policy Framework', a Project of the Institute for Foreign Policy Studies, June 2007, p. 58.

requirements adequately.¹⁹¹ Consequently, there is a need to maintain strong diplomacy and strategy to support the idea to secure the Straits of Malacca.

The United States believes that it can sustain its economic power if it can control strategic regions such as Middle East as the most important oil producer, and its transportation to the consumer, China and Japan, through the Straits of Malacca. The United States certainly has an interest in seeing that the major sea lanes passing through the Straits of Malacca are protected, and in working with Southeast Asian intelligence agencies.¹⁹² However, Malaysia and Indonesia are unlikely to be in line with the United States over the issue of security in the Straits of Malacca with the latter opposing initial US plans to provide unilateral interdiction of suspected vessels in the Straits (Nesadurai, 2004).¹⁹³ This condition made the United States desire to change their strategy to deal with those Southeast Asia countries where the Straits of Malacca is located.

In Asia, the rise of China and India as regional powers is bringing new economic, financial and military challenges to the United States, balancing power in a traditional way.¹⁹⁴ If China and India had truly taken the road of energy cooperation, the strategic implications for the United States would be much more serious. But it remains an uncertain prospect. It is certain that the American government will likely do its best to divide the two giants, even against the interests of the major corporations in the Indian

¹⁹¹ Kagan D., Schmitt G., and Donnelly T., 'Rebuilding America's Defenses: Strategy, Forces, and Resources for New Century', *A Report of the Project for the New American Century*, Washington D.C., September 2000, p.25., <http://cryptome.org/rad.htm> (25 Feb 2008).

¹⁹² International Crisis Group, 'Resuming U.S.-Indonesia Military Ties ICG', *Asia Briefing Paper*, 21 May 2002, Brussels, p.6.

¹⁹³ Amitav Acharya and See Seng Tan, 'Betwixt Balance and Community: America, ASEAN, and the Security of Southeast Asia', *International Relations of the Asia-Pacific*, Volume 6, 2006, p.50, <http://irap.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/6/1/37?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=india+security&searchid=1&FIRSTINDEX=50&resourcetype=HWCIT> (11 June 2008).

¹⁹⁴ Klaus Naumann, et al., p.53.

Ocean and the Straits of Malacca.¹⁹⁵ Moreover, how does the United States of America develop its strategies to meet the importance of the security of oil energy shipments through the Straits of Malacca?

The importance of the security in the Straits of Malacca for the United States has increased considerably. With a population of more than 350 million, maritime Southeast Asia (Indonesia, Malaysia, the Philippines, and Singapore) is an area of significant economic and security interests for the United States. The United States endeavour is likely cover several strategies, such as seeking to maintain open sea lanes through the region, especially through the Straits of Malacca, through which much Persian Gulf oil is shipped to East Asia.¹⁹⁶ More importantly, the United States needs to build strong strategic relationships to assure access for American air and naval forces in the region where the Straits of Malacca is located.

The United States argues that its presence in the Straits of Malacca will add impetus to the slow process of alliance building in the region. However, the Southeast Asian nations are resistant to regional alliance. For that reason, the United States is seeking to develop security efforts through the Asian Regional Forum, suggesting a trend towards closer regional coordination that might develop into a more permanent, alliance-like arrangement. In this process, the United States is likely to have a key role to play. The United States suggests that a heightened military presence in the Straits of Malacca would be a strong encouragement to regional security cooperation.

The United States views that the primary concern of their security strategy is China's emergence as a major regional power. It is linked to China's exorbitant claims in the South China Sea, Beijing's quest for improved

¹⁹⁵ Margherita Paolini, p.9.

¹⁹⁶ Brian Nichiporuk, et al., 'Demographics and Security in Maritime Southeast Asia', *RAND Labor and Population Winter/Spring 2006*, Santa Monica: RAND Cooperation, 2006, p.83. http://www.rand.org/pubs/reprints/2006/RAND_RP1219.pdf (3 March 2008).

naval power capabilities, and its assertiveness in pressing its maritime and territorial claims in the South China Sea. Another consideration is that Chinese track record of using military power to enforce its claims. The American government sees that much of this concern reflects an underlying fear that China's assertiveness will increase as its power grows.¹⁹⁷ As a result, the United States considers enhancing security and balancing China's growing power, and that is also very important to guarantee regional stability.

By guaranteeing the security of current allies and newly democratic nations in East Asia, the United States can help ensure that the rise of China is a peaceful one. For this to proceed peacefully, the United States armed forces must retain their military pre eminence and thereby reassure its regional allies. In Northeast Asia, the United States must maintain and tighten its ties with the Republic of Korea and Japan. In Southeast Asia, this will be a difficult task requiring sensitivity to diverse national sentiments, but it is made all the more compelling by the emergence of new democratic governments in the region.¹⁹⁸ For operational as well as political reasons, the United States believes that an increased naval presence in Southeast Asia particularly in the Straits of Malacca, stationing rapid mobile ground and air forces in the region will be needed.

The American government considers that the United States defense and security arrangements in Asia are to serve as a complement rather than as a substitute for its existing bilateral alliances. The United States desires to deepen and widen its bilateral security alliances and partnerships to allow for the creation of a comprehensive security network in the region.¹⁹⁹

¹⁹⁷ Angel M. Rabasa, p.2.

¹⁹⁸ William Kristol and Robert Kagan, 'Rebuilding America's Defenses: Strategy, Forces and Resources For a New Century', *A Report of the Project for the New American Century*, Spring USA, September 2000, p.19.
<http://www.informationclearinghouse.info/pdf/RebuildingAmericasDefenses.pdf> (5 March 2008).

¹⁹⁹ Angel M. Rabasa, p.9.

Consequently, the United States should encourage these countries to improve the inter operability of their armed forces so they can respond to regional crises as coalitions. Intelligence sharing is another essential component of any comprehensive strategy. Another comprehensive strategy is likely the United States desires to promote the cohesion of political and economic stability of Southeast Asian nations.

Economic reconstruction is critical to political stability in Southeast Asian nations. The United States would help to rebuild the economies of ASEAN countries by encouraging trade, investment and economic reform.²⁰⁰ Moreover, the United States views that Indonesia's democratic evolution has opened a window of opportunity for closer military-to-military ties with the Indonesian armed forces as one of the Southeast Asians nations. There has been progress in the Bush Administration to strengthen ties at senior levels through high-level visits, conferences, and seminars.²⁰¹ Therefore, the United States believes that there is a need to expeditiously normalize comprehensive relationships with Southeast Asian nations as a hub of the United States economic interests to China.

The United States considers the need to ensure its access to Chinese markets as early as possible. The United States government is aware that China has already signed an agreement with ASEAN, ASEAN-China Free Trade Agreement (ACFTA) that aims to create free trade by 2010²⁰². ASEAN countries are keen to ensure that their specialized high-end manufactures have assured and established markets in China prior to the internationalization of local Chinese products. Coupled with these processes, the rise of fundamentalist terrorist networks with destructive intent beyond local concerns is of increasing disquiet to the United States. These non conventional and trans-national groups which are suspected

²⁰⁰ Angel M. Rabasa, p.9.

²⁰¹ Angel M. Rabasa, p.4.

²⁰² Artur Gradziuk, 'Implications of ASEAN-China Free Trade Agreement (ACFTA)', *Bulletin the Polish Institute of International Affairs*, no. 8 (84), Warsaw, Poland, January 19, 2010, p.164.

operate within the Straits of Malacca present an increasing threat to the United States. The United States believes it must continue to recognize its growing interests in the region, and do more to expand its engagement of ASEAN and its member nations.²⁰³ Therefore, the importance of the Southeast Asian region where the Straits of Malacca is located to American political, economic and security is increased considerably.

Moreover, that a number of ASEAN states oversee the security of crucial sea-lanes including the Straits of Malacca intensifies the magnitude of the security agenda. The United States administration has thus argued that a strong American and ASEAN relationship is a force for stability and development in the Southeast Asian region. The United States believes that this integration will assist it to solidify its association with a region where the threat of terrorism remains high, it also considers that these trade arrangements will enhance the development of economic growth for ASEAN.

In May 2003, the Bush Administration announced the Proliferation Security Initiative (PSI) program. The PSI is a scheme that calls on participating states to block dangerous shipments of Weapons of Mass Destruction (WMD) material in their ports, territory, and air space or on their vessels. It began as eleven nations agreeing to a set of interdiction principles and a series of interdiction exercises.²⁰⁴ The PSI addresses WMD transport both by air and by sea, although the likely venue for interdiction through the use of force is maritime shipping rather than air transport, for obvious practical and political reasons. And although the PSI applies broadly to any WMD proliferation, it specially designates states of proliferation concern, to interdiction principles has been supplemented by bilateral agreements,

²⁰³ Maryanne Kelton, p.164.

²⁰⁴ Jack I. Garvey, 'The International Institutional Imperative for Countering the Spread of Weapons of Mass Destruction: Assessing the Proliferation Security Initiative', *Journal of Conflict & Security Law*, Vol. 10, No. 2, 2005, p.127, <http://jcs.l.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/10/2/125?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=Proliferation+Security+Initiative&searchid=1&FIRSTINDEX=0&resourcetype=HWCIT> (22 June 2008).

particularly with the flag of convenience states under which a large portion of international shipping operates.

In March 2004, a Regional Maritime Security Initiative (RMSI), was suggested provide a plan of action to address these concerns. Admiral Thomas B. Fargo, the United States Pacific Command (US PACOM) commander, first briefly mentioned RMSI in the course of his annual US PACOM posture testimony to the United States House. '...the objective of RMSI is to develop a partnership of willing regional nations with varying capabilities and capacities to identify, monitor, and intercept trans-national maritime threats under existing international and domestic law. This collective effort will empower each participating nation with the timely information and capabilities it needs to act against maritime threats in its own territorial seas...'²⁰⁵ Each nation will have to decide for itself what response it will take in its own waters. Information sharing will also contribute to the security of international seas, creating an environment hostile to marine criminal activities. The United States then considers RMSI activity in international waters should be in accordance with existing international law of the sea.

And by August 2006, the United States and ASEAN had agreed to a *Joint Vision Statement on the Enhanced Partnership* not only to strengthen the Enterprise for ASEAN Initiative (EAI) but to cooperate more closely on trans-national security threats which included terrorism, WMD proliferation, drug trafficking, and illegal migration. Moreover, with the proliferation of FTA in the Asia-Pacific region, the United States will seek out ways to maintain its leadership and presence in this region and to encourage regional integration in a manner that benefits the United States.²⁰⁶ In 2006 and 2007, the United States has also worked with countries in the region to address specific issues in international trade. Moreover, the

²⁰⁵ Global Security, 'Regional Maritime Security Initiative', p.1

²⁰⁶ The President of the United States, 'Trade Agreements Program', *Annual Report and Trade Policy Agenda 2007*, Washington D.C., 2008.

United States government under Barack Obama administration has promised to revitalize the US-ASEAN relations.

ASEAN has considerable strategic value to the United States of America. The US has long recognized that the Asia is critical to the US security and prosperity in the 21st century. This is recognized by the current United States President, Obama, in his campaign *Blueprint for Change Obama 2008*. ‘...Obama will assure that the United States is fully and appropriately engaged in current institutions, such as ASEAN and APEC, and explore enhanced collaboration to respond to respond to new and non-traditional threats...’²⁰⁷ Moreover, one fundamental purpose for Obama to restore vigorous ties with ASEAN is that the region provides strategic access through the Straits of Malacca to US forward deployment against any potential adversary challenges to the US.²⁰⁸ For instance, US naval’s and air force’s access to Singapore’s Changi facilities can substantially reduce the reaction time for the US to engage a crisis situation in East Asia, be it in the South China Sea or in the Taiwan Strait.²⁰⁹ Therefore, the Straits of Malacca is most likely to be one of the global waterways that the US would like to exercise credible control.

To conclude, the great authority of the United States stretches throughout Europe, Asia, and other states of the world. In the Middle East, Saudi Arabia is one of the United States alliances for oil energy interests. Currently, oil international financial systems are based on the United States dollar as the dominant reserve currency. The fact is that the United States imports much more than it exports, however the dollar has not

²⁰⁷ Barack Obama, ‘Blueprint for Change’ *Obama and Biden’s Plan for American People*, Washington D.C.: Obama’08, p. 79.

<http://www.barackobama.com/pdf/ObamaBlueprintForChange.pdf> (23 May 2009)

²⁰⁸ You Ji, ‘Obama’s Asian Policy: Change and Continuity’, *EAI Background Brief No. 425*, 21 January 2009, p.11, <http://www.eai.nus.edu.sg/BB425.pdf> (24 May 2009).

²⁰⁹ You Ji, ‘Obama’s Asian Policy: Change and Continuity’, p.12.

fallen. The United States has dominated world currency because of the value of the dollar.

There is a threat for the US dollar which has appeared from the Iranian government. Iran is primed to constitute an obvious violation of United States dollar supremacy in the international oil market. China is likely to fall in line with Iran and will change its currency to Euro for their oil trade. Hence, the United States is considering promoting their primacy around the world, including over Iran, and is also considering deterring these rising competitors of American interests in the Straits of Malacca. To achieve this, United States has considered having power to control the Straits of Malacca. It has provided clear evidence that the Straits of Malacca possesses a significant strategic important for the United States.

In the early of 21st Century, the United States has been prepared to reassert control over the Straits of Malacca which is the most vulnerable chokepoint for the Persian Gulf oil trade to the Chinese economy and other East Asia countries. The United States believes that promoting security in the Straits of Malacca supported by military forces is the way to demonstrate the United States plans to lead the world order. The United States believes that to avoid worse implications for American interests in Southeast Asia, they must have the ability to control these Straits. However, the United States has problems in gaining a presence in the Straits of Malacca because they need international legitimacy to deploy forces. For that reason, the United States will likely to change their national strategy to deal with Southeast Asia countries.

In May 2003, the Bush Administration announced the Proliferation Security Initiative program. The PSI is a scheme that calls on participating states to block dangerous shipments of Weapons of Mass Destruction material in their ports, territory, air space or on their vessels. And in March 2004, a Regional Maritime Security Initiative was suggested to provide a plan of action to address these concerns. The objective of the RMSI is to develop a partnership of willing regional nations with varying capabilities and

capacities to identify, monitor, and intercept trans-national maritime threats under existing international and domestic law. However, these two initiatives were rejected by littoral user states. The United States then recognised the important of respecting the sovereignty of littoral user states. Currently, the United States President, Obama, acknowledged that Asia is critical to the US security and prosperity in the 21st century. Moreover, the United States worked with Southeast Asia to address specific issues in international trade. It is likely that another way of providing presence in Southeast Asia will be sought to keep watching the Straits of Malacca and deterring the United States competitors in the region.

Chapter 5

Sovereignty and the Rights of Sovereignty of Indonesia



Figure 39. Map of Indonesia.

Indonesia is the world's fourth most populous country after China, India, and the United States. Currently, Indonesia has approximately 245.5 million people.²¹⁰ Between the 5th to 16th Centuries, several Indonesian islands hosted powerful trading kingdoms. The Dutch began to colonize Indonesia in the early 17th Century and for three centuries profited from the Indonesian economy, largely at the expense of the local population.²¹¹ Dutch authority over the islands peaked in the early 20th Century. The Indonesian nationalist streams coalesced in 1928 with the *Youth Oath*, which pledged support for: *one country, Indonesia; one language, the Indonesian language; one people, the Indonesian people.*²¹² The Indonesian islands were then occupied by the Japanese from 1942 to

²¹⁰ The United States Department of States, 'Profile Indonesia', *Bureau of East Asian and Pacific Affairs*, March 2008, p.5, <http://www.state.gov/r/pa/ei/bgn/2748.htm> (14 June 2008).

²¹¹ Central Intelligence Agency, 'Indonesia', *The World Fact Book*, July 2008, p.1 <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html> (19 July 2008).

²¹² Webster, David., 'From Sabang to Merauke: Nationalist secession movements in Indonesia', *Asia Pacific Viewpoint*, Vol. 48, No. 1, April 2007, p. 87.

1945. The growth of the Indonesian nationalism led to a declaration of independence in 1945, and the Dutch finally transferred sovereignty in 1949.

From a geopolitical perspective, the Indonesian islands are located between countries which have very different political systems, such as Australia, China, Japan, South Korea, and India. Referring to its geopolitical features, what is the nature of Indonesia's political outlook in international world affairs? The implications are that these would provide a great challenge to Indonesia. Indonesia must have the ability to manage and to establish a strong relationship with a range of countries which have different political backgrounds.

Looking at Indonesia's geostrategic perspectives, Indonesia has very different challenges compared to other countries. Indonesia is one of the world's largest archipelago states which has approximately 17,504 islands spanning the equator and three time zones. Indonesia's land area is 1,904,443 square km (sq.km.) and Indonesia's Exclusive Economic Zone is 3,166,163sq.km.²¹³ Indonesia is also home to three sea lanes of communications. The first sea lane of communication is the Strait of Malacca, which is the main passage between the Indian Ocean and the South China Sea. The second sea passage is the wider and deeper Lombok Strait. It is less congested than the Straits of Malacca and quite often is used as an alternative passage. It is sometimes used for the largest tankers transiting between the Persian Gulf and Japan, and it is considered the safest route. The third sea gap is the 50 mile long Straits of Sunda. It is also acts as another alternative to the Straits of Malacca. Because the currents are strong and the depth of water is limited, deep draft ships can not use this strait. Therefore it is not heavily used.²¹⁴ Why

²¹³ New Zealand Ministry of Foreign Affairs and Trade, *Republic of Indonesia*, Wellington: Department of Foreign Affairs and Trade, July 2008, <http://www.mfat.govt.nz/Countries/Asia-South-and-Southeast/Indonesia.php> (17 July 2008).

²¹⁴ Irini Laimou M., 'The Management of the Sea Lanes of Communication in South East Asia and the ASEAN Regional Forum's Performance', *Hellenic Foundation for European*

is the security of oil energy shipments through the Straits of Malacca important for Indonesia?

With regard to Indonesia's foreign affairs, the Indonesian government under SBY has placed emphasis on *Non-Military Pact* as described: '...Indonesia has never engaged in a military pact with a foreign country, and there will be no change in this policy. This also means that we will continue our policy of not allowing any foreign military bases in Indonesian Territory. Indonesia does not have a country which we consider a threat or an enemy...'²¹⁵ SBY introduced his own metaphor *navigating a turbulent sea* to describe the challenges facing Indonesian foreign policy.²¹⁶ It was significant that Indonesia would not allow any foreign military bases in the Indonesian territory including in the Straits of Malacca. As Indonesia is concerned with many issues in the Straits of Malacca, it is likely to prefer to share these problems with other states bordering the Straits such as Malaysia and Singapore.

The Indonesian maritime perspective is the core of Indonesia's strategic interests which are shaped by permanent geographic features. Indonesia's *archipelagic character has long been a defining feature of its strategic thinking*. This characteristic has been given clear expression in Indonesia's Archipelagic Principle *Wawasan Nusantara*.²¹⁷ This principle means that *the waters linking Indonesia's disparate land mass are*

and Foreign Policy, Athens, Greece, 1998, p.2,
<http://www.isn.ethz.ch/pubs/ph/details.cfm?q51=The+Management+of+the+Sea+Lanes+of+Communicatio&v21=106904&lng=en&ord51=Title&id=23243> (13 June 2008).

²¹⁵ Susilo Bambang Yudhoyono, *Transforming Indonesia: Selected International Speeches*, Gramedia, Jakarta, 2005, p.275.

²¹⁶ Bantarto Bandoro, 'Indonesian Foreign Policy Under President Susilo Bambang Yudhoyono', *the Indonesian Quarterly*, Vol. 34, No. 4, Fourth Quarter 2006, p.307.

²¹⁷ Natasha Turnquest, 'Delimitation of the Maritime Boundary between the Commonwealth of the Bahamas and the United States of America: A Case Study', *United Nations Division for Ocean Affairs and the Law of the Sea with Japan Nippon Foundation*, p.19,
http://www.un.org/Depts/los/nippon/uniff_programme_home/fellows_pages/fellows_pape rs/turnquest_0506_bahamas (9 June 2008).

considered an integral part of the state.²¹⁸ The waters hold further strategic importance because of the valuable resources such as natural gas and oil. For Indonesia's political outlook it is regarded as very important not only to defend the maritime approaches to the archipelago but also to defend the sovereignty of the states itself.

In recent times, Indonesia economy has become well integrated into international markets. Indonesian exports has equivalent to 25% of GDP. Indonesia's annual growth rate in 2006 was 5.5% and in 2007 was 6.2%²¹⁹ then 6.1% in 2008 and 4.5% in 2009.²²⁰ Indonesia's exports grew to a record \$100.7 billion in 2006, an increase of 17.5% from 2005, then \$139.3 billion in 2008 and \$115.6 billion in 2009. Oil export was 85,000 bbl/day. The top destinations for exports for 2008 were Japan 20.2%, US 9.5%, Singapore 9.4%, China 8.5%, South Korea 6.7%, India 5.2%, Malaysia 4.7%.²²¹ In September 2002, China awarded an \$8.5 billion LNG contract to Indonesia to supply its planned terminal in Fujian province for 25 years, beginning in 2007.²²² Indonesian exports to Japan have been dominated by the oil and gas sector especially natural oil which contributed around 59%.²²³ It is necessary to note the need for security on sea borne trade will increase significantly.

Moreover, the Indonesian government believed that the root causes of maritime crime should be formulated systematically. It was thought that

²¹⁸ Mark Rolls, 'Indonesian Defence Policy and Arm Procurement in the Post Suharto Period', in Stephen J. Epstein. (ed.), *Understanding Indonesia*, Victoria University of Wellington: Asian Studies Institute, 2006, p.31.

²¹⁹ The United States Department of States, 'Profile Indonesia', p.2.

²²⁰ Central Intelligence Agency 'Indonesia', *the World Fact Book*, March 2010, <https://www.cia.gov/library/publications/the-world-factbook/geos/ja.html> (18 March 2010).

²²¹ Central Intelligence Agency 'Indonesia', *the World Fact Book*, March 2010.

²²² Bill Guerin, 'Indonesia: The promise of LNG', *Asian Times*, 18 June 2004, <http://www.atimes.com/atimes/Southeast Asia/FF18Ae03.html> (12 June 2008).

²²³ Moekti P.S., 'Indonesia's Competitiveness in Japanese Market', *the Indonesian Quarterly*, Vol. 34, No. 4, Fourth Quarter 2006, p.331.

might be a combination of economic reasons, social and cultural problems, and also psychological matters. The Indonesian government then launched an anti terrorism campaign and it was supported by other countries such as the United States, Australia and New Zealand.²²⁴ The Indonesian government believes that counter terrorism will provide a significant impact to the Straits of Malacca security.

The Indonesian government has also placed emphasises on the importance of technology to secure the Straits of Malacca. The sea promises billions of dollars of income but the process requires a long time. The most urgent for Indonesia is to prepare the infrastructures to take advantage of the maritime potential and improve the power to protect it. The demands of support from the Indonesian people to prepare the machinery and maritime technology are also important. These efforts have to be accelerated and backed from the start by political actors, financial support and also legal factors.

The importance attached to Indonesian maritime strategic interests was heightened when the 1982 United Nations Convention on the Law of the Sea (UNCLOS) finally entered into force on November 16, 1994. In that time Indonesia was granted *Archipelagic Status*.²²⁵ The Convention, consisting of 17 parts, 9 annexes, and 320 articles, it designed to regulate the use and utilization of 70% of the Earth's surface.²²⁶ The UNCLOS further has been praised as the most comprehensive political and legislative work ever undertaken by the United Nations. This international law of the sea has played an important role for Indonesia. Indonesia gained an additional ZEE which should be utilized for the prosperity of the

²²⁴ Bekto Suprpto, 'Detachment 88 Anti Terrorism Criminal: the Strategy of Counter Terrorism in Indonesia', *Investigation Board-Indonesian National Police*, Jakarta, August 2007, p.5.

²²⁵ Mark Rolls, p.31.

²²⁶ Yann-huei Song, 'Declarations and Statements with Respect to the 1982 UNCLOS: Potential Legal Disputes between the United States and China after U.S. Accession to the Convention', *Ocean Development & International Law*, 36:3, p.263, July 2005, <http://community.middlebury.edu/~scs/docs/Declarations%20and%20Statements%20with%20Respect%20to%20the%201982%20UNCLOS.pdf> (11 June 2008).

Indonesian people. The Indonesian government then recognised that the maritime zone has three functions: a medium for communication; source of revenue; and as a national defence interests.

In regional cooperation to secure the Straits of Malacca the Indonesian government considers international law of the sea. According 1982 UNCLOS *sovereignty enforcement at sea has two dimensions they are sovereignty and sovereign right* refers to articles 2, 34, 47 and 49. Article 2 described that the sovereignty of a coastal state extends, beyond its land territory and internal waters and, in the case of an archipelagic State, its archipelagic waters, to an adjacent belt of sea, described as the territorial sea. It was evident that Indonesia as *an archipelagic* state has its sovereignty in territorial water and archipelagic water.

Article 34 explained that *the regime of passage through straits used for international navigation shall not in other respects affect the legal status of the waters forming such straits or the exercise by the States bordering the straits of their sovereignty or jurisdiction over such waters and their air space, bed and subsoil. State sovereignty is the highest authority in a state to perform an action considered necessary for the sake of national/state interest.*²²⁷ The legal basis for the authority of a state on a territory is the existence of the state as an independent and sovereign state.

Article 47 described about *base lines* which indicated that the length of such baselines shall not exceed 100 nautical miles, except that up to 3% of the total number of baselines enclosing any archipelago may exceed that length, up to a maximum length of 125 nautical miles. Article 49 illustrated that the sovereignty of an archipelagic State extends to the waters enclosed archipelagic waters, regardless of their depth or distance

²²⁷ Bernard Kent Sondakh, 'National Sovereignty and Security in the Strait of Malacca', *Paper's Chief of Staff Indonesian Navy presented to the Conference on Maritime Institute of Malaysia (MIMA)*, Kuala Lumpur, 12 October 2004, p.2, <http://www.mima.gov.my/mima/htmls/conferences/som04/papers/sondakh.pdf> (6 June 2008).

from the coast. This sovereignty extends to the air space over the archipelagic waters, as well as to their bed and subsoil, and the resources contained therein. It provided clear evidence that free passage or freedom of navigation should respect to the sovereignty and sovereign right of the States bordering the straits free passage shall not affect sovereignty of the States bordering the straits.

From the legal factors perspectives, the 1982 UNCLOS commanded Indonesia to honour the right of friendly passage through the Straits of Malacca. It requires the Indonesian government to have high ability to manage the dilemma of legal factors in the Straits of Malacca. On one hand, the Indonesian government wishes to be a good international citizen to allow the free passage in the Straits of Malacca as *rights and duties provided* from 1982 UNCLOS and on other hand Indonesia has to considers its national sovereignty. Furthermore, what are the strategic implications for Indonesia if oil energy shipments through the Straits of Malacca were threatened or closed?

Initially, the Indonesian government must develop its political strategic posture that strengthens peace and stability in the area of the Straits of Malacca. It is essential to overcome the 21st Century phenomena such as globalization, inter-dependence, the new technology in communication and computerization. Indonesian under the President SBY believe that ability to connect with the globalize world is very crucial.²²⁸ Hence, the Indonesian government argues that Indonesia should utilize its *Independent and Active* foreign policy. Independence and active foreign policy seem likely relevant to manage different perspective and interests in securing the Straits of Malacca. Geopolitically, the Straits of Malacca was also considered to be the most dangerous arrow pointing to the Indonesian heartland, because the Straits of Malacca was the only strait in

²²⁸ Susilo Bambang Yudhoyono, p.386.

Indonesia that shared with other littoral user states.²²⁹ Any disruption in the Straits of Malacca will also influence on other governmental systems such as Indonesian economic.

Illegal fishing in the Straits of Malacca was estimated to economically cost Indonesia some US\$2 billion per annum with most of this being taken from the waters off northern and western Sumatra. In 2005, Indonesia was losing roughly US\$8 billion in stolen fish every year to illegal foreign fishing vessels.²³⁰ Maritime violence has also the potential to disrupt Indonesian economy in the vital sea lanes of communication the Straits of Malacca. The strategic implication for Indonesia is that the threat or disruption would not help Indonesia restore investor confidence to carry an essential business which can sustain Indonesian economic stability.

With regard to Indonesia's social aspects, a strategic comprehensive approach is strongly needed because of its pluralism in Indonesia. The Indonesian government committed to utilize the police to face any security and criminal problems. The Indonesian government argued that the use of military force can be risky in such a situation. At the moment, Indonesia has Detachment Police 88 Anti Terrorism. This detachment has intensified cooperation with other agencies and also with foreign law enforcement agencies, such as AFP, FBI, UK Police, Japan Police, BKA of Germany, Spain, New Zealand, France, South Korea and Australia.²³¹ For the Indonesian police, any use of force is treated as a legal action that must be legally justified. Any entry of a premise must be approved by judge and is conducted in the ways in accordance to the rule of law. Therefore, the strategic implications of this condition is that there is a need for close

²²⁹ J.N. Mak, 'Unilateralism and Regionalism: Working together and Alone in the Malacca Straits, in Graham Gerard Ong (ed.), *Piracy, Maritime Terrorism and Securing the Malacca Straits*, ISEAS Publisher, Pasir Panjang Singapore, 2006, p.142.

²³⁰ The United States Embassy, 'Indonesia: Environment, Science & Technology, and Health Highlights' *Recent Economic Reports*, Jakarta, April 2005, p.3, <http://www.usembassyjakarta.org/econ/ESTH%20HIGHLIGHTS%20FOR%20APR%20webste.pdf> (11 June 2008).

²³¹ Bekto Suprpto, p.7.

cooperation between Indonesian police detachment with Indonesian Navy to deal with criminal problems and terrorism which might arise in the Straits of Malacca.

In technological aspects, the Indonesian government deemed that the new strategy should cover include the reliable sensing system, mobility capabilities, and advance command control and communication network. The demand is likely be meet by utilizing other national assets. It included assets which are owned by the Department of Defence, the Department of Transportation, the network of government offices and also privately owned facilities. The Indonesian government then decided to boost the Indonesian national ship builder in Surabaya to build 2000 tones frigate.²³² The strategic implication for Indonesian technology was clear that these conditions drove the Indonesian government to improve the strategic production capabilities to meet the demand of security in Indonesian maritime interests.

In legal factors, the Indonesian government recognised that there was a need for a legal instrument which could help keeps out foreign intruders to Indonesia. As Indonesia is located within two oceans and near two continents, these strategic features rendered Indonesia vulnerable to intrusions from all directions. The Indonesian government believed that the Strait which used for international navigation would provide Indonesia direct vulnerability into and through the maritime approaches. Indonesia recognised that the Straits of Malacca became a centrepiece in the battle to establish a new ocean regime that finally culminated in the 1982 UN Convention on the Law of the Sea.²³³ If there were no international law of the sea such as 1982 UNCLOS, Indonesia could not use *its sovereignty* and *the right of sovereignty* over all the Indonesian water territories including the Straits of Malacca.

²³² Robert Mangindaan, 'Maritime Strategy of Indonesia in 2000-2010', in Jurgen Scwarz, et al., *Maritime Strategy in Asia*, Bangkok Thailand: White Lotus Press, 2002, p.332.

²³³ J.N. Mak, p.140.

From a security perspective, there is also a dilemma to implement its International law of the sea for Indonesia. On one hand, the condition implies that any foreign party can operate *freely* inside Indonesia's jurisdiction, taking advantage of the right of free passage.²³⁴ Indonesia has to accommodate the international use of SLOC facilities. On other hand, Indonesia has also to protect its national interests in those Straits. However, Indonesia should take advantage of existing legal frameworks and binding law internationally. The Indonesian government decide to utilize the Indonesian Navy, as one of the guardians of national sovereignty to have the 1982 UNCLOS as *the power of law* to protect all Indonesian maritime interests including the security in the Straits of Malacca. It was clear that strategic implications of the international legal framework of 1982 UNCLOS has placed Indonesia as one among countries which has great responsibilities to secure the sea lanes of communication, and most importantly, is to keep the Indonesian sovereignty and the right of sovereignty over the Straits of Malacca. Furthermore, how does Indonesia develop their strategies to meet the importance of the security of oil energy shipments through the Straits of Malacca?

In international affairs, Indonesia currently is a member of the United Nations Permanent Security Council and a member of the United Nations *Human Right's Council*. In regional, Indonesia strongly believes with ASEAN security community in all area of interests. The Indonesian government recognises that it is very important to maintain close relationship among countries in the world affairs internationally and regionally. For that reason, Indonesian puts emphasises on the importance of maritime security relationships. Indonesia government believes that reduction of the violence in the Straits of Malacca can dramatically change the geopolitical situation in Southeast Asia. Indonesia

²³⁴ Robert Mangindaan, p.325.

considers that the risk of violence might never be eliminated, but significant steps should be taken to reduce its vulnerability.

In recent years, Indonesia and Australia have signed agreement to increase the cooperation in terms of combating terrorism, trans-national crime, and other security issues. Indonesia also considers promoting democratic consolidation in the local government, for instance, the peace process agreement in Aceh. Aceh is the nearest Indonesian province to the Straits of Malacca. The Indonesian government have considered that the stability in this area would provide the stability in the Straits of Malacca from sea crime which arose from that region.

The Indonesian Navy was then employed to secure the Straits of Malacca. Naval warships generally were not deployed to a particular region but were grouped in mobile flotillas, to be dispatched where needed. Activity of the Western Navy Fleet was most often concentrated in the vicinity of the bases at Belawan in North Sumatera Province, and Tanjung Pinang in Riau Province. The mission concerned patrolling the strategic straits through which foreign ships enter and exit the Indian Ocean and the Straits of Malacca.

The geographic configuration of the Straits of Malacca is narrow, in some points it narrows to a width of less than 12 miles. As an important economic lane, the Straits of Malacca always attracts international society and various world powers. The Indonesian's believe that the geographic condition of the Straits of Malacca does not place the Straits of Malacca as an international strait, but as a *strait normally used for international navigation*.²³⁵ The legal regime of the Straits of Malacca as a Straits used for international navigation is found in article 34 paragraph 1 of 1982 UNCLOS, which clearly defines that International navigation shall not disturb sovereignty and sovereign rights of the coastal states in the Straits of Malacca.

²³⁵ Bernard Kent Sondakh, p.3.

The form of respect to the sovereignty and sovereign right of ships and aircraft during transit passage are refrain from any activities other than those incident to their normal modes of continuous and expeditious transit and refrain from any threat or use of force against the sovereignty of the coastal states as found in article 39, 1982 UNCLOS. Moreover, during transit passage, foreign ship may not carry out any research or survey activities without the prior authorization of the coastal state as found in article 40, 1982 UNCLOS.

Furthermore, the definition of *Piracy* can be found in article 101 of 1982 UNCLOS. Piracy consists of any of the following acts: any illegal acts of violence or detention, or any act of depredation, committed for private ends by the crew or the passengers of a private ship or a private aircraft, and directed: *on the high seas, against another ship or aircraft, or against persons or property on board such ship or aircraft; and against a ship, aircraft, persons or property in a place outside the jurisdiction of any State.* According to this article, the Indonesian government considers that any illegal acts of violence and directed against vessels which take place in water under national jurisdiction, therefore is not an acts *piracy* but an act of *armed robbery or sea robbery*. It should be dealt with exclusively by national state orders under the principle of coastal states sovereignty and national security.

The Indonesian government believes the safety of navigation and security in these Straits is the responsibility of the States bordering the Straits: Indonesia, Malaysia, and Singapore. The presence of foreign forces, in the context of Sea Lanes protection, should be under the request of the States bordering the Straits. It is very important, because it is a legal basic for the national sovereignty of the States bordering the Straits. All countries can use the Straits of Malacca for their free passage, but for military operation, the approval must be given by the States bordering the Straits.

However, the Indonesian government considers that the security of the Straits of Malacca cannot be tackled by Indonesia itself. The littoral user states/coastal states need to cooperate and work together to ensure security and safety in the Straits of Malacca. Trilateral coordinated patrols between the navies of Indonesia, Malaysia and Singapore have been implemented and are targeted against sea piracy and maritime terrorism, however much more endeavor should be done.²³⁶

The Malacca Strait Patrols (MSP), which comprises the Malacca Strait Sea Patrol (MSSP), the *Eyes in the Sky* (EiS) air patrols as well as the Intelligence Exchange Group (IEG), is then undertaken by the littoral user states to ensure the security of the Straits of Malacca. Indonesia, Malaysia and Singapore launched the trilateral Malacca Straits Sea Patrol in July 2004. MSSP is designed to enhance security in the Straits of Malacca as well as to bolster existing bilateral arrangements. Under this arrangement, the participating states conduct coordinated patrols while facilitating the sharing of information between ships and the Monitoring and Action Agency (MAA).

Indonesia, Malaysia, and Singapore also desire to reinforce the efforts of the sea patrols with air surveillance. It pushed to littoral user states, Indonesia, Malaysia, and Singapore to launch the *Eyes in the Sky* initiative in September 2005. The initiative provides combined and coordinated air surveillance over the Straits of Malacca using maritime patrol aircraft of Indonesia, Malaysia and Singapore, as seen on the figure below:

²³⁶ Barry Desker, 'Protecting the Malacca Straits', *Institute of Defence and Strategic Studies (IDSS)*, Nanyang Technological University, Singapore, March 2005, pp.1-3, <http://www.isn.ethz.ch/pubs/ph/details.cfm?q51=Malacca+straits&lng=en&ord51=Title&id=13638> (12 June 2008).

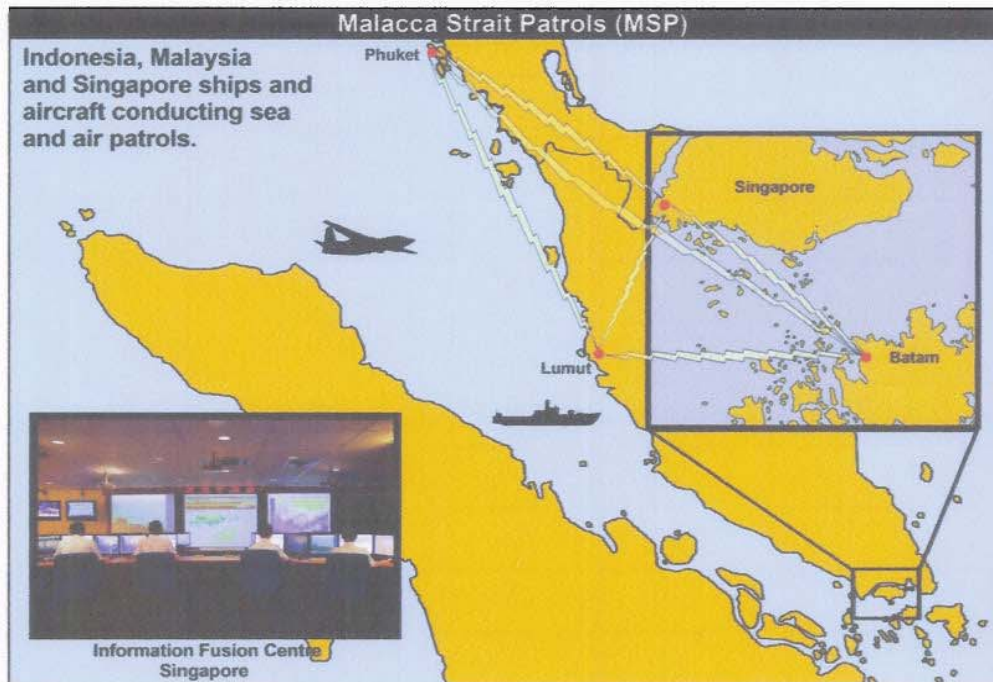


Figure 40. Malacca Strait Patrol diagram.²³⁷

Another effort which has been done by littoral user states was an MSP Intelligence Exchange Group (IEG) which was formed among the three participating states in 2006. IEG is to support the sea and air patrols, leading to the development of an information sharing platform called the Malacca Strait Patrols Information System or MSP IS. International Maritime Bureau has reported that the number of maritime unlawful violence has declined from 38 in 2004 to 11 in 2006, and in 2008 were 7.²³⁸ As a result, with the implementation of the MSP, the overall security situation in the Straits of Malacca has improved significantly.

In addition, the security along the Straits of Malacca would be strengthened when ten new coastal surveillance radars, with sponsorship assistance by the United States are installed along the eastern coast of Indonesia's Sumatra island in a couple of years, there may yet be new prospects for the sharing of situational picture in the Straits of Malacca

²³⁷ Singapore Ministry of Defence, *Inaugural Malacca Strait Patrols Information Sharing Exercise*, Singapore: Department of Defence, <http://app.sprinter.gov.sg/data/pr/20080328985.htm> (29 July 2008).

²³⁸ ICC International Maritime Bureau, p.5.

that can be integrated into an expanded regional and global comprehensive maritime domain awareness network. Washington gave Indonesia another \$18.4 million in 2006 to procure coastal radar stations, and improved air and sea surveillance capabilities. In 2007, there was funding totalled \$28.7 million and was used to improve radar and communications equipment for the Indonesian navy and coast guard.²³⁹

Furthermore, the Indonesian government considers protecting 17,504 islands with 5 million sq.km territorial waters and 3 million sq.km of EEZ, Indonesia certainly needs a modern and sophisticated naval force.²⁴⁰ Indonesia believes that one of the Indonesian Navy objectives is to develop cooperation with any party to protect stability and keep the peace in the region including the Straits of Malacca. Indonesia's aim to protect the Straits of Malacca is to demonstrate the sovereignty over its water, while promoting non alignment cooperation in international world affairs.²⁴¹ Countries which have different interests in the Straits of Malacca are unlikely to agree however, the International community could not disobey the international rules of law of the sea.

To conclude, Indonesia is home of three sea lanes of communications. One of them is the Strait of Malacca which is the main passage between the Indian Ocean and the South China Sea which are significant lifelines for international world affairs. The sea lanes hold strategic importance because of their important for the transit of valuable resources such as natural gas and oil. It is also important for Indonesia not only to defend the maritime approaches to the archipelago but also to defend the sovereignty

²³⁹ Frida Berrigan, 'Indonesia's Arms Appetite', *New America Foundation: Foreign Policy in Focus*, February 27, 2008, p.3, http://www.newamerica.net/publications/articles/2008/indonesias_arms_appetite_6834 (12 August 2008).

²⁴⁰ Robert Mangindaan, p.330.

²⁴¹ Victor Huang, 'Building Maritime Security in Southeast Asia - Outsiders Not Welcome?', *Pointer Journal of the Singapore Armed Forces*, Vol.33 No.3, 2007, p.31, http://www.mindef.gov.sg/imindef/publications/pointer/journals/2007/v33n3.-imindefPars-0006-DownloadFile.tmp/PointerV33n3_15-11-07lowres.pdf (21 June 2008).

of the state itself. The 1982 UNCLOS has been praised as the most comprehensive political and legislative work ever undertaken by the United Nations (in accordance with) the law of the sea. Indonesia was granted archipelagic status by the provision of the 1982 UNCLOS on November 16, 1994.

According to the 1982 UNCLOS sovereignty enforcement at sea has two dimensions; these are sovereignty and sovereign rights. The 1982 UNCLOS commanded Indonesia to honour the right of friendly passage through the sea lanes of communication. It requires the Indonesian government to have a high ability to manage the Straits of Malacca. The Indonesian government wishes to be a good international citizen to allow free passage in the Straits of Malacca as *rights and duties provided* from 1982 UNCLOS. The Straits of Malacca was then considered to be the most dangerous arrow pointing to the Indonesian heartland, because it was the only strait in Indonesia that has shared with other littoral user states. Any disruption in these Straits would not help Indonesian restore investor confidence to carry on essential business which is necessary to sustain Indonesian economic stability.

Indonesia recognises that the Straits of Malacca has become a centrepiece in the battle to establish a new ocean regime. If there had been no 1982 UNCLOS, Indonesia could not use its *sovereignty and the rights of sovereignty* over all of the Indonesian water territories including the Straits of Malacca. However, there is a dilemma in implementing the International law of the sea for Indonesia. On the one hand, the condition implies that any foreign party can operate *freely* inside Indonesia's jurisdiction, taking advantage of the right of free passage. Indonesia has to accommodate the international use of SLOC facilities. On the other hand, Indonesia has to consider its national sovereignty and to protect its national interests in these Straits.

The Indonesian Navy was then employed to help secure the Straits of Malacca. The mission concerned patrolling the strategic straits through

which foreign ships enter and exit the Indian Ocean and the Straits of Malacca. However, the Indonesian government considers that the security of the Straits of Malacca cannot be tackled by Indonesia itself. Indonesia believes that the littoral user states need to cooperate and work together to ensure security and safety in the Straits of Malacca. The Malacca Strait Patrols are then undertaken by the littoral user states to ensure the security of the Straits of Malacca.

In addition, the security along the Straits of Malacca will be strengthened when ten new coastal surveillance radars, with sponsorship assistance by *the United States are installed along the eastern coast of Sumatra Island*. Indonesia's aim to protect the Straits of Malacca is to demonstrate sovereignty over its water, while promoting non alignment cooperation in international world affairs. International community which has different perspectives *will likely disagree, however they could not disobey the international rules of law of the sea*.

Chapter 6

Critical Economic Artery of Malaysia



Figure 41. Map of Malaysia.

Geographically, Malaysia is divided into two principal sections, known as Peninsular Malaysia and East Malaysia. East Malaysia shares a border with Indonesia, while Peninsular Malaysia is bordered by Thailand to the north and Singapore to the south. Because of its central location in Southeast Asia and its strong trading history, Malaysia is home to a diverse population of Malays, Chinese, Indians, Eurasians, and indigenous groups.²⁴² The earliest geopolitics of Malaysia is recognised as early as the first few centuries A.D. trade on the Straits of Malacca helped to create economic and cultural links among China, India, and the Middle East. Among the most powerful and enduring early kingdoms was Srivijaya, which ruled much of Peninsular Malaysia from the seventh to the fourteenth century with support from China and the *men of the sea* who

²⁴² Kathleen Treiber, 'Malaysia is the home of Quota International of Kuala Lumpur', *E Zine Foundation*, Washington D.C., 2001, p.1.

originated from Peninsular Malaysia.²⁴³ In 14th Century, Srivijaya's dominance had ended because it lost Chinese support and because it was continually in conflict with states seeking to dominate productive trade routes.

The beginning of the Malay nation is often traced to the 15th Century establishment of Malacca on the peninsula's west coast. Malacca's founding is recognized to the Srivijayan Prince Sri Paramesvara, who fled his kingdom to avoid domination by rulers of the Majapahit Kingdom. In the late 14th Century, Malacca had become an important commercial power and cultural influence along the Straits of Malacca, largely as a result of its numerous advantages as a trading port and its commercial and military alliances with China and the Malay Kingdom of Bintan, an island near Singapore. When Muzaffar Shah became Malacca's ruler in 1444,²⁴⁴ he declared the kingdom a Muslim state, and Malacca's growing commercial, military, and political influence helped spread the Islamic faith throughout the region.

In 1511 Portugal conquered Malacca, but Portuguese attempts to establish a trade monopoly were ruined by military raids conducted by Malacca's ruler Mahmud Shah and by his sons' kingdoms, particularly Johor. Throughout the 16th Century, Portugal, Johor, and Aceh in Indonesia variously fought and allied with one another in order to establish a trade monopoly in the region. By 1641, the Dutch had entered the area, and in an alliance with Johor helped the Dutch defeat the Portuguese and assume control of Malacca.

In the late 1800s, numerous deposits of tin ore were discovered in the North western state of Perak. There was substantial growth in mining and the creation of administrative and transportation infrastructure to service the tin industry. This then enabled the growth of other industries along the

²⁴³ Library of Congress of the USA, 'Country Profile: Malaysia', *Federal Research Division*, September 2006, p.2.

²⁴⁴ Library of Congress of the USA, p.2.

west coast, such as rubber plantations.²⁴⁵ This early export diversification helped the economy respond to changing international prices for primary commodities and generally aided economic growth under the British influence until the 19th Century. Following occupation by the Japanese in the Second World War, there was a movement for independence from Britain. This was achieved for Peninsular Malaysia in 1957 and in 1963 the current Malaysia was formed. Today, Malaysia is a federation of 13 states, with a monarch being chosen by rotation from among the hereditary sultans. There is a democratically elected Federal Parliament. Furthermore, why is the security of energy shipments through the Straits of Malacca important for Malaysia?

Politically, Malaysia is not only a key member of the ASEAN but also concurrently chair of the 57 member Organization of Islamic Conference (OIC) and the 117 member Non Aligned Movement (NAM). The Bush Administration has emphasised the positives in the relationship while downplaying the negatives. In the same speech Armitage pointed out that Malaysia and the United States were both democratic and multicultural countries that shared common values and beliefs. Armitage praised Malaysia for its leadership role in Southeast Asia, the Islamic community, and wider world. Washington recognized Malaysia's regional and global influence.²⁴⁶ Malaysia possesses a strategic importance for the international community: the United States, China, Japan, and India, in keeping the security in the Straits of Malacca. Malaysia considers that they could not ensure the political stability by themselves. Malaysia deems to cooperate with other littoral user states in securing the Straits of Malacca.

Economically, the Straits of Malacca is seen as a critical economic artery by Malaysia. The strait runs parallel to the industrial heartland of Malaysia, serving the so called *Western Corridor* of Malaysia. Malaysian ports are

²⁴⁵ Library of Congress of the USA, p.4.

²⁴⁶ Ian Storey, 'Malaysia and the United States 2004–2005: The Best of Times?', *Asia-Pacific Center for Security Studies: Special Assessment*, February 2005, p. 2, <http://www.apcss.org/Publications/SAS/APandtheUS/StoreyMalaysia2.pdf> (27 May 2008)

located along the Straits of Malacca, and this is reflected in the Malaysian effort to promote two Straits ports; Port Klang and Port Tanjung Pelepas, as international transshipment hubs for container traffic.²⁴⁷ In December 2004 Deputy Secretary of State the United States of America, Richard Armitage, described Malaysia as a political, economic, and strategic partner of great and growing importance in Southeast Asia. It is likely Malaysian economic would have a significant strategic importance in the region.

Looking at Malaysia's social aspect in dealing with terrorism and security in the Straits of Malacca, Prime Minister Abdullah has often spoken of the need to fight extremism in all religions. In a speech before the World Council of Churches in Kuala Lumpur in August 2004, Abdullah warned: '...We cannot allow our religions to be torn apart by extremist impulses and exclusivist doctrines. We must be committed in promoting the value of peace, tolerance, and plurality...'²⁴⁸ In the same speech the Prime Minister called for more interfaith dialogue and the need to stress common religious values such as peace, friendship, and cooperation. It is important to note that the Malaysian Prime Minister is likely to create a social stability and security in the region. Moreover, Malaysia considers the high risk of security factors in the Straits of Malacca.

To reduce its security risk, Malaysia is currently seeking to upgrade its maritime technology capability in defense and in the newly established Malaysian Maritime Enforcement Agency. There are many foreign companies, for example from Japan, the United States and Australia which are well placed to cooperate in areas including: shipbuilding; design, repair and maintenance; sub-sea communications technology; surveillance and tactical data systems; risk management and response

²⁴⁷ J.N. Mak, p.140.

²⁴⁸ Ian Storey, p. 2.

systems and services; and battery propulsion products.²⁴⁹ Malaysia then wishes to develop new technology such as an oil pipeline to link the west and east coast of Peninsular Malaysia. On June 13, 2007 the massive \$7 billion oil pipeline project started to take shape in the northern part of Peninsular Malaysia. A Malaysian company, Trans-Peninsula Petroleum Sdn Bhd (TPP), is currently developing a mega 300km oil pipeline crossing the states of Kedah, Perak and Kelantan. On May 28, 2007 TPP signed a Master Alliance Agreement with PT Tripatra Engineers and Consultants and Ranhill Engineers and Constructors to jointly develop the onshore oil pipeline and storage facilities.²⁵⁰ It was evident that technology has become one of the most important aspects of Malaysia in securing energy shipments in the Straits of Malacca.

Moreover, Malaysia together with Indonesia and Singapore has demonstrated a strong commitment to the project's objectives of promoting navigational safety and conservation of their marine environments. Malaysia has ratified the 1982 UNCLOS and MARPOL 73/78 and the other IMO Conventions related to navigational safety and marine pollution prevention and control. The three countries are also signatories to the Tokyo Memorandum of Understanding on Port State Control, involving inspection of vessels for the International Oil Pollution Prevention Certificate.²⁵¹ Over the years, the three littoral user states have made substantial investments in navigational safety facilities, in marine pollution prevention, and in oil spill response and clean-up, following several recent spill incidents due to tanker collisions and groundings in the Straits. Malaysian interests on legal aspects and environmental issues increased considerably, and it will likely continue in the future. All of the

²⁴⁹ Joint Standing Committee on Foreign Affairs, 'Australia's relationship with Malaysia', Canberra: Sub Committee Foreign Affairs, Defense and Trade of the Government of Australia, March 2007, p.24.

²⁵⁰ Eric Watkins, 'Obstacles to Closer Counter-Terrorism Coordination in Malacca Straits', *Terrorism Monitor the Jamestown Foundation*, Volume V, Issue 13, July 6, 2007, p.12.

²⁵¹ Lars Vidaeus, 'Intersessional Work Program Submission', *GEF Project Executive Summary*, June, 2003, p.4.

above provides clear evidence that Malaysia considers safety and security in the Straits of Malacca. Therefore the legal aspect and environmental issues has a significant strategic importance for Malaysia to secure the Straits of Malacca. Furthermore, what are the strategic implications for Malaysia if energy shipments through the Straits of Malacca were threatened or closed?

Political debate over the continued relevance of post war United States alliance systems in Asia is intensifying at a time when American global and regional strategies seem to be converging. For example, the ANZUS alliance is no exception to this trend.²⁵² There is a choice between sustaining United States alliance affinities and commitments in a global context or prioritizing its regional security posture in tandem with its growing economic involvement in Asia. Malaysia believes that the growing economics in Asia was dependent on the regional security shipments in the Straits of Malacca, hence Malaysia considers if energy shipments in the Straits of Malacca were threatened, international's political pressure is likely as it could not be avoided.

At the Ninth Summit held in Bali, Indonesia in October 2003 the Association of South East Asian Nations (ASEAN) announced its intention to create by 2020 an ASEAN Community based upon three pillars: ASEAN Economic Community (AEC), ASEAN Security Community (ASC) and an ASEAN Socio-Cultural Community (ASCC). This sense of communality is captured in ASEAN discourse, where emphasis is placed upon the members' prosperity being inextricably tied to one another.²⁵³ With regard to ASEAN economic and security community, the Straits of Malacca is considered very important for the following reasons: important natural resources and openness to foreign investment.

²⁵² William Tow, 'ANZUS: Regional versus Global Security in Asia?', *International Relations of the Asia-Pacific*, Volume 5, 2005, p.197.

²⁵³ Alan Collins, 'Forming a Security Community: Lessons from ASEAN', *International Relations of the Asia-Pacific*, Volume 7, 2007, p.203.

In social aspects, at the moment Malaysia is well situated to benefit from growth in the region with key export and investment partners being Japan, China and the USA. It has a young and increasingly well educated population with a median age of 24 and a literacy rate of 90%. GDP - US\$149 billion in 2006, GDP Per Capita in 2006 was US\$ 5600, Real GDP Growth - 2004: 7.1%; 2005: 5.3%; 2006: 5.9%.²⁵⁴ Malaysia is likely solid middle income country with growing middle class. The Malaysian social aspect is reliant on the existence of the Straits of Malacca. Any disruption on the security in these Strait would have a significant implication on Malaysian prosperity.

At an annual summit in January 2007, ASEAN agreed to press ahead with its own transnational gas pipelines and power grid development among the 10 member countries, and to discuss joint energy projects with China. What seems to be happening is that China is using ASEAN countries as a conduit for its own energy security and also seeking to buy up as much gas and oil from Southeast Asia as it can. In addition of the 25 years agreement with Indonesia, Beijing recently secured a 25 year supply deal for liquid natural gas from Malaysia.²⁵⁵ However, geopolitical imperatives are likely to trump concerns over cost and technological difficulties. Once work begins on the Myanmar-China and Malaysian pipelines, China will have taken some solid steps towards mitigating Malacca dilemma.²⁵⁶ Malaysia deems that technological factor in developing a pipeline to mitigate the Malacca dilemma has to be a priority for the next few decades.

²⁵⁴ New Zealand Ministry of Foreign Affairs and Trade, *Federations of Malaysia*, Wellington: Department of Foreign Affairs and Trade, July 2008, <http://www.mfat.govt.nz/Countries/Asia-South-and-Southeast/Malaysia.php> (28 July 2008).

²⁵⁵ Graham Lees, 'China Seeks Way around Malacca Dilemma', *the Myanmar Times*, Vol. 19, No.380, August 2007, p.5, <http://www.mmtimes.com/feature/energy/018.htm> (26 May 2008).

²⁵⁶ Ian Storey, 'New Energy Project help China Reduce its Malacca Dilemma', *Institute of Southeast Asian study*, 14 May 2007, p.4., <http://www.iseas.edu.sg/viewpoint/is14may07.pdf> (26 May 2008).

Looking at the legal aspect, the Japanese Coast Guard announced that they were considering dispatching patrol vessels and aircraft to the area, if Malaysia made such a request. The Malaysians were quick to respond and Deputy Prime Minister Najib Razak, who is also defence minister, noted, '...We will do whatever we can, but the principle of sovereignty has to be respected...'²⁵⁷ Kuala Lumpur further noted that the security of the Straits of Malacca is the responsibility of Malaysia, Indonesia and Singapore only. It is evident that sea territory under the jurisdiction of a state is a national asset. Malaysia believes that sovereignty is extremely important to states, so the presence of foreign force in their territory is seen to undermine the sovereignty. Malaysia argues that the newly acquired maritime territories require constant policing and maintenance so states should do everything to safeguard their national interests.

*In environmental issues, traffic along the Straits is expected to worsen as demand for oil from East Asian economies, especially China, is anticipated to double to 20 million barrels per day by 2020. This would lead to further congestion in marine traffic, which could result in a higher probability of accidents such as collisions and oil spills. Malaysia believes that the TransPen project could alleviate congestion in the Straits of Malacca where the transit of crude oil is concerned. The TransPen project, when fully implemented, could potentially take away up to 25% of the oil carried through the Straits.*²⁵⁸ A vast number of vessels in the Straits of Malacca could lead to a closure of the Strait, disrupt freight, cause pollution and prevent or delay the supply of oil to its destination. Therefore, an environmental issue is one of the important aspects for Malaysia in securing the Straits. Malaysia believes that unprofessional environment management in these Straits will endow then causing a detrimental strategic impact. Subsequently, how does Malaysia develop their

²⁵⁷ Vijay Sakhuja, p.1.

²⁵⁸ Eric Watkins, p.12.

strategies to meet the importance of the security of energy shipments through the Straits of Malacca?

There are a number of attempts to address international concerns. For example, during 2004 the Malaysian government stressed that security in the strategically vital Straits of Malacca should be the primary responsibility of littoral user states and has downplayed the link between terrorism and piracy. At the Shangri-La Dialogue, in June 2005, the United States government moved to end the controversy. The United States Defense Secretary, Donald Rumsfeld, said the RMSI proposal had been misrepresented and that the United States would not take action without consulting its allies in the region.²⁵⁹ As a result, Malaysia has welcomed United States offers to help increase maritime security through intelligence and information exchange, training, and technical assistance.²⁶⁰

In that the Shangri-La Dialogue occurred where the Deputy Prime Minister of Malaysia proposed the *Eyes in the Sky* (EiS) concept to enhance the security in the Straits of Malacca.²⁶¹ Malaysia argued that the security of the Straits is very important to the littoral user states. Malaysia, Indonesia and Singapore further agreed to enhance cooperation by conducting combined maritime air patrols over the Straits of Malacca. It was designed to maintain respect for the sovereignty and territorial integrity of the littoral user states. The EiS is also a component of the Malacca Straits Security Initiative (MSSI) that aimed to attain maritime awareness over the Straits of Malacca, and would initially be undertaken by the three littoral user states. Other friendly states and stakeholders would be welcomed in the near future after a period of review with the agreement and guideline which were to be discussed by the littoral user states. At the initial stage,

²⁵⁹ Ian Storey, 2005, p.6.

²⁶⁰ Ian Storey, 2005, p.1.

²⁶¹ Singapore Ministry of Defence, *Launch of Eyes in the Sky (EiS) Initiative*, Singapore: Department of Defence, September 2005, http://www.mindef.gov.sg/imindef/news_and_events/nr/2005/sep/13sep05_nr.html (30 July 2008).

the Armed Forces of the participating states would provide the necessary resources in terms of maritime patrol aircraft and a Combined Maritime Patrol Team (CMPT) on board the aircraft. As previously noted the progress of the MSSI has increased considerably to reduce maritime violence in the Straits of Malacca from 38 attacks in 2004²⁶² then decreased to 7 attacks in 2007 and 2 attacks in 2009. (See figure 42).

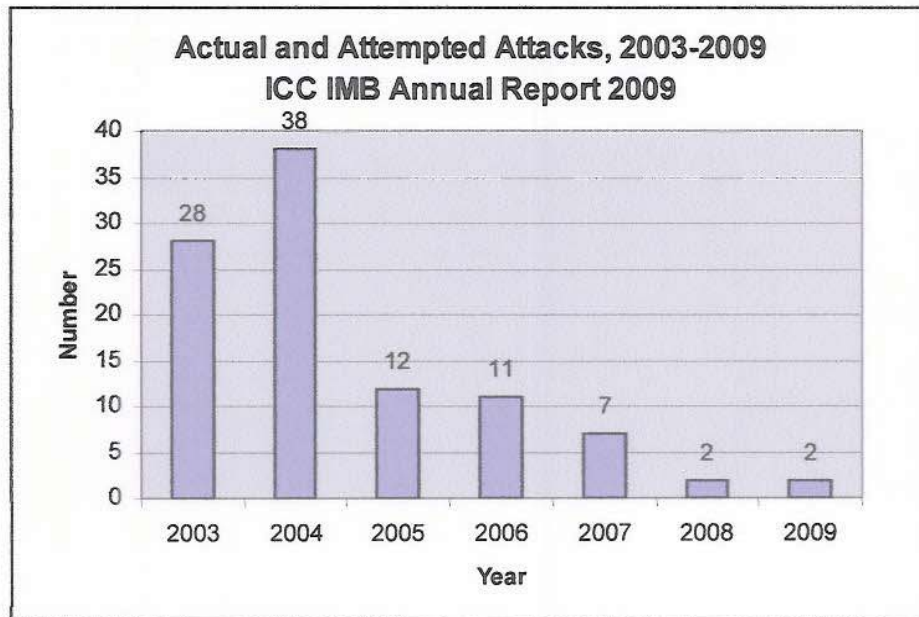


Figure 42. Number of Attacks 2003-2009.²⁶³

Malaysia has also actively cooperated with the United States in the apprehension of alleged terrorists and suspects in nuclear proliferation networks. Malaysia relations with the United States have demonstrated the extent of anti-terrorism agenda and its preparedness to use its economic statecraft to serve those ends. Consequently, the United States remains prepared to weather criticisms over its defense policy in order to retain Malaysian cooperation in anti terrorist activities. Integral in maintaining this level of Malaysian support has been continued through United States attention to trade matters. The United States signed off on

²⁶² ICC International Maritime Bureau, *Annual Report 2007*, p.5.

²⁶³ ICC International Maritime Bureau, 'Piracy and Armed Robbery against Ships Report', *Annual Report 2009*, London, January 2010, p.5.

Trade and Investment Framework Agreements (TIFA) arrangements in 2004 and launched FTA negotiations in March 2006. The United States remains Malaysia's largest single country export market with export increases of 5.3% recorded in 2006.²⁶⁴

The International Maritime Bureau (IMB) in Malaysia has become an indispensable partner since 2006 in the fight against piracy, particularly when it comes to recovering the lost goods, finding the offender or investigating insurance losses. Its services also include the following: providing support in setting up the satellite-based position finding system ship location, and taking over its servicing.²⁶⁵ The IMB can then order further measures without delay when an incident occurs. Monitoring goods whilst they are being shipped and when they arrive at their destination port. Other measures include examining suspicious shipping documents and other ship's papers, and the ability to check the credibility of ship owners and shipping companies.

Furthermore, the IMB has launched a 24 hour global hotline for seafarers to supply maritime security information. The IMB said that it is expanding its *piracy reporting service with a new hotline for ship's crew and stevedores to report activity they believe may be linked to maritime terrorism or organized crime*. In tri annual conference at Kuala Lumpur the IMB director, Potengal Mukundan, described that this global hotline will provide an immediate response for people to report information.²⁶⁶ Reports can be made either via e-mail or the IMB's existing 24 hour telephone hotline to its Piracy Reporting Centre in Kuala Lumpur. It encourages reporting a range of illegal activity covering areas such as terrorism and sea robbery.

²⁶⁴ Maryanne Kelton, p.164.

²⁶⁵ Potengal Mukundan, 'Piracy: Threat at sea - a Risk Analysis', *CC International Maritime Bureau*, 22 September 2006, p.43, http://www.munichre.com/publications/302-05053_en.pdf (22 July 2008).

²⁶⁶ Eric Watkins, p.12.

The Malaysian government considers the purchase of additional enforcement vessels and navigational aids, and the promotion of the usage of Marine Electronic Highway. Malaysia is also concerned with the introduction of Automatic Identification and Differential Global Positioning systems to identify and provide safe advice to vessels plying in the Straits of Malacca.²⁶⁷ Additional training programmes are being conducted to meet the requirements of the International Convention on Standards of Training, Certification and Watch Keeping for Seafarers. Joint airborne surveillance operations are also carried out by the Police Air Wing and the Air Force Unit of the Ministry of Defense, to detect illegal dumping of oil and waste in the Straits of Malacca.

In May 2007, it was announced that Kuala Lumpur had given the nod to a private consortium called Trans-Peninsular Petroleum (TPP) to construct a 320km pipeline from Yan in Kedah State on the west coast, to Bachok, Kelantan State, on the east coast. The plan envisages tankers off-loading crude oil at a large refinery to be built in Yan, before being pumped through the pipeline and uploaded on to ships at the other end. The estimated cost of the project is US\$7 billion. Malaysian Prime Minister Abdullah Badawi announced the project, positing it was part of the government's strategy to develop the country's northern states. The pipeline is expected to open in 2010. TPP intends to invite foreign investors to participate in the project.²⁶⁸

Malaysian and Indonesian police hold more frequent joint training in order to combat sea robbery in the Straits of Malacca. Malaysia's Federal Marine Police Commander, *Datuk Jalaluddin Abdul Rahman*, said that the joint training has been held in Medan, Sumatra, in August 2007, and involved district police chiefs along the west coast of Peninsular Malaysia and personnel from the Marine Police, Air Unit and General Operations

²⁶⁷ Agenda 21 the United Nations Conference on Environment and Development, 'Country profile of Malaysia', *Johannesburg Summit*, 2002, p.33

²⁶⁸ Ian Storey, 2007, p.2.

Force.²⁶⁹ Cooperation between Malaysian and Indonesian police comprised the exchange of information and joint patrols, especially in the southern part of the Straits, to curb sea robbery instead of terrorism. Malaysia has established a network involving not only the marine police of both countries but also the police district chiefs from the coastal areas like Port Klang and Kuala Selangor as well as with Indonesian counterparts in Sumatra. Currently, the Malaysian marine police are focusing more on surveillance and preventive measures by apprehending boats suspected of being involved in maritime violence and or sea robbery in the Straits which is assisted by Port Klang's Vessel Traffic Management System (VTMS) centre.

The Malaysian government has placed considerable demands and financial burden on user states. In 2008, the Japanese government together with other organizations will likely to support the Malaysian government demand to ensure the safe navigation of the seas, to protect the marine resources and to advance prosperity and freedom in the Straits of Malacca.²⁷⁰ Japan has approved a first grant aid of 4.4 million U.S. dollars to Malaysia for the improvement of equipment for maritime security enhancement in Malaysia's territorial waters. The present grant from Japan would be used for the improvement of the existing Malaysian Sea Surveillance System.

The Malaysian Sea Surveillance System (MSSS) are to upgrade the Malaysian Maritime Enforcement Agency (MMEA) and to improve the overall sea surveillance in the Straits of Malacca and other Malaysia's territorial waters. The upgrading program will include the installation of a Radio Direction Finder (RDF) System, and Electro-optonics System (laser

²⁶⁹ Eric Watkins, p.10.

²⁷⁰ Xin Hua, 'Japan grants aid to Malaysia for maritime security' *People's Daily Online*, January 25, 2008, p. 1, <http://english.people.com.cn/90001/90777/6345589.html> (12 July 2008)

camera) on Malaysia's remote sensor sites.²⁷¹ The RDF was capable of providing vital information to improve safety measures relating to traffic, search and rescue operations, as well as piracy and smugglers' communication detection, and other related illegal activities. The Electro-optronics System will allow long-range visual surveillance both day and night. This is expected to further enhance maritime security in the Straits of Malacca.

To conclude, Malaysia possesses strategic importance for the international community in the Straits of Malacca. However, Malaysia considers that they could not ensure the political stability by themselves therefore Malaysia has undertaken to cooperate with other littoral user states. The Straits of Malacca are seen as a critical economic artery by Malaysia. The Straits of Malacca runs parallel to the industrial heartland of Malaysia, and has become western corridor of Malaysia. Malaysia is keen to promote two Straits ports, Port Klang and Port Tanjung Pelepas, as international transshipment hubs for container traffic. Moreover, Malaysia wishes to create social stability in Southeast Asia to ensure Malaysia's interests in the Straits of Malacca. Malaysia is keen to develop new technology in advancing an oil pipeline which will link the west and east coasts of Peninsular Malaysia. Malaysia is also seeking to upgrade its maritime technology capability.

The Straits of Malacca are very important to Malaysia for the following reasons: it has little external debt and healthy foreign exchange reserves, important natural resources and openness to foreign investment. Malaysia believes if energy shipments in the Straits of Malacca are threatened, Malaysia will come under international political pressure. At the moment, Malaysia is well situated to benefit from growth in the region with key export and investment partners. Malaysia's social aspect is reliant on the existence of the Straits of Malacca. Any disruption to the security in the

²⁷¹ Xin Hua, 'Japan grants aid to Malaysia for maritime security' *People's Daily Online*, January 25, 2008, p.2.

Straits of Malacca would have a significant impact on Malaysian prosperity. As far as environmental issues are concerned vessels in the Straits of Malacca could lead to a closure of the Strait, disrupt freight, and cause pollution.

Moreover, Malaysia believes that sovereignty is extremely important. The presence of foreign forces will undermine its sovereignty. During 2004 the Malaysian government stressed that security in the Straits of Malacca should be the primary responsibility of littoral user states. In June 2005, at the Shangri-La Dialogue, the Deputy Prime Minister of Malaysia has proposed the *Eyes in the Sky* concept to enhance the security in the Straits. Malaysia has also actively cooperated with the United States in the apprehension of alleged terrorists and suspects in nuclear proliferation networks.

The *International Maritime Bureau in Malaysia* has become an indispensable partner in the fight against maritime violence. The Malaysian government is considering the purchase of additional enforcement vessels and navigational aids, the promotion of the usage of *Marine Electronic Highway* and the importance of *Differential Global Positioning* systems to identify and provide safe advice to vessels which are plying the Straits of Malacca. At the same time, an improvement of the existing Malaysian Sea Surveillance System is also needed. Additionally, Malaysian accompanied by Indonesian police are holding more frequent joint training in order to combat arm and sea robbery in the Straits of Malacca. Furthermore, the Malaysian government has given the private consortium *Trans-Peninsular Petroleum* approval to construct a 320km pipeline from Yan in Kedah State on the west coast, to Bachok, Kelantan State, on the east coast.

However, security for energy shipments could not be met by Malaysia itself, and a number of cooperative strategies between littoral user states should be made. International interests in these Straits are also to be considered. Burden sharing on security cooperation and support from the

international community with respect to its sovereignty is the most likely possible solution to counter the problems in the Straits of Malacca.

Chapter 7

Hub Port of Singapore



Figure 43. Map of Singapore.

Geographically, the island now known as Singapore was the site of a Malay fishing village at the mouth of the Singapore River, and it was initially founded by Sir Stamford Raffles in 1819. Throughout the 19th Century, this village was functioned as the primary trading port for most of the Malay Peninsula, particularly for the export of rubber.²⁷² The importance of the trade in this region was boosted by the opening of the Suez Canal which concentrated most shipping from Europe to the East through the Straits of Malacca. During the late colonial period Singapore also became a major British naval base. The ascendancy of the island was comprised by far the largest urban settlement. Cooperation between the British and the Chinese was important to the financial stability of the

²⁷² Kevin Grice; David Drakakis-Smith, 'The Role of the State in Shaping Development: Two Decades of Growth in Singapore', *Transactions of the Institute of British Geographers*, New Series, Vol. 10, No. 3., 1985, p. 347.

British colony in the 19th Century.²⁷³ With British colonial rule in 1819, early Chinese immigrants were granted significant economic privileges until in the mid 19th Century.

Singapore acquired self governing status in 1959 soon after the demise of British Malaya then to be part of Malaysia from 1963 to 1965.²⁷⁴ Singapore separated two years later and became independent.²⁷⁵ Singapore is now an island city-state of about 4.1 million citizens with approximately 77% of them Chinese ethnic. Singapore has populous, predominantly Islamic, nationalistic neighbours, Indonesia and Malaysia, and is a member with those nations in the Association of Southeast Asian Nations (ASEAN).²⁷⁶

Singapore has been recognized as a dependent on seaborne trade making it reliant on the sea lane for its national interests. In 2007, Singapore is the fourth largest crude oil importer in the world.²⁷⁷ As a country which has maritime interests and cooperation with others, Singapore wishes to promote and protect these interests in cooperation with its neighbours. Singapore took measures to safeguard its sovereignty, territorial integrity and jurisdiction over its territorial waters, and also protect its coastal and marine environment.²⁷⁸ Singapore places emphasis on the security of the Straits of Malacca which is the only strategic sea

²⁷³ Huei-Ying Kuo, 'Rescuing Businesses through Tran nationalism: Embedded Chinese Enterprise and Nationalist Activities in Singapore in the 1930s Great Depression', *Oxford University Press*, January 4, 2006, p.103, <http://es.oxfordjournals.org.ezproxy.massey.ac.nz/cgi/reprint/7/1/198?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=singapore&searchid=1&FIRSTINDEX=0&resourcetype=HWCIT> (12 June 2008).

²⁷⁴ Kevin Grice, p. 347.

²⁷⁵ Central Intelligence Agency 'Singapore', *the World Fact Book*, July 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/ja.html> (19 July 2008).

²⁷⁶ Governors Office of Inspector General, 'Inspection of Embassy Singapore', *OIG Report of United States Department of State and the Broadcasting Board*, ISP-I-05-18A, January 28, 2005, p.1, <http://oig.state.gov/documents/organization/46477.pdf> (15 June 2008).

²⁷⁷ British Petroleum, *Statistical Review of World Energy 2008*, p.21.

²⁷⁸ Kevin Santa Maria, *Singapore*, in Sam Bateman and Stephen Bates (ed.), *Regional Maritime Management and Security*, Strategic and Defense Studies Centre, the Australian National University, 1998, p.69.

lanes of communication in Singapore's territorial water. The Singaporean government believes that development of seaborne trade is also strongly linked to the economic development of Southeast Asia and East Asia. Singapore therefore shares the same commitment as other Asia countries to ensure that the maritime trade should be developed to its fullest potential. Furthermore, why is the security of energy shipments through the Straits of Malacca important for Singapore?

Firstly, we examine Singapore's political outlook by looking at Singapore's former Prime Minister, Lee Kuan Yew, who depicted that Singapore like other ASEAN members were more acutely aware of the uncertainties of the United States policies than other regions of the world. All of ASEAN members remember the American retrenchment in the 1970s followed by a decade of self doubt.²⁷⁹ Hence ASEAN countries drew towards each other to seek greater strength in self reliance. They found that together in ASEAN, they could better overcome their problems, but they still need the United States to balance power in the region. The renewal of self confidence in America has reassured that America will help maintain the peace and stability of the region. It is likely Singapore's political outlook would be reliant on the United States to influence its strategic interest.

In economic development, Singapore argues that the need for balance of power is to enable the free market on Singapore's economy. Singapore has limited size, geography and natural resources. The Singaporean government further believes that Singapore as a small island nation is vulnerable to the impact of economic activities on the environment. In the early 1970s, Singapore had achieved status as a world leader in shipping, air transport, and oil refining. No longer was Singapore as dependent on peninsular Malaysia for its economic prosperity. Singapore's economy has grow significantly because of free movement of goods and services which is transported via the Straits of Malacca. Singapore subsequently became one of the world's most prosperous countries with strong international

²⁷⁹ Amitav Acharya and See Seng Tan, p.38.

trading links. The Singaporean government recognises that the economic development of Singapore has been and will continue to be dependent on its maritime trade.²⁸⁰ The table below has compared *tonnage of trade* which going through major ports in the Straits of Malacca:

	Port of Singapore		Port Klang		Johore Port		Penang Port		Port of Belawan	
	Cargo in '000 Tonnes	Container (in TEU)*	Tonnage ('000 FWT**)	Container (in TEU)*	Tonnage ('000 FWT**)	Container (in TEU)*	Tonnage ('000 FWT**)	Container (in TEU)*	Tonnage in '000 Tonnes	Container (in TEU)*
1999	325,902.2	15944600					18760	566409		
2000	324,591.1	17086900	65277	3206753		659181	20470	63578	10529	
2001	313,487.0	15571100	70149	3759512	25719	638718	20450	604294	11406	
2002	335,155.9	16940900	82271	4533212	25925	683816	21900	634042	12408	
2003	393,267.6	18410500	88888	4841235	26764	750466			12744	
2004	393,267.6	21329100	99911	5243593	28280	805689			13818	
2005	423,267.6	23192200			28052	836754			14494	
2006 (Jan. - Aug.)	295,259.0	15201000							9397	168474 (Jan. - July)

*TEU = Twenty Foot-Equivalent Units
 **FWT = Freight Weight Tonnes, 1 FWT = 1.13267386368 m³ (40 cubic feet)
 (<http://en.wikipedia.org/wiki/Ton>, 03.10.2006)

www.pka.gov.my/Intro.htm, <http://www.mpa.gov.sg/infocentre/portstatistics/portstats.htm>, <http://seri.com.my/oldsite/penangstatistics/july-2002.pdf>, http://www.penangport.com.my/english/publications/annual_report.htm (see: annual reports - statistics) (4.10.2006), <http://www.johorport.com.my/>, <http://belawan.inaport1.co.id/>

Figure 44. Tonnage going through major ports in the Straits of Malacca²⁸¹

Figure 44 shows total container which going through the Porth of Singapore was 23.1922 million TEUs (Twenty Foot Equivalent Units) and only 836.754 thousand TEUs going through the Johore Porth of Malaysia in 2005. Porth of Singapore further handled more than 25.8 million TEUs in 2009.²⁸² It provides clear evidence that the Straits of Malacca is very important for Singapore's economy.

²⁸⁰ Kevin Santa Maria, p.69.

²⁸¹ Hans-Dieter Ever, p.6.

²⁸² Con Lafkas, 'Top 30 Container port in the World 2009', *Transtar*, May 2010, p.3,

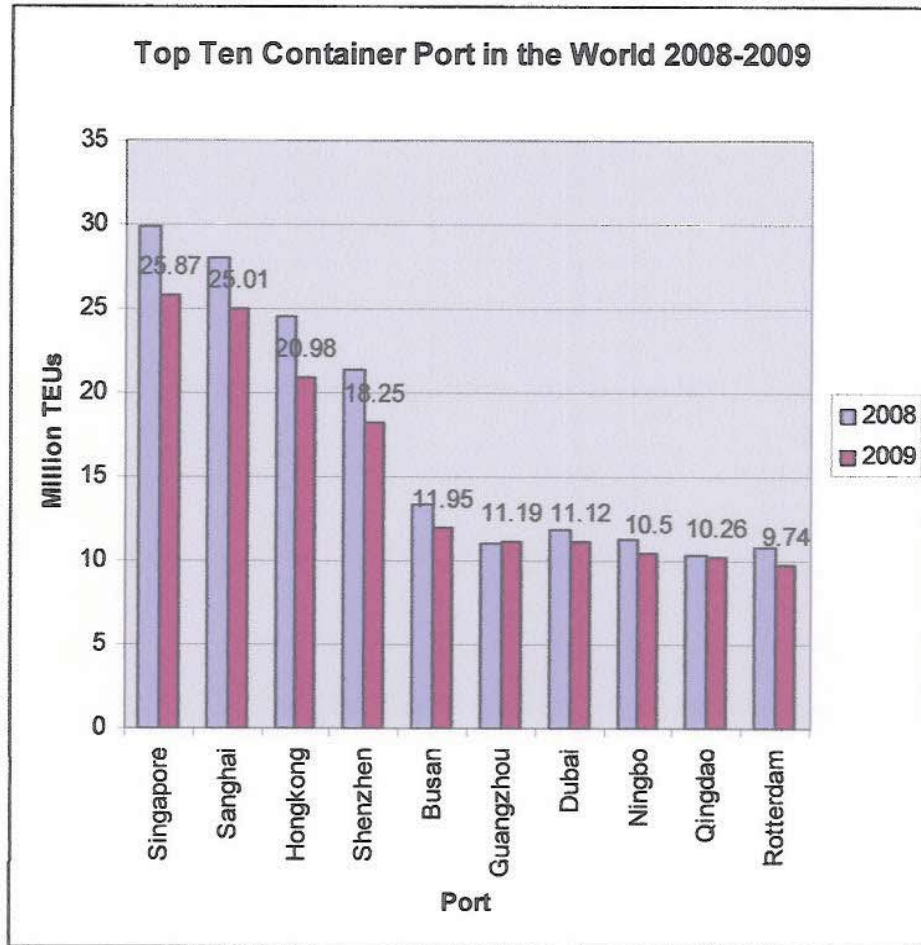


Figure 45. Top ten container ports.²⁸³

Figure 45 shows Singapore was the World's busiest port in 2009. Shanghai port was not far behind with 25.01 million TEUs and Hongkong port was the third World's busiest port with 20.98 million TEUs.

Singapore's total imports and exports exceed its GDP. In part due to regional and global economic effects, and in other parts because of the maturation of Singapore into a developed country. Just over two-thirds of GDP is generated in the services sector.²⁸⁴ Singapore's economy is heavily dependent on both imports and exports through seaborne trade.

²⁸³ Con Lafka, p.3.

²⁸⁴ The United States Trade Representative, 'Final Environmental Review of the U.S.-Singapore Free Trade Agreement', *Executive Office of the President of the United States*, June 2003, p.16.

In social aspects, the Singaporean well being has increased considerably. Recently Singapore has per capita GDP equal to that of the leading nations of Western Europe.²⁸⁵ This social well being nevertheless seems very reliant on the trade and security of the Straits of Malacca. Hence, the need for security is likely become a major priority for the Singaporean government to ensure its prosperity. The Singaporean government highlights that security is the protection of normal functioning of society from risks and threats. On 19 February 2006, at the Third Asia-Pacific Security Conference, Singapore's Minister for Defence, Mr Teo Chee Hean, acknowledged '...We have been fortunate to have had several decades of peace and stability which has allowed us all to develop and meet the aspirations of our people. We should all work closely together to ensure that peace and stability and growth continue to prevail...'²⁸⁶ The Singaporean government wishes to build robust security architecture in the busiest sea lanes that can strengthen Singapore's prosperity.

In a technological factor, Singapore considers to achieve Maritime Domain Awareness (MDA). It will require information sharing, information fusion and sense making in order to cue responsive intelligence and operational coordination. These orders are as directed by Singapore's decision makers backed by relevant maritime legislation and shaped by strategy driven policies.²⁸⁷ Singapore believes that the ability to meet and deal with security problems is an indicator of the stability of the nation and of the region.

Singapore also argues that threats and risks are not static, so the need of new technology will increase significantly. On one hand, new technology offers economic growth and increased welfare. But on other hand, new technology opens up opportunities for aggressive small groups and

²⁸⁵ Central Intelligence Agency 'Singapore', 2008.

²⁸⁶ Teo Chee Hean, 'Enhancing Security in a Time of Flux', *Journal of the Singapore Armed Forces*, Vol.32, No.1, 2006, p.10.

²⁸⁷ Irvin Lim, 'Comprehensive Maritime Domain Awareness – an Idea Whose Time Has Come?', *Journal of the Singapore Armed Forces*, Vol.33, No.3, 2007, p.15.

individuals to misuse this new technology.²⁸⁸ For that reason, Singapore as a small high-tech nation is concerned with the transformation of new technology to meet a new and different threat of security situation which might arise in the Straits of Malacca.

In the legal aspect, Singapore has placed great importance in the 1982 UNCLOS and the principles which are embodied in this document. Singapore has acknowledged the freedom of navigation or international free passage for the user states of the Straits of Malacca and believes that international seaways should be guaranteed by using this 1982 UNCLOS. Singapore considers unimpeded access to this strategic sea lane and also considers the security from criminal interference. Within the chokepoints on sea routes in Singapore, its immediate concerns and activities are focused on securing the international free passage, safety of navigation, pollution control, and protection of the environment.²⁸⁹ The 1982 UNCLOS is likely to be very important for Singapore to legally ensure Singapore's jurisdiction and security in the Straits of Malacca. Moreover, what are the strategic implications for Singapore if energy shipments through the Straits of Malacca were threatened or closed?

In foreign affairs, as a founding member of the Association of Southeast Asian Nations (ASEAN), Singapore is committed to maintain a secure peaceful environment in and around Southeast Asia and in the Asia-Pacific region. In 1990, Singapore established relations with the People's Republic of China. Since this change, numerous high-level delegations have traded visits and have developed a wide range of political, economic, cultural, scientific and technical exchanges.²⁹⁰ However, Singapore also considers having good relations with the United States which is based on

²⁸⁸ Bengt Anderberg, 'Force Transformation in a Changing World', *Journal of the Singapore Armed Forces*, Vol.32, No.1, 2006, p.11.

²⁸⁹ Kevin Santa Maria, p.70.

²⁹⁰ Federal Research Division, 'Country Profile: Singapore', *Library of Congress*, July 2006, p.16.

bilateral free trade and close military ties, but not for United States stationing military presence in the region.

Singapore is likely to recognise that the balance of power will be needed to ensure the stability in the Straits of Malacca. Singapore's Ministry of Foreign Affairs, George Yeo, has placed emphasis that whatever measures undertaken in the Straits should be in accordance with international law and shall not affect Singapore's sovereignty in the region.²⁹¹ The Singaporean government has recognised that the Straits of Malacca is very essential for Singapore's interests. Any disruption on the stability of the Straits of Malacca will have a significant strategic implication to Singapore's political interests.

In economic terms, the Singaporean government has highlighted that economic development requires a favourable environment. In this environment governments and businesses can plan on a long term basis. In the absence of imminent threats against national survival, governments are able to devote their resources to productive endeavours. Commerce thrives in an environment of social order and a stable policy regime.²⁹² Singapore argues that regional collaboration is likely possible in a neighbourhood of friendly states. The Singaporean government also believes that any *economic instability* in the Straits of Malacca will create vulnerability for exploitation by foreign powers advancing their own designs.

In social factors, the Singaporean government considers labour intensive industries will be replaced by high technology industries and services. The ruling party, the People's Action Party (PAP), has developed a stable and corruption free government, marked by strong central development.²⁹³

²⁹¹ Ministry of Foreign Affairs, 'The Batam Joint Statement of the 4th Tripartite Ministerial Meeting of the Littoral user states on The Straits of Malacca and Singapore', *Singapore's Ministry of Foreign Affairs*, Batam, 1-2 August 2005, p.2.

²⁹² Ong Keng Yong, 'Achieving Security: the ASEAN Way', *Journal of the Singapore Armed Forces*, Vol.31, No.1, 2005, p.2.

²⁹³ Federal Research Division, p.4.

Singapore has enjoyed years of peace, prosperity and stability. Much of Singapore's success as a nation-state today is due to an international system based on justice and peace as well as the rule of international law. As a beneficiary of the international system, Singapore has tried to play an active role in supporting it.²⁹⁴ As a small state, the Singapore government has recognised that unprepared developments in the security of the Straits of Malacca will have negative impact on Singapore's social well being.

In a technological perspective, Singapore deems that globalization has enabled trans-national terrorism through the exploitation of a number of new technologies. *The age of globalization has been the age of the revolution in computing, telecommunications and data-transference capabilities.* The use of technological advances such as the Internet, mobile phones and satellite telecommunications has led to increased efficiency in terrorist related activities and extended the global reach of terrorist groups. The global information age has enhanced terrorist planning and coordination of operations, recruitment of potential members, communication among adherents, and attraction of supporters across national borders and long distances.²⁹⁵ Hence, the Singaporean government takes action seriously to encounter the possibility of terrorism in the Straits of Malacca. If there is no action to meet the possibility of terror acts in the Straits of Malacca, the worse security is likely to occur in the future.

Looking at the legal aspect and environmental issues, the Singaporean government is concerned with developing a flexible and pragmatic regulation which enables Singapore to take measures to enforce the relevant international rules and regulations on the danger vessels which come to the Singapore jurisdiction. Any disruption in safety and security in the Straits of Malacca would directly affect the Singaporean life and

²⁹⁴ Deep Singh, 'The SAF's Experiences in Peace Support Operations', *Journal of the Singapore Armed Forces*, Vol.31, No.1, 2005, p.1.

²⁹⁵ Wee Wei Sheng, 'Globalization and Transnational Terrorism: Ironies, Interactions and Implications', *Journal of the Singapore Armed Forces*, Vol.32, No.3, 2006, p.3.

environment. For example, the Japanese nuclear waste shipping could increase threats to the marine environment and pollution of Singapore's water and also other coastal states.²⁹⁶ The Singapore regulations arrangement considers that the Straits of Malacca is an ideal location for port state inspection on suspected hazardous vessels. Therefore, the strategic implication for Singapore is clear that this arrangement could not only provide Singapore with inspection power for vessels in its port, but also could link Singapore with an international vessel database compiled in ports elsewhere. Subsequently, how does Singapore develop their strategies to meet the importance of the security of energy shipments through the Straits of Malacca?

Singapore's primary strategy is likely concerned on the Domain of Maritime Awareness (MDA) to scrutinize the freedom of international navigation. The right of international ships to free passage through the Straits of Malacca has a strategic significant to Singapore port, export oriented economy and oil refining hub. In 2003, Singapore has stepped up maritime security measures with the establishment of inter agency Navy led Maritime and Port Security working group, which is made up of members of the Navy, Police Coast Guard and the Maritime and Port Authority (MPA).²⁹⁷ The working group has developed and implemented regulatory measures to enhance security and control movement of shipping within the Maritime Control Zone. Since July 2003, MPA has required sensitive vessels such as vessels and tugs of 300 GT to submit Notification of Arrival at least twelve hours prior to arrival. Vessels carrying hazardous and noxious substances in bulk must submit the Notification at least 24 hours prior to arrival.

²⁹⁶ Chua Thia Eng, 'Marine Pollution Management in the Malacca/Singapore Straits: Lesson Learned', *GEF/UNDP/IMO Regional Programme for the Prevention and Management of Marine Pollution in the East Asian Seas*, March 1998, p.84.

²⁹⁷ Serene Chua P.H., 'Maritime Security: Possibilities for Terrorism and Challenges for Improvement' *Journal of the Singapore Armed Forces*, Vol.32, No.2, 2006, p.33.

Since 9/11 in 2001 the capabilities of terrorists had increased considerably, adding more lethality to their attacks. In that time, Singapore's Defence Minister had admitted that security along the Straits of Malacca was not adequate and that no single state had the resources to deal effectively with the threat. While the combined policing assets might be able to counter very low intensity threats like drug trafficking and human smuggling to some extent, the task of battling maritime terrorism was demanding due to the asymmetric nature of the highly indistinguishable threat.²⁹⁸ The regional countries maritime capacity was likely inadequate, especially in the context of surveillance of their respective maritime zones. Singapore then argued that they had to take into confidence before engaging to counter unlawful maritime acts in the Straits of Malacca.

Singapore deems the international navigation in the Straits of Malacca should respect to Singapore's sovereignty. Despite Singapore placing emphasis on free trade economics, Singapore has similar idea with other littoral user states in terms of political sovereignty and jurisdiction. The building up of a global maritime security network to achieve safety and security in the Straits of Malacca should be more politically acceptable and operationally realisable.²⁹⁹ Singapore consider an earlier controversial United States proposal to enhance maritime security by deploying forces in the Malacca Straits on the RMSI project was subsequently turned out to be a catalyst of sorts in precipitating greater littoral state cooperation. A politically stable and economically dynamic in the Straits of Malacca is needed to create possible best defence against unwarranted foreign intervention or interference.

Looking at the bilateral agreement, Singapore and Malaysia have been running a comprehensive Vessel Traffic Information System (VTIS) for more than a decade, and any augmentation with Indonesia's entry into the extant arrangement from its side of the Straits will no doubt further bolster

²⁹⁸ Vijay Sakhuja, p.2.

²⁹⁹ Irvin Lim, p.18.

maritime situation awareness, safety and security along the strategic waterways. Separately, Singapore and Indonesia have been successfully collaborating on Project Surface Picture (SURPIC) since 2005 to share the maritime situation picture to enhance surveillance and security of their common maritime borders along the Singapore Straits.³⁰⁰ Resource commitment and a balance of benefits for all involved can be done to shape and realise a more robust regional as well as global maritime security information sharing.

Singapore's economic livelihood and political independence is dependent on continued use of the Straits by maritime powers. Its interests overlap those of user states more than those of Indonesia and Malaysia, which are primarily concerned with sovereignty and environmental impacts of ship sourced pollution.³⁰¹ In multilateral cooperation in Southeast Asia, through their close cooperation in the *Malacca Straits Coordinated Patrols* since 2005, Indonesia, Malaysia and Singapore have shown that building a culture of maritime security cooperation between states can provide concrete operational results in enhancing the maritime security along the Straits of Malacca.

In terms of multinational cooperation, Singapore, Japan, Laos and Cambodia became the first four states to formally adhere to the Regional Cooperation Agreement on Combating Piracy and Armed Robbery (ReCAAP). ReCAAP will enter into force and a new Information Sharing Centre will be set up in Singapore.³⁰² The centre will facilitate communication and information exchanges between member countries and will improve the quality of statistics and reports on piracy and armed robbery against ships in the region.

³⁰⁰ Irvin Lim, p.19.

³⁰¹ Mark J. Valencia, 'Burden Sharing in the Malacca and Singapore Straits: Sailing in the Right Direction', *Pacific Forum CSIS*, Hawai, March 2007, p.1.

³⁰² Catherine Zara Raymond, 'Maritime Security: The Singaporean Experience', *Institute of Defence and Strategic Studies Singapore*, December 2005, p.20.

In environmental issues, Singapore and the United States have participated in a number of cooperative activities aimed at addressing significant environmental issues in Southeast Asia. In association with the FTA, United States have recently completed negotiation on a Memorandum of Intent on Cooperation in Environmental Matters. The Memorandum of Intent will provide a framework for the two countries to build on previous efforts and address future cooperation priorities.³⁰³ In addition, Singapore is also one of 20 foreign ports now part of the United States led Container Security Initiative (CSI).³⁰⁴ CSI is designed to use intelligence and data bases to identify potentially dangerous or suspicious cargo, increase sensors on containers, and develop secure containers.

Singapore has been very effective in controlling pollution in and into its water. It was one of the first countries in the region to attempt to control marine pollution. Singapore's response to the dangers ship generated pollution is very comprehensive. By implementing its Prevention of Pollution of the Sea Act of 1971, Singapore has in effect ratified the 1954 International Convention for the Prevention of Pollution of the Sea by Oil (MARPOL 54). The latter amendments to this Convention (MARPOL 69) are affected by its Civil Liability (Oil Pollution) Acts of 1973.³⁰⁵

The Ministry of the Environment (ENV) is planning to ratify a new environmental law that will contain new guidelines for companies in the oil and petrochemical sector. The new legislation will merge Singapore's pollution law into a single statute, and introduce provisions requiring all oil and petrochemical companies to have standardized safety and audit systems in processing facilities. All of those efforts are designed to construct the safety and security in operating of Singapore waterways, the

³⁰³ The United States Trade Representative, p.5.

³⁰⁴ Zachary Abuza, 'Terrorism in Southeast Asia: Keeping al-Qaeda at Bay', *The Jamestown Foundation, Volume II, Issue 9, May 6, 2004*, p.5.

³⁰⁵ Chua Thia Eng, p.48.

Straits of Malacca, as a hub of Singapore's political, economic, social, and security interest.

Furthermore, the Singaporean government desires to maintain and strengthen a credible presence to deter any security challenges. A number of endeavours have been implemented in order to achieve this. The Republic of Singapore Navy (RSN) has a comprehensive base defence management system which is tasked with securing both of its naval bases. Force protection is provided for foreign warships berthed at Changi Naval Base. Routes have been designated for ferries, pleasure-craft and commercial vessels in order to keep them clear of sensitive anchorages and installations like Changi Naval Base and Jurong Island.³⁰⁶

The Singaporean government consider maintains and constantly increases the speed and responsiveness of its force capabilities. At the beginning of 2005 the *Special Tactics and Rescue (STAR) Unit* of the Singapore Police Force began to acquire *maritime assault capability*. In recent times, this unit was to be the specialist maritime of police unit which has specialized skills and equipment to board vessels, engage the enemy in close-assault diving. The Singaporean government deems that maritime security operations must be able to be sustained on the day to day duty. As a large portion of its maritime security related tasking requires the use of patrol vessels, there was a risk that resources could be overstretched. For that reason, the multi-crew concept was implemented by the RSN. Now each operational patrol vessel has two sets of crew onboard thus maximising the operating capacity of each vessel.³⁰⁷ There are also plans in the future to employ air assets such as helicopters or unmanned air vehicles.

Singapore argues that to sustain MDA can be done simply by adopting an incremental willing partner building block approach. The focus should be

³⁰⁶ Catherine Zara Raymond, p.18.

³⁰⁷ Catherine Zara Raymond, p.19.

on making implemental steps that bridge targeted information gaps through information sharing.³⁰⁸ Singapore has announced the building of its Changi Command and Control (C2) Centre in late March 2007. This facility aims to serve as a regional maritime security hub and operational in 2009.

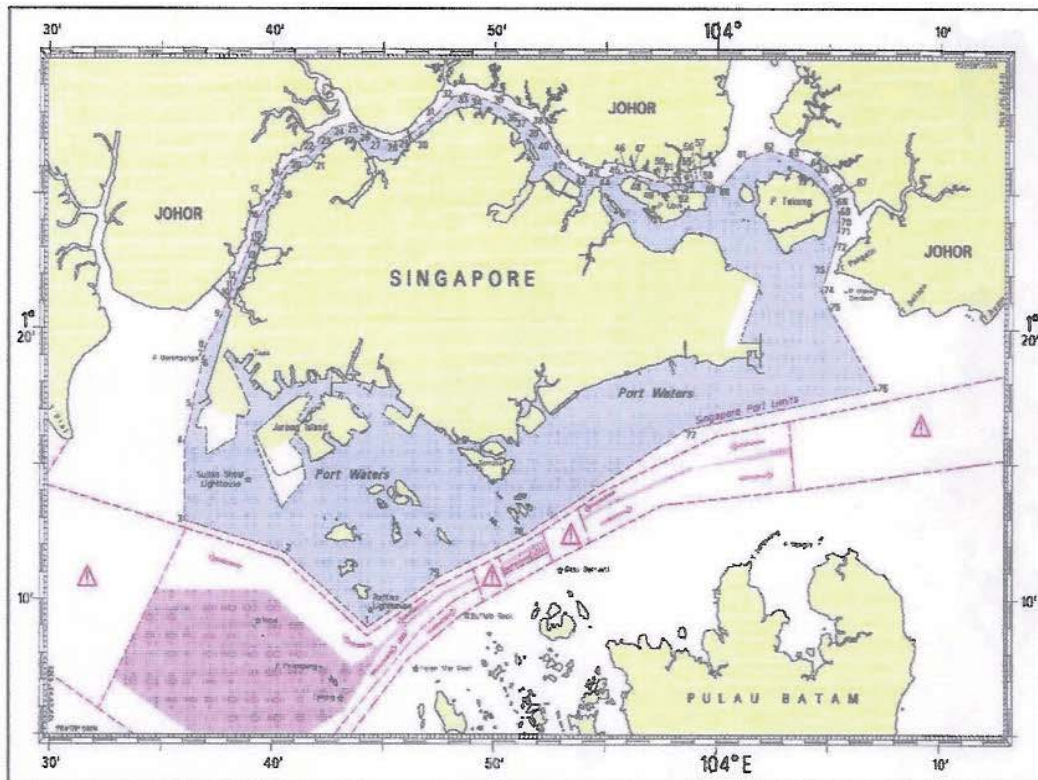


Figure 46. The traffic separation scheme.³⁰⁹

Moreover, Singapore is desired to develop a Harbour Craft Transponder System (HARTS) that could allow the tracking of small harbour craft, such as tug boats and barges that are registered in Singapore. This could mean that the number of unknown craft in Singapore's waters would be

³⁰⁸ Irvin Lim, p.16.

³⁰⁹ Kevin Santa Maria, p.72.

considerably reduced, possibly by up to 80%.³¹⁰ This new system will provide a strategic platform for Singapore to cooperate and respond more flexibly and effectively to a dynamic maritime security environment. The RSN also creates the Accompanying Sea Security Teams (ASSeT).³¹¹ These teams comprise of small groups of armed personnel that are placed on selected merchant vessels, based on shipping data analysis conducted. The aim is to detect and deter any terrorist activity onboard these vessels within Singapore waters and ensure that the threat is neutralized.

*Due to the vast quantity of traffic passing through the Straits on a daily basis it is crucial for Singapore to have a recognised sea situation picture to identify and sieve out suspicious targets. It has been done in a number of different ways, for example in the network system Singapore has a potential technology which can be developed into regional strategic hub. The Changi C2 Centre, a facility for multinational cooperation, which has been built next to Changi Naval Base, is set to house three functional centres: the Singapore Maritime Security Centre (SMSC), the Information Fusion Centre (IFC) and the Multinational Operations, and Exercises Centre (MOEC).*³¹² Those three operations centres have tasks to detect, collate, identify and prosecute the threat. They are also planned to be the one stop maritime information and response coordination centre, it will advance multi agency cooperation and interoperability amongst national maritime agencies. All of those are designed to enhance Singapore's maritime security capabilities, international cooperation, and interoperability between countries to promote maritime security in the region.

³¹⁰ Catherine Zara Raymond, p.16.

³¹¹ Catherine Zara Raymond, p.17.

³¹² Irvin Lim, p.17.

To conclude, what can be inferred from the Singaporean government endeavours is that the Singaporean government wishes to enlarge its *situation awareness* on maritime security in the Straits of Malacca. Singapore is developed its maritime security measures with the establishment of inter agency which is made up of members of the Navy, Police Coast Guard and the Maritime and Port Authority. Singapore argues that the continual awareness maintained by these centres will provide early warning of an attack. Furthermore, the Singapore government considers that development of the maritime security network to achieve safety and security in the Straits of Malacca should be more politically acceptable and operationally realisable.

In accordance with state sovereignty in the waterways, Singapore believes that stability in politic and economy is needed to create possible best defence against unnecessary foreign intervention. In this matter Singapore is likely in line with other littoral user states, Indonesia and Malaysia, reliant to the 1982 UNCLOS as legal international law which could provide sovereignty and rights of sovereignty over the Straits of Malacca. Singapore not only considers foreign interference but also considers capabilities of terrorists which increased significantly in the last few years, adding more lethality to their attacks. For that reason, Singapore put great emphasizes in improving its capability before engage to counter any maritime unlawful acts by applying bilateral or multilateral cooperation in the region.

Vessel Traffic Information System and Project Surface Picture are two of examples bilateral cooperation between Singapore and littoral user states. On multilateral level, Singapore, Malaysia and Indonesia, with Thailand as an observer, began joint air patrols *Eyes in the Sky* over the Straits of Malacca in propose to enhance security in the waterway. The three states agree to donate each two planes for regular air patrols. In multinational cooperation, Singapore is the first four states to formally endorse the

ReCAAP agreement and this ReCAAP Information Sharing Centre will also be set up in Singapore.

In environmental issues, Singapore's activities are aimed to address significant environmental issues to build cooperation in controlling pollution in Singapore's water. Singapore has ratified a number of international law in environmental issues such as Prevention of Pollution of the Sea Act of 1971, the 1954 International Convention for the Prevention of Pollution of the Sea by Oil MARPOL 54, MARPOL 69, and also Civil Liability (Oil Pollution) Acts of 1973.

A number of endeavours have also been implemented to maintain and strengthen Singapore's credible presence in deterring any security challenges. The RSN has a comprehensive base defence management system which is tasked with securing both of its naval bases. At the beginning of 2005 the Special Tactics and Rescue Unit of the Singapore Police Force began to acquire maritime assault capability to maintain and constantly increase the speed and responsiveness of its force capabilities. The multi crew concept has also been implemented by the RSN by utilizing two sets of crew onboard in maximising the operational capacity of each vessel.

To serve the regional maritime security hub, Singapore has announced the building of its Changi Command and Control Centre in late March 2007 and will be ready in 2009. A Harbour Craft Transponder System will then provide another strategic platform for Singapore to cooperate and respond more flexibly and effectively to a dynamic maritime security environment. In addition, the RSN also creates the Accompanying Sea Security Teams which aim to detect and deter any terrorist activity onboard the vessels within Singapore waters and ensure that the threat is neutralized.

However, there are still problems in executing joint air and sea patrols between littoral user states. Due to the vast quantity of traffic passing

through the Straits on a daily basis, there is a lack of sea patrol vessels available to execute investigation and interdiction if necessary, following the finding of a suspect vessel by joint air patrols. Advance multi agency cooperation and interoperability amongst national maritime agencies are also important to do this. All of the above is designed to enhance Singapore's maritime security capabilities and interoperability between littoral countries to promote maritime security in the region. Therefore, it is likely that there will be a need for further cooperation between Singapore and littoral user states to develop joint investigation and interdiction assets to ensure the security of energy shipments when passing through the Straits of Malacca.

Chapter 8

Discussion and Analysis

Comprehensive Approach to Enhance Energy Security Shipments in the Straits of Malacca

This chapter will argue that the major problems of energy security in the Straits of Malacca include the following reasons: the differences in political outlooks between stakeholders; economic rivalry between states; social backgrounds and issues; technological development which push the emerging regional naval build up; different interpretations over the international law of the sea principles; and the threat to environmental system in the region such as oil spills which could be caused by vessel collision, sea and arm robbery and or by terrorists attack. In the foreseeable future, energy security will likely continue dependent to all aspects above. Therefore, to develop cooperative measures to enhance this energy security in the Straits of Malacca, a comprehensive approach is needed.

This comprehensive approach will bring together political, economic, social issues, technological aspects, legal factors, and environment protections to enhance institutional cooperation and capacity building between littoral user states, user states, and other states which have significant strategic interests in the Straits of Malacca. Moreover, this comprehensive approach should cover appropriate strategies refers to the regime which has to set implicit or explicit guidelines, principles, norms, values, rules, and also consider guidelines for involvement non littoral user states in the Straits of Malacca.

With regard to political aspects, there are a number of arguments to make harmonize the differences political outlooks between user states and littoral user states in the Straits of Malacca. The first, political comprehensive approach should refer to international world affairs tools, forum and or organisations. In Southeast Asia, there is ASEAN Regional Forum which can be set as a framework of consultation where issues related to maritime security can be brought forward with a possible future evolution to a conflict resolution forum. This forum can be seen as a positive vehicle for maintaining an environment of peace and stability by way of dialogue and consultations. In order to enhance and preserve the security that underpins the economic growth and other strategic aspects in the region, ARF's members should meet on regular basis in order to analyze and discuss the key security challenges facing the region. However the differences of political attitude between littoral user states and user states should be solved wisely in this forum. The security will difficult to achieve if each country remain on their believed and have unwilling to share their interests to other countries.

Second, there are other possible institutions which could be employed to enhance the maritime security such as the Conference on Security and Cooperation in Asia and Pacific (CSCAP), Institutes for Strategic and International Studies (ISIS). These organisations are considered the right forums to explore without official commitment ideas. The CSCAP Maritime Cooperation Working Group, confirmed the potential value of a wide range of security issues as providing the basis for possible regional confidence building measures, Naval cooperation in specific fields, resource management regimes, marine information and data exchange, education, training.³¹³ In this regard, the activities should be set to move beyond the rhetoric of maritime cooperation and identify some guidelines, practical measures, and areas of cooperation which could help reduce the risks of

³¹³ Irini Laimou, p.7.

maritime tension and promote a stable regional maritime regime in the Straits of Malacca.

Third, development of understanding and relationship between Asia's user states; China, Japan, and India, is another room of possibility to enhance the security in the Straits of Malacca. China's energy security has driven its foreign policy which is taking a form of a *string of pearls* grand strategy which aims to secure China's economic resource and maritime energy supply routes. Given China's energy security strategy, Japan, India and United States has engaged in a Joint military exercise on 4 September 2007 in the Bay of Bengal near the Straits of Malacca. What can be inferred is that *the security dilemma* has emerged in this region. Therefore, better understanding and relationship among them should be built in a significant manner to diminish this security dilemma.

*There has been indication that the active development of China-Japan-India relationship is quite likely. In December 2007, the former of Japanese Prime Minister Yasuo Fukuda's has Ringing in the Spring trip to warm up ties to China.*³¹⁴ A positive lively momentum has taken shape in which leaders of both nations has an exchange of visits on the sidelines of multi lateral occasions in a bid to practically implement their bilateral strategic and mutually beneficial ties. Sino-Indian relations have also developed steadily. Wen Jiabao, Premier of the State Council of the People's Republic of China and Manmohan Singh, Prime Minister of the Republic of India, meeting in Beijing on 14 January 2008, resolve to promote the building of a harmonious world of durable peace and common prosperity through developing the *Strategic and Cooperative Partnership for Peace and Prosperity* between the two countries.³¹⁵ Leaders of both

³¹⁴ Peoples Daily Online, 'Prime Minister Fukuda and his 'Ringing in the spring' trip', *China Politics*, December 28, 2007, <http://english.people.com.cn/90001/90780/91342/6329429.html> (18 August 2008).

³¹⁵ China Ministry of Foreign Affairs, *A Shared Vision for the 21st Century of the People's Republic of China and the Republic of India*, Beijing: Ministry of Foreign Affairs of the People's Republic of China, 14 January 2008, <http://www.fmprc.gov.cn/eng/zxxx/t399545.htm> (18 August 2008).

countries met frequently on the sidelines of multi-lateral functions, and Sino-Indian strategic dialogue and other relevant mechanisms have been institutioned. It was provide clear evidence that China-India relationship have increased considerably.

Meanwhile, Japan's relations with India have also warmed up in a sustained way. In August 2007, the Japanese government launched a road map for the new era which is then pressed forward tremendously for Japan-India strategic relationship. The rapid improvement of China-Japan-India relationships are beginning to bring drastic changes to the existing political setup in Asia, which portrays a new, fresh atmosphere alive with harmony and a win-win outcome for Asian nations.³¹⁶ The mutual trusts of the three nations will not only facilitate peace, stability and prosperity in the Asia region, but sign a wide perspective for their cooperation in other strategic interests. Therefore, cooperation and better understanding between three Asian giant economic is extremely needed to enhance stability for security in the region and in the Straits of Malacca.

The fourth, there is a need close relationship between the United States with China to enhance security in the Straits of Malacca. High-level dialogues between the United States and China are needed to improve collaboration on crucial issues of global energy supply and coordination of energy policies over the SLOC. At the moment, they are only policies, which a new administration in the future can change or even abandon.³¹⁷ The United States and China need to be improved in status and at least include a formal memorandum of understanding. An energy partnership with legal force is required. It would benefit the United States because it would be able to negotiate and influence the direction of Chinese energy policies.

³¹⁶ Zhao Liang, 'Can China, Japan, India form harmonious triangle?', *Institute of International Studies of Elite Tsinghua University*, Beijing, January 2008, p. in Chinese Politic, People's Daily Online, <http://english.people.com.cn/90001/90780/91342/6339426.html> (12 June 2008).

³¹⁷ Zhang Xuegang, p.32.

There are indications other rooms available for China-United States cooperation. For instance, United States and China could protect oil supplies and stable prices and counter influence of producers.³¹⁸ Propose to China to join International Energy Agency with other industrial states who manage energy emergencies.³¹⁹ The United States technology can be employed to increase China's energy efficiency. Another step is to invite China to observe how the United States defend sea lanes. As a consequence, China must show greater military transparency to the other states to diminish *security dilemma* in the region. The United States and China are two of the world's largest oil consumer and their cooperation on this issue is extremely important and will directly affect the security in the Straits of Malacca.

Further, the most likely comprehensive approach to security through economic perspective is to gather international funding for development and maintenance of the security in the Straits of Malacca. To get greater participation by the international community in the maintenance of the security of the Straits, therefore littoral user states should consolidate their plan of action by: agreeing on the mechanism for collecting and disbursing the funds collected for services rendered; ensuring commitment amongst them to maintain and improve the quality and quantity of navigational aids

³¹⁸ 'The importance of oil in the world economy cannot be overstated, as the resource is needed for many forms of production and physical operation. The failure to develop an alternative source of energy that is also commercially viable has caused oil to remain the lifeblood of the global economy. For oil dependent countries such as the United States, a cheap, stable oil supply is essential for their economies. Oil producing states, on the other hand, have less to fear from global oil supply disruptions and can actually benefit from a higher price of oil, provided that the price does not have the effect of causing a global economic downturn that, in turn, reduces demand and could cause a plummet in prices. Thus, *while oil dependent countries prefer a stable and cheap price of oil, oil producing countries prefer a stable yet more expensive price of oil.* Due to the United States being a major oil importer country, a central goal of its foreign policy aims has consistently been to foster the conditions necessary for a stable oil flow and depressed oil prices. In order to create these conditions, the United States *has been involved in the internal affairs of significant states* in order to foster a form of government that will work to fulfill these needs.' Cited in Erich Marquardt, 'Why the United States Supports the State of Israel', *Global Policy Forum*, 7 October 2004, p.2, <http://www.globalpolicy.org/security/natres/oil/2004/1007supports.htm> (28 August 2008).

³¹⁹ David Zweight, 'Presentation: The Foreign Policy of Resource Hungry State', *China's Transnational Relations*, Hong Kong University of Science and Technology, 2006, p.36.

in the Straits of Malacca; treating the funds to be collected from countries or agencies what is already collected or donated.³²⁰ Other endeavours are consulting the IMO and other competent organizations on any initiative to introduce charges for services in the Straits and treating the revenue collection on a cost recovery basis or an equitable compensatory mechanism as well as insurance policy. Another action should be taken is imposing charges that must consistent with international practice and applicable on a non discriminatory form.

The further economic approach is efficiency in consuming oil energy. The emergence of China and India as major players in global energy markets makes it all the more important that all countries take decisive and urgent action to curb runaway energy demand. Investment now being made in energy-supply infrastructure will lock in technology for decades, especially in power generation. The next ten years will be crucial, as the pace of expansion in energy-supply infrastructure is expected to be particularly rapid. China's and India's energy challenges are the world's energy challenges, which call for collective responses. No major energy consumer can be confident of secure supply if supplies to others are at risk. However, there can be no effective long-term solution to the threat of energy security unless all major energy consumers contribute.³²¹ The adoption and full implementation of policies by IEA countries to address economic efficiency in consuming oil energy is essential to enhance the energy security for long term period.

With regard to social aspects, the first possible social approach is sharing common values between states. There is evident that sea territory under the *jurisdiction of a state is a national asset. Therefore, where the maritime border is located and who is allowed to transgress it is of concern to a state. The maritime boundaries have assumed considerable importance.*

³²⁰ Mat Taib B. Yasin, 'Sharing the Burden of Maintenance of Safety and Security of Navigation in the Straits of Malacca', *Maritime Institute of Malaysia*, 2005, p.9.

³²¹ World energy Outlook 2007, p.12.

The newly acquired maritime territories require constant policing and maintenance to safeguard their national interests. Despite the issue of sovereignty is extremely important to a state, a secure maritime environment can never be achieved by the efforts of a single state. It requires mutual understanding and cooperation of all the countries in the region. For that reason, it is necessary to start by sharing the common values on the benefits of regional maritime cooperation by the whole maritime community in the Straits of Malacca.

The second social aspect comprehensive approach is *socio economic* development. Maritime unlawful acts, sea criminal, and or arm sea robbery problems cannot be successfully addressed without improving the conditions of the people living along the coastal areas. A military strategic solution is not an end by itself.³²² As clearly evident in the war against terror it needs to be seriously supplemented with a *socio-economic nation building process*. Hence, the importance of safety and security of navigation needs to be seen not for the sake of sea transportation itself, but inherently related to the sustainable of social development and peace in the littoral countries. This means that in regional geopolitical pursuits, one of the strategic endeavours that the user states should consider is to address the root causes of insecurity in the Straits of Malacca on the socio-economic problem.

The third is to build and maintain the humanitarian assistance in peace time. Social comprehensive approach can also be built through humanitarian civic assistance. For example, social condition and operational has pushed the United States, Japan, and other nations to provide humanitarian assistance when tsunami hit in northern Indonesia in 2004.³²³ This humanitarian assistance should be continued in peacetime. Humanitarian aid does not directly strengthen regional maritime security,

³²² Mat Taib B. Yasin, 'Sharing the Burden of Maintenance of Safety and Security of Navigation in the Straits of Malacca', p.11.

³²³ Victor Huang, p.40.

but it can promote mutual understanding and goodwill in determining the security along the sea lanes of communication of the Straits of Malacca.

The other social approach is to develop mutual trust, mutual benefit, mutual equality and respect among states. In the 21st Century, security has become interdependent and indivisible. Regional problems sometime require global answer, and solidarity and cooperation between all nations are essential. The security concept which based on military alliance and build up armaments will unlikely to build peace in the region. Security cannot depend on build up of armaments neither can it count on military alliance.³²⁴ Security is likely can be achieved by enhancing mutual trust, and promoting common interests between user states and littoral user states. Dialogues, consultations, and negotiations on equal footing offer the correct approach are essential to enhance the security. The core of new concepts of security in the Straits of Malacca should base on mutual trust, mutual benefit, equality and cooperation.

Next, the most likely comprehensive approach in technological aspects is to get technological assistance from user states. International community governments could offer to assist the littoral states in security enforcement by donating or offering the services of their maritime and air surveillance platforms. A relevant example is littoral user states joint patrol *Eyes in the Sky* over the Straits of Malacca. Given that security issues are closely linked to national sovereignty and integrity, all these offers of assistance should come in a sincere, transparent package.³²⁵ They should neither be attached to any string intended nor perceived to undermine the sovereignty and integrity of the littoral user states. These platforms should be totally under the control of littoral user states. In this joint patrol, non littoral user states with substantial interests in the Straits are invited to

³²⁴ Xu Bu, 'The Changing Geopolitical Context in the Asia Pacific Region', *APCSS Biennial Conference*, Honolulu, Hawaii, July 2002, p.11.

³²⁵ Mat Taib B. Yasin, 'Sharing the Burden of Maintenance of Safety and Security of Navigation in the Straits of Malacca', p.10.

provide air surveillance platforms, technological and logistical support or other necessary capacity building assistance.

Another approach is to develop capacity building and information sharing. To ensure the maritime security of the Straits, it is imperative to have close cooperation between the littoral user states and stronger support from user states to capacity building of the littoral user states.³²⁶ The functions of the information sharing are to manage and maintain the expeditious flow of information relating to incidents of piracy and armed robbery against ships among the contracting parties; to collect, collate and analyze the information transmitted by the Contracting Parties concerning piracy and armed robbery against ships, including other relevant information relating to individuals and transnational organized criminal groups committing acts of piracy and armed robbery against ships.³²⁷ This information sharing will be much more useful if there is guideline for involvement of non littoral user states. It is necessary to enhance information sharing centre and to encourage the user states to provide support to the littoral user states in this matter in various ways.

Initial step is that the proposal should be made for the involvement of non-littoral countries in ensuring maritime security in the straits. Moreover, this operational involvement of non littoral user states should be developed in respect of state sovereignty. This involvement might range from training and support, including development of maritime situational awareness, through to an operational role at sea, including both patrolling and escorting high value targets. With regard to the littoral user states sensitivity of foreign forces involvement within their territorial seas, non littoral forces might operate in the northern Straits of Malacca outside the territorial sea of the littoral user states as noted in India's chapters that

³²⁶ Akio Sudas, p.3.

³²⁷ Masahiro Akiyama, 'Monthly Report', *Ocean Policy Research Foundation*, September 2006 Tokyo, p.18.

they have been involved in *Malabar CY 07-2 Joint Exercise* which is took place in Andaman-Nicobar area in northern of the Straits of Malacca.

Developments and implementation of the Maritime Electronic Highway (MEH) System is also an important technological development to consider. Institutional arrangements for installation and operation of the demonstration system, including agreement among participating parties on the administrative, legal, financial and operational aspects of a MEH managing organization, will be responsible for implementing the MEH system in the Straits.³²⁸ However, integration and development in the implementation of existing marine information technologies and capacities within the three littoral user states with the new and innovative MEH technologies is seen as another challenge to meet security needs of the three countries and the users of the Straits.³²⁹ Therefore, they have to consider and put great emphasis on this development to enhance desire security in the region. Another approach is to develop of command and control. There is a need command and control which has high ability to provide an appropriate alert if there is a reasonable ground to believe that a threat of incidents of piracy or armed robbery against ships is imminent. This command and control is also considered to improve the ability to cope a number of potential threats which arise in the Straits of Malacca.

The need for the international communities in engaging the constructive cooperation to address energy issues to realize a peaceful rise of both India and China in developing cleaner and more efficient technologies remains a priority. In this matter, IEA countries have long recognized the advantages of cooperation with China and India, reflected in a steady broadening of the range of cooperative activities through the IEA and other multilateral and bilateral agreements. These activities need to be

³²⁸ Lard Vidæus, 'GEF Intersessional Work Program Submission', *Project Executive Summary*, World Bank, June, 2003, p.10.

³²⁹ Efthimios E. Mitropoulos, 'Enhancing safety, security and environmental protection', *Opening address at the Meeting on the Straits of Malacca: Secretary-General of the International Maritime Organization*, Singapore, 4 September 2007, p.8.

improved. Collaboration between IEA countries, China and India, is already accelerating deployment of new technologies to increase efficiency of fuel consumption. Mechanisms need to be enhanced to facilitate and encourage the financing of such new technologies.³³⁰ This could diminish China and India energy dependency on overseas and could reduce their competition over the energy supply in the region.³³¹ It was provide clear evidence that relationship between international communities is strongly needed in engaging the constructive cooperation to address energy issues of India and China and their role in the region and in the Straits of Malacca.

Moreover, the initial legal aspects should be considered is the need of international law in all level cooperation. The growing inter-dependence between the ASEAN countries and the trans-boundary nature of the maritime security issues underline the need for a stable maritime regime. The Straits of Malacca are the lifelines of the regional interests, heavily dependent on unimpeded access to raw materials, markets and investment opportunities. The need for cooperation among all stakeholders, in accordance with international law and cooperation to support of the littoral user states in appropriate action should be taken at all levels to ensure that the Straits of Malacca remained secure and open for international navigation under all circumstances.

Secondly, it is important to consider article 43, 1982 United Nation Convention Law of the Sea as a legal aspect on burden sharing between the states. This article in the Convention is not self executing but depends upon the willingness of the user states and littoral user states to agree.³³² At the moment, littoral user states have agreed to acknowledge these regulations and were ready to receive international participation in

³³⁰ World energy Outlook 2007, p.13.

³³¹ Christina Y. Lin, p.10.

³³² Tommy Koh, 'The Law of the Sea', *XVI International Congress of Maritime Arbitrators*, Singapore, 2007, p.7.

maintaining security but not in the form of foreign warships or other military presences in the region. Therefore, article 43, 1982 UNCLOS could be employed to cooperate in the establishment and maintenance navigational and safety aids or other improvements in aid of international navigation; and for the prevention, reduction and control of pollution from ships in the Straits of Malacca.

The third, Security Council resolutions are difficult to bring to adoption, but the legal authority of such resolutions and the moral authority arising from such focused expressions of international opinion make them highly effective. Many of the goals of the Proliferation Security Initiative were achieved with the passage of UNSCR 1540.³³³ It is likely new international frameworks established through the UN and International Maritime Organization would be the most effective way of introducing new norms to the region. Regarding to the United States strategy in the Straits of Malacca, what can be inferred from international frameworks is that ratification by the United States of the UN Convention of the Law of the Sea will increase United States legitimacy and also will facilitate the success for future United States security initiatives.

Another legal approach is to declare the Straits of Malacca as a special area. To further improvement of the security of the Straits, a number of initiatives could be done, for example is to declare the Straits of Malacca as a *Special Area*, the concept of special areas has been introduced in three Annexes of MARPOL 73/78. The second improvement is to declare

³³³ In April 2004, the UN Security Council adopted 'UN Security Council Resolution 1540', establishing for the first time binding obligations on all UN member states under Chapter VII of the UN Charter to take and enforce effective measures against the proliferation of WMD, their means of delivery and related materials. UNSCR 1540, if fully implemented, can help ensure that no State or non-State actor is a source of WMD proliferation. All states have three primary obligations under UNSCR 1540 relating to such items: to prohibit support to non-State actors seeking such items; to adopt and enforce effective law prohibiting the proliferation of such items to non-State actors, and prohibiting assisting or financing such proliferation; and to take and enforce effective measures to control these items, in order to prevent their proliferation, as well as to control the provision of funds and services that contribute to proliferation. Cited in US Department of State, 'UN Security Council Resolution 1540', <http://www.state.gov/t/isn/c18943.htm> (29 August 2008).

Straits of Malacca as a *Particular Sensitive Sea Area* (PSSA).³³⁴ This is provided for in MARPOL 73/78 Art 211 paragraph 6. This provision is being used in the management of the Great Barrier Reef Australia. Another effort is seeking regulation to diversify the vessel traffic. Vessels deemed technically risky should be barred from using the Straits. The EU countries, for instance, are now considering banning single hull tankers in their waters.³³⁵ The Tokyo Memorandum on Port State Control for Asia Pacific Region that requires inspection to ensure compliance with MARPOL 1973/78 should be strictly carried out on oil tankers traversing the Straits. Hence, despite the need to seek a regulation to diversify the vessel traffic appropriately, it is interesting to note that the Straits of Malacca can be considered a special area and or a particular sensitive sea.

The further legal approach is to seek agreement on *Joint Cooperation Zones*. There are some high risk areas for attack by armed robbers. As some of these areas may lie entirely, or almost entirely, within the sovereign waters of a littoral state, the littoral state is concerned the *conduct of joint or coordinated patrols in such areas*. In further development, it is likely needed to develop possible Joint Cooperation Zones near the high risk areas.³³⁶ However, this joint cooperation zone should not affect sovereignty claims or compromise territorial sovereignty of the respective littoral countries. Joint Cooperation Zones should involve

³³⁴ PSSA is a management tool which enables states to propose that the IMO review a particular area of their territorial sea or exclusive economic zone or both that is vulnerable to damage by international shipping with a view toward adopting specific measures to address that vulnerability in order to protect the marine environment. in Robert C. Beckman, 'PSSAs and Transit Passage - Australia's Pilotage System in the Torres Strait Challenges the IMO and UNCLOS', *Ocean Development & International Law*, Faculty of Law, National University of Singapore, October 2007, p.327, <http://community.middlebury.edu/~scs/docs/Beckman-Australia%20Pilotage%20in%20Torres%20Strait-ODIL.pdf> (12 August 2008).

³³⁵ Mat Taib B. Yasin, 'An Integrated Management Regime for the Straits of Malacca', *Maritime Institute of Malaysia*, 2005, p.19.

³³⁶ Sam Bateman, et al., 'Safety and Security in the Malacca and Singapore Straits', p.31.

surveillance and response operations by the forces of the littoral user states.

Lastly, what legal action should be taken is to develop guidelines for employment of private security companies in providing security. Private security companies (PSCs) offering security services at sea in the Straits of Malacca have proliferated in recent years. PSCs primarily have a deterrent role in providing security for particular types of vessel. These are the more vulnerable, high value vessels, such as oil rigs, dredgers, slow moving tugs and barges, and luxury motor yachts. Clients that have engaged PSCs in the past have the following profile: the asset is typically slow and vulnerable; the asset is typically very expensive; there may be large numbers of highly skilled personnel onboard; there are considerable financial penalties if the asset is unable to arrive at this intended destination on time.³³⁷ PSCs acknowledge that private security is only useful as a supplement to existing sovereign security provided by military, coastguard or police forces. They have shown interest in reaching agreement on common standards for the industry including the establishment of an industry association.

PSCs, therefore, offer preventive as well as post-attack services, addressing all types of pirate incidents on commercial vessels and pleasure crafts.³³⁸ At present the littoral user states have adopted varying approaches to the employment of PSCs. It would help both the companies themselves and overall security of the Straits if the littoral user states were to agree on Guidelines for the Employment of PSCs at sea in the Straits. These Guidelines might cover issues such as legal authorities, liaison with law enforcement agencies, training and security vetting of personnel, the use of weapons, and communications with sovereign authorities, record

³³⁷ Alex Duperouzel, 'The Role of Private Security in the Malacca Straits', *Background Asia Risk Solutions*, Langkawi Malaysia, 2005, p.5.

³³⁸ Carolin Liss, 'Private Security Companies in the Fight against Piracy in Asia', *Asia Research Centre*, Murdoch University, Australia, September 2005, p.3.

taking and evidence.³³⁹ In contrast, these PSCs sometimes gave difficulty to states to solve the security problems. Despite their advantages, the presence of PSCs in the Straits of Malacca is likely considered to push another dilemma. Go or no go the role's of private security company in the Strait of Malacca is determined in the next few years depend on their skill to elaborate a number of interests which appears in the region and also depend on the goodwill from user states and littoral user states.

In line with the comprehensive approach to security, the scope of assistance and cooperation in the Straits of Malacca should not be limited to *maritime security*, but also include measures for *environmental protection and maritime safety*.³⁴⁰ In the past it was normal in the shipping sector to make a distinction between safety and security, but this changed following terrorism attacked to US vessel Limburg at the sea of Yemen on 6 October 2002. Safety and security are now inextricably linked. This new emphasis was reflected in the IMO changing its motto from *Safer Ships, Cleaner Oceans* to *Safe, Secure and Efficient Shipping on Clean Oceans*.³⁴¹ It is likely inefficient to have cooperative arrangements for security which do not also cover other operational requirements, such as search and rescue operations and the management of major pollution incidents. Safety and security seems not mutually exclusive.

Maritime safety is seen could be part of a comprehensive concept of security and it will include: maritime safety services including search and rescue and marine environmental protection. This comprehensive approach would bring together security, safety and environmental protection to exploit the benefits of operational events. This approach is in line with the agreement in the Batam Joint Statement of August 2005 that the issue of maritime security should be addressed comprehensively. The three key littoral should create guidelines on the nature of the assistance

³³⁹ Sam Bateman, 'Safety and Security in the Malacca and Singapore Straits', p.18.

³⁴⁰ Sam Bateman, 'Safety and Security in the Malacca and Singapore Straits', p.33.

³⁴¹ Sam Bateman, 'Safety and Security in the Malacca and Singapore Straits', p.15.

and limitations on the maritime security, safety and environmental protection. These guidelines will promote understanding and provide a useful confidence building measures in security, safety, and also environmental protections in further cooperation.³⁴²

To conclude, this chapter has argued that the differences in political outlooks, economic rivalry between states, different social backgrounds and technological development, different interpretations over the international law of the sea principles, and the threat to environmental in the Straits of Malacca should be solved wisely and comprehensively. Further, it is important to consider that the importance of the security of energy shipments through the Straits of Malacca will likely never be declined and will likely continue dependent to the whole aspects above.

In addition, looking to the future, the Middle East will likely remain the main sources for the East Asia's oil energy supply. (See figure 47).

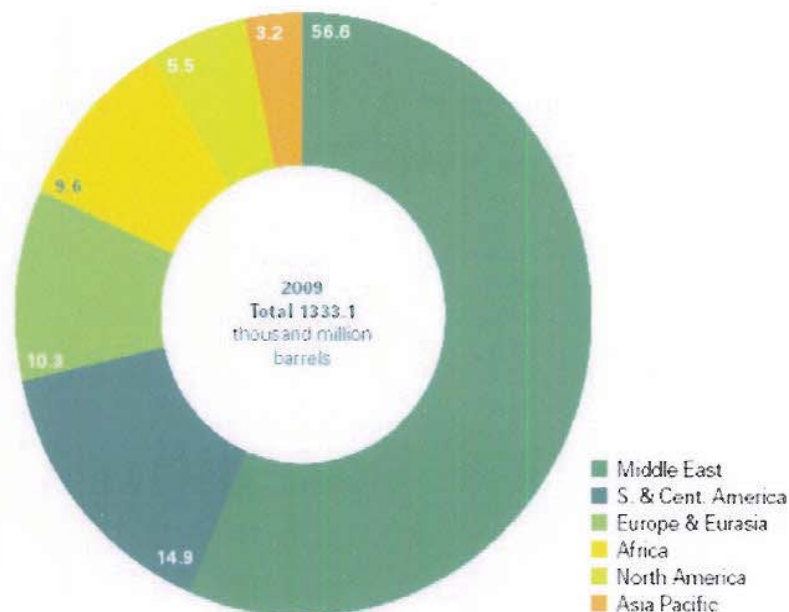


Figure 47. World oil reserve by region in 2009.³⁴³

³⁴² International Maritime Organization, 'Enhancement of the Safety, Security and Environmental Protection in the Straits of Malacca and Singapore', *Singapore Statement*, September 2007, p.5.

³⁴³ British Petroleum, *Statistical Review of World Energy 2010*, p.7

Figure 47 shows 56.6% of world oil reserves were located in the Middle East, whereas just 3.2% of the world oil reserve is located in the Asia Pacific where the petroleum consumption is about 29%.³⁴⁴ It is likely imbalance distribution of world energy demand and supply remains important to consider.

The following figure will illustrate long term world conventional oil production scenario and oil peak time frame:

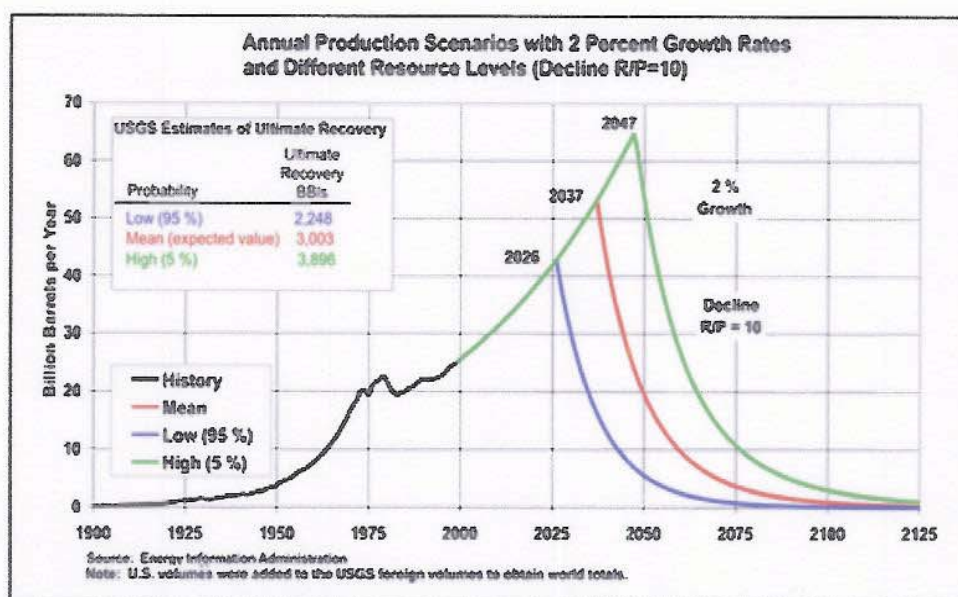


Figure 48 World conventional oil production scenarios.³⁴⁵

The particular scenario shown in figure 48 depicts the 2 percent demand growth experience of recent years extended up to the production peak. With 2 percent production growth continues until peak production is reached, and if production then declines at an Reserve to Production (R/P) ratio of 10, world conventional crude oil production would be expected to peak in 2037 at a volume of 53.2 billion barrels per year.³⁴⁶ Low expectation with 5% under certain expectation, world conventional crude

³⁴⁴ Wei Jia Fu, p.2.

³⁴⁵ John H. Wood, Gary R. Long, and, David F. Morehouse, 'Long-Term World Oil Supply Scenarios', *Energy Information Administration*, August 18, 2004, p.5.

³⁴⁶ John H. Wood, p.5.

oil production would be expected to peak in 2026. Further if it use high expectation (5% more than certain expectation), the world conventional crude oil production would be expected to peak in 2047.

What can be inferred from figure 47 and figure 48 is that the figures show the Asian States, Japan-China-India, will remain have great dependency to the Middle East as a major oil reserve in the world and the importance of the security of energy shipments through the Straits of Malacca will likely never be declined in the timeframe 2008 to 2037 (and or between 2026-2047). Therefore, a number of activities to enhance the security of energy oil shipments through the Straits of Malacca should continue to be supported and encouraged not only by littoral user states but also by non littoral user states.

Lastly because of the global economic recession, the economic projections into the future are now uncertain. The current economic crisis, which started in the United States but has now shifted to encompass the entire world, has its roots in the massive global economic imbalances.³⁴⁷ The recession could hit the economies of this region hard through falls in commodity prices, capital outflows, and declining energy trade. Countries in the region should adopt a two-prong approach to the crisis. Internally, littoral user states should foster closer policy cooperation to make better use of the region's financial resources in order to speed up economic recovery. In the long term, the expansion of potentially large domestic markets can gradually replace the current export oriented development strategy of many countries in this region. Globally, this region should work hand in hand with other regions, particularly with the relevant authorities in their main energy supplies to promote world economic growth. All of those require closer cooperation both regionally, among littoral user states, and globally with other user states.

³⁴⁷ Anwar Nasution, 'the Global Financial Crisis and Asia-Pacific', *International Public Sector Convention 2009*, Sydney Convention and Exhibition Centre, Australia, March 2009, p.1.

Conclusion

This thesis has reinforced the significance of the Straits of Malacca to the user states China, Japan, India, and the United States stating their reliance on the Straits for political, economic such as commerce, trade, and other strategic interests. China underlined the complexity of the issues involved, the need for cooperation, mutual understanding and respect among the user states concerned. Japan emphasized its contribution to the management of the Straits of Malacca through its commitment to the maintenance of navigational safety. India indicated its willingness to contribute to such regional efforts. The Straits of Malacca has acknowledged by all stakeholders as the main connecting link between the Middle East, as a major oil energy supplier, and East Asia as a major oil consumer in the region.

Furthermore, the importance of security in the Straits of Malacca can be described flow from the nature and the complexity of the geographical environment. The Straits of Malacca has been identified posses a vulnerability which is caused by a number of maritime unlawful acts. The findings in the previous chapters show that the user states and littoral user states consider the Straits of Malacca to be the most important sea lanes in terms of security and safety for seaborne trade. The Straits of Malacca has increased its position as the world's most important shipping lane.

China sees the Straits of Malacca is a *strategic vulnerability and string of pearl of China's strategic interests*. To address this vulnerability, China's government should maintain good relationships with regional and international actors along the sea lanes of communication. China has speeded up the development of new energy, renewable energy sources and developed its petroleum reserves in order to reduce their reliance to the Straits of Malacca. China's government has launched one child policy to reduce Chinese birth rate. It is considered will have a notable affect on the reduction of China's energy consumption dependency.

China put emphasis on investment in a number of constructions that can reduce energy supply vulnerability through the Straits of Malacca such as Gwadar Port Pakistan, Naval base Maldives, Chittagong Port Bangladesh, Sittwe Port Burma, Kra Isthmus in Southern Thailand. The new development is the plan of the Mekong River route from Southern China via Myanmar (Burma), Thailand, Laos, Cambodia and Vietnam to the South China Sea and trans-Asia railway. The Chinese government is embarking on a new campaign to shut down many of the small coal producers and power plants in an effort to reform the coal sector. Newer clean coal technologies have been designed to improve efficiency and alternative energy. It could help to rearrange the Chinese energy and environment dilemma. The Chinese government has demonstrated a number of efforts to provide many solutions over the importance of the Straits of Malacca. However, until now there is a little evidence that China will support the difficulties of littoral user states to manage the security in the manner of technological assistance and or information and intelligence sharing.

Compared to Japan, Japan will likely continue to be one of the World most important energy markets for years to come, and as a consequence Japan's energy security challenges will grow significantly in the future. Japan's energy security position will become more precarious without a comprehensive and concerted plan of actions. Japan energy security strategy has moved up the political agenda since specifically the Straits of Malacca is considered a vital lifeline for its international seaborne trade. Japan is then more concerned their strategic interests in the Straits. Japan's long term energy strategy not only seeks to reduce Japan's external dependency to the Straits of Malacca but also favors more active intervention in shaping internal and external market. Japan deems that they should develop flexible foreign policy based on the stage of maturity of each country.

Japan seeks to enhance multilateral diplomacy to make the Mediterranean Seas, the Straits of Malacca, the East Asia Sea and the South China Sea as seas of harmony rather than seas of conflict. However, the Japanese government believes that long term social program, especially in population number, has to be considered to reduce Japan's dependency to the oil supplier and the security of its oil supply. Japan is concerned to the international law of the sea, 1982 UNCLOS. In environmental issues, the standardization of anti-pollution devices and measuring devices was carried out and contributed to reducing the Japanese dependent on oil energy to the Straits of Malacca. As alternative routes, Japan recognizes that the Straits of Lombok and the Straits of Sunda are other vital lifelines to maintain a steady flow of energy to Japan. Japan is likely hold well position to advance energy efficiency, improve Asia's emergency response system institutional and assistance aimed at expanding the security in the Straits of Malacca.

With regard to India, the Straits of Malacca is considered as a *Hub of India Look East Policy* for its seaborne trade and other economic reasons. There are complicated relationships between India and other regional power in Asia, India's *Look East Policy strategy* is then engaged with this complicated relationships. India growing economic, political, and cultural ties to East Asia has been identified could provide further strategic partnership over the Straits of Malacca for foreseeable future. The Indian government is considered that the Indian Navy and the Indian Coast Guard would be major stabilizing forces in the movement of energy across the sea lanes of communication. Modernization of Indian naval forces has also complemented a significant improvement in onshore infrastructure.

The Indian government further believes that the Indian navy should engage with navies of different countries across the world. Moreover, the Indian government believes that *the United Nations Convention on the Law of Sea* should be set appropriately. The Indian government deemed that the need for cooperation among countries of the region in preventing

trans-national crimes by using legal factors was very important. The Indian government believes that to sustain management of the Indian Ocean including the Straits of Malacca, there is a need a synergy of scientific knowledge and decision making in environmental systems and security.

Examining to the United States has demonstrated the Straits of Malacca as an important sea lane to *deter American's new emerging competitor* for its interests in the region. The United States is considered promoting their primacy around the world. In Southeast Asia, the United States is desired to have power to control the Straits of Malacca because the US believes that is to avoid worse implications for American interests in East Asia and Southeast Asia. However, the United States has a number of problems in gaining a presence in the Straits because it needs international legitimacy to deploy forces. For that reason, the United States will likely to change their national strategy to deal with Southeast Asia countries.

The Proliferation Security Initiative program which has launched by Bush Administration in May 2003 has been rejected by littoral user states. Another United States' initiative, Regional Maritime Security Initiative, has also could not be implemented in the Straits of Malacca. The littoral user states have unwilling to do United States initiative because of the sovereignty consideration. The United States then recognised the important of respecting the sovereignty of littoral user states. Since 2006 the United States then worked with Southeast Asia to address specific issues in comprehensive international trade. It is likely as the way of providing presence in Southeast Asia to keep watching the Straits of Malacca and deterring United States competitors in the region present time and also in the future.

Moreover, the littoral user states, Indonesia-Malaysia-Singapore, are considered *Sovereignty and the Right of Sovereignty* over the Straits of Malacca, despite economic and social reasons. Indonesia has argued that the Straits of Malacca have a strategic significant for Indonesia because of their important for the transit of valuable resources. The Strait of Malacca

is important for Indonesia not only to defend the maritime approaches to the archipelago but also to defend the Indonesian sovereignty. The 1982 UNCLOS has praised as the most comprehensive political and legislative work ever undertaken by the United Nations the law of the sea. Indonesia was granted archipelagic status by the provision of the 1982 UNCLOS on November 16, 1994. According to the 1982 UNCLOS sovereignty enforcement at sea has two dimensions; these are sovereignty and sovereign right. The 1982 UNCLOS has also commanded Indonesia to honour the right of friendly passage through the sea lanes of communication. Consequently, it requires the Indonesian government to have a high ability to manage the Straits of Malacca.

The Straits of Malacca has also considered the most dangerous arrow pointing to the Indonesian heartland, because it was the only strait in Indonesia that has shared with other littoral user states. Indonesia's aim to protect the Straits of Malacca is likely to demonstrate its sovereignty over this territorial water, and also to promote non alignment cooperation in the region. Countries which have different perspectives with Indonesia will likely confront this idea. However, the International community could not disobey the international rules of law of the sea over the Straits of Malacca.

Malaysia emphasises the Straits of Malacca as a critical economic artery. The Straits run parallel to the industrial heartland of Malaysia, and become western corridor of Malaysia. Malaysia is keen to promote two Straits ports, Port Klang and Port Tanjung Pelepas, as international transshipment hubs for container traffic. The Straits of Malacca are very important for Malaysia because these Straits have little external debt and healthy foreign exchange reserves, and also important natural resources for foreign investment. Any disruption to the security in the Straits of Malacca would have a significant impact on Malaysian prosperity. Malaysia believes that vessels in the Straits of Malacca could lead to a closure of the Straits, disrupt freight, and cause pollution. Malaysia considers the

appropriate actions should be taken comprehensively and integrated to other littoral user states.

Malaysia has similar view on the idea of sovereignty with Indonesia. Malaysia believes that sovereignty is extremely important, and the presence of foreign forces will undermine their sovereignty. The Malaysian government has stressed that security in the Straits of Malacca should be the primary responsibility of littoral user states. The Malaysian government is considering the purchase of additional enforcement vessels and navigational aids, the promotion of the usage of Marine Electronic Highway and the importance of Differential Global Positioning systems to identify and provide safe advice to vessels which are plying the Straits of Malacca. Furthermore, the Malaysian government has given the private consortium Trans-Peninsular Petroleum approval to construct a 320km pipeline from Yan in Kedah State on the west coast, to Bachok, Kelantan State, on the east coast. This project is likely to diminish the security dilemma in the Straits of Malacca whilst to improve Malaysia's economy because of this service from those who use Malaysia's facilities.

Compared to another littoral user states, Singapore will provide broader understanding on the importance of the Straits of Malacca. The Singapore government argues that development of the maritime security network to achieve safety and security in the Straits of Malacca should be more politically acceptable and operationally realisable. In accordance with state sovereignty in the waterways, Singapore deems that stability in politic and economy is needed to create possible best defence against unnecessary foreign intervention. In this matter Singapore is likely in line with other littoral user states, Indonesia and Malaysia, reliant on the 1982 UNCLOS as legal international law which could provide sovereignty and rights of sovereignty over the Straits of Malacca. Singapore not only considers foreign interference but also considers capabilities of terrorists which increased significantly in the last few years.

Singapore considers the building of Changi Command and Control Centre will improve Singapore maritime awareness. A Harbour Craft Transponder System will then provide another strategic platform for Singapore to cooperate and respond more flexibly and effectively to a dynamic maritime security environment. The RSN also creates the Accompanying Sea Security Teams which aim to detect and deter any terrorist activity onboard the vessels within Singapore waters and ensure that the threat is neutralized. All of the above is designed to enhance Singapore's maritime security capabilities and interoperability between littoral countries to promote maritime security in the region. Singapore recognise that there will be a need for further cooperation between Singapore and littoral user states to develop joint investigation and interdiction assets to ensure the security of energy shipments through the Straits of Malacca.

Additional comprehensive approach mechanism that can act as effective security must constantly be explored. Comprehensive approaches on security should include political, economic, social, technological, legal aspect, and environmental perspectives. Littoral user states, user states, *shipping industry and other stakeholder should seek to participate in and endeavour to contribute, on a voluntary basis, to the work of the cooperative mechanism.* This cooperative mechanism should comprise of the cooperation forum, coordination committee, the aids to navigation fund, and contingency arrangement in managing security in the next few years.

In contrast, whilst enhancing the security, the most important is to avoid power rivalries among stakeholders in the Straits of Malacca. These Straits are unreceptive to regime building that sets off power rivalries and sovereignty concerns. The littoral user states appreciate the assistance of outside states, but only within limits that are highly circumscribed and not politicized. A number of experiences indicate several options could be taken to strengthen the security. These are in line with the need for multilateralism and neutrality. Compatibilities and compromises between

and among stakeholders must be sought to balance the competing needs. The need for a coordination of all stakeholders can be achieved through an integrated maritime security. Enhancing integrated maritime security is meant to harmonize the possible conflicting strategic interests in this area. By managing all the key stakeholders in an integrated and holistic manner, it would ensure all the stakeholder could continue to prosper side by side in keeping the Straits of Malacca secure comprehensively.

There are a number of recommendations or the possible useful actions should be taken by littoral user states and user states. Firstly they have to *consider that maritime security in the Straits of Malacca is an area of enforcement within regional security*. The need for cooperation is great and where consensus on capacity building and a united position are keys. Given the narrow nature of the Straits, it is easy for criminals to escape across national boundaries into jurisdiction. Therefore, to enhance the security along the approaches, particularly in the northern area of the Straits of Malacca, it will be better if there is including Royal Thailand into current coordinated patrols by Indonesia, Malaysia, and Singapore. Recently, Royal Thailand just for observer.

Second, the littoral user states must be in the driver's seat in maintaining regional maritime security and they retain primary responsibility for *implementation of any measures designed to strengthen safe passage*. Whilst the need for greater cooperation extends to states using the Straits, good intentions are best translated in terms of financial support, intelligence sharing, training and provision or loaning of equipment such as ships and aircraft.

Third, technology will play a decisive role in empowering the littoral user states to achieve more effective coordination and enforcement. *Surveillance through maritime patrol, coastal radar linked to satellites and radio tracking technology* in providing real time information for enforcement operations should also be carried out.

Fourth, long term solution aimed at eliminating the root causes of piracy, sea robbery, and terrorism which may arise in the Straits of Malacca have to be fitted to the particular problem. To attacks the problem at its root, there should be more concerted effort to assisting both state economic development and maritime enforcement capacity building. Stronger enforcement in cooperation is best directed towards the effort in detaining pirates at source rather than high seas. In this case, it means attacking the bases from which pirates operate and cutting off the resources and manpower they depend on.

Fifth, any form of preventive measures and operational arrangements to secure the Straits must not impinge on the territorial integrity and sovereignty of the littoral user states, in tandem with international law. Consequently the region must counter propose the idea of foreign vessels being escorted by their naval or coast guard ships passaging through the Straits. In addition, while private armed escort services on commercial vessels plying the Straits should not be denied transit passage, they must cease operations when in the territorial water of the littoral user states. As an alternative, the littoral user states could provide their own law enforcement personnel on vessels travelling to the Straits.

Sixth, while the Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (SUA) was primarily designed for terrorism, there is possibility to be applied to most incidents involving pirates and armed robbery against ships. The SUA Convention's is likely used to ensure that the state take appropriate action again any acts of violence against ships.

Seventh, in managing the real time picture to enhance *maritime security situation awareness* in the Straits, the most likely efficient way to create a real time picture of the maritime situation is to link existing or planned system such as Singapore's Vessel Traffic Information System (VTIS), Porth Klang's Vessel Traffic Management System (VTMS), Straitsrep and the IMO mandated Automatic Identification System (AIS). VTIS monitors

traffic in the Singapore area, VTMS monitors vessel activity in and around Port Klang Malaysia. Straitsrep is a joint Indonesia-Malaysia-Singapore mandatory ships reporting system implemented in December 1998 under the IMO. AIS can be employed to identify ships and their position to shore stations, other ship and aircraft, and exchange data with the VTS Authority.

Eight, as noted that addressing the threat of security shipments in the Straits of Malacca is more problematic, and involves more complicated and sensitive questions of ideology, and sovereignty. It should be remember that although ship hijacking or other attacks by terrorists in Southeast Asia is a serious potential threat, it is so far just that and not yet reality. Perhaps standard anti-terrorists approaches such as disrupting the finance and leadership of the sponsoring organisation may effective in short term. But by helping these states develop their own surveillance and enforcements capacities, long term, and longer lasting, solutions will be possible. A relevant example is the United States project to create the Yemeni coast guard complete with high technology equipped gunboats and training. This project will likely accepted by littoral user states because will not impinge their sovereignty.

In closing this thesis, the emergence of new major global economic players in Asia, China and India behind Japan, will result in an increase of *demand for energy as factor of production and consumption*. Further, the United States recognised the important of its presence in Asia and Southeast Asia to keep watching and deterring the United States competitors in the region. It will spur inter-regional and intra-regional either cooperation or competition. Demand for energy in the region have grown and will continue to grow, leading to an increasing reliance on the sea as a mode of transport. Because the Straits of Malacca has acknowledged by all stakeholders as the main connecting link to transport between the Middle East as a major oil energy supplier to East Asia as a major oil consumer, dependence on this sea lanes will likely continue to increase.

The surge in the use of this sea means that it is ever more crucial to safeguard the sea lanes. Because countries in the region share significant maritime interests, the creation of security and a stable maritime environment of its energy shipment needs to remain high on the regional security, economic and political agenda. Moreover, it is important to note the three principles of cooperation in the sea and maritime security: the littoral user states have the primary role in addressing maritime security issues, other stakeholders have important role to take part, and consultation should be pursued and the rule of international law observed in the implementation of any new initiatives.

Appendix A

Oil Production 1987-2007

BP Statistical Review of World Energy June 2008

Oil Production*																				Change		2007 share of total		
	Thousand barrels daily																			2007 over 2006	2007 share of total			
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2006		
US	9944	9765	9159	8914	9076	8858	8583	8389	8322	8295	8269	8011	7731	7733	7669	7626	7400	7228	6995	6941	6879	0.4%	8.0%	
Canada	1907	2000	1958	1985	1980	2082	2184	2276	2402	2480	2588	2672	2604	2721	2677	2658	3004	3085	3041	3208	3309	3.6%	4.1%	
Mexico	2879	2877	2897	2977	3126	3120	3132	3142	3065	3277	3410	3469	3343	3450	3560	3595	3789	3824	3760	3683	3477	-5.5%	4.4%	
Total North America	14730	14642	14014	13856	14182	14058	13899	13887	13789	14062	14267	14182	13678	13984	13986	14069	14193	14137	13696	13732	13665	-0.6%	16.5%	
Argentina	459	481	492	517	526	587	630	695	758	823	877	890	847	819	830	818	806	754	725	716	698	-2.5%	0.9%	
Brazil	589	573	613	650	643	652	664	693	718	807	868	1003	1133	1268	1337	1499	1555	1542	1716	1809	1833	1.4%	2.3%	
Colombia	388	380	407	446	430	442	458	460	591	635	667	775	836	711	627	601	564	551	554	559	561	0.4%	0.7%	
Ecuador	176	309	286	292	307	328	353	388	395	393	397	385	383	409	416	401	427	535	541	545	600	-4.5%	0.7%	
Peru	165	142	131	130	116	117	127	128	123	121	120	116	107	100	98	98	92	84	111	116	114	-1.3%	0.1%	
Trinidad & Tobago	155	151	149	150	149	144	134	141	142	141	135	134	141	138	135	155	164	152	171	174	164	-12.5%	0.2%	
Venezuela	1910	1998	2012	2244	2501	2499	2592	2752	2959	3137	3321	3480	3126	3239	3142	2995	2554	2907	2937	2808	2613	-7.2%	3.4%	
Other S. & Cent. America	86	77	76	77	77	76	83	90	92	96	102	108	125	124	130	137	152	153	144	143	141	-	0.2%	
Total S. & Cent. America	3928	4111	4166	4587	4748	4845	5040	5347	5782	6169	6493	6398	6699	6813	6722	6619	6314	6620	6899	6666	6633	-3.6%	8.9%	
Azerbaijan	286	280	268	254	240	228	207	193	185	183	182	231	279	282	301	311	313	315	452	654	868	31.7%	1.1%	
Denmark	93	96	112	121	142	157	168	185	186	208	230	238	299	363	348	371	368	390	377	342	312	-8.8%	0.4%	
Italy	82	100	96	87	80	83	96	102	108	113	124	117	104	85	86	115	116	113	127	120	122	1.6%	0.2%	
Kazakhstan	504	526	536	551	569	549	490	430	434	474	536	537	631	744	836	1018	1111	1297	1356	1426	1490	3.9%	1.8%	
Norway	1054	1198	1567	1716	1965	2217	2377	2693	2903	3232	3280	3138	3139	3346	3418	3333	3264	3189	2969	2779	2556	-7.7%	3.0%	
Romania	211	205	202	189	146	142	144	145	145	142	141	137	133	131	130	127	123	119	114	105	105	1.0%	1.2%	
Russian Federation	11484	11444	11135	10405	9326	8038	7173	6419	6288	6114	6227	6169	6178	6536	7056	7698	8544	9267	9552	9769	9678	2.2%	12.5%	
Turkmenistan	135	120	121	120	113	109	92	87	84	90	108	129	143	144	162	182	202	193	182	186	190	6.5%	2.0%	
United Kingdom	2563	2396	1929	1918	1919	1981	2119	2675	2749	2735	2702	2807	2909	2867	2476	2483	2257	2028	1809	1636	1636	0.2%	2.0%	
Uzbekistan	84	60	66	69	69	79	94	124	172	174	182	191	191	177	171	171	166	152	126	125	114	-8.9%	0.1%	
Other Europe & Eurasia	740	717	695	696	684	646	600	608	575	546	524	505	474	485	465	501	509	496	469	458	466	-0.2%	0.6%	
Total Europe & Eurasia	17245	17141	16727	16106	16282	14239	13661	13662	13830	14011	14236	14199	14480	14960	16460	16280	16973	17679	17642	17680	17836	1.6%	22.0%	
Iran	2342	2349	2894	3270	3500	3523	3712	3730	3744	3759	3776	3855	3603	3818	3794	3543	4183	4308	4359	4388	4401	0.4%	5.4%	
Iraq	2391	2782	2838	2149	285	531	455	505	530	580	1166	2121	2610	2814	2523	2116	1344	2030	1933	1999	2145	7.3%	2.7%	
Kuwait	1072	1286	1408	964	185	1077	1945	2085	2130	2129	2137	2232	2085	2206	2148	1965	2329	2475	2618	2882	2626	-2.1%	3.9%	
Oman	588	625	651	695	716	748	785	819	868	897	909	905	911	959	961	900	824	756	787	752	710	-4.6%	0.9%	
Qatar	315	360	403	434	420	495	460	451	461	568	692	701	723	757	754	764	879	962	1028	1110	1197	5.3%	1.4%	
Saudi Arabia	4589	5720	5635	7105	8820	9098	8982	9084	9145	9299	9482	9502	8953	9491	9209	8928	10164	10638	11114	10953	10413	-4.1%	12.8%	
Syria	231	288	341	407	472	514	566	593	596	586	577	576	579	548	581	548	527	495	450	421	394	-8.5%	0.5%	
United Arab Emirates	1603	1620	2024	2283	2639	2510	2443	2482	2362	2438	2567	2643	2511	2626	2534	2324	2611	2858	2753	2671	2616	-2.3%	3.5%	
Yemen	26	170	178	182	197	184	209	346	351	357	375	380	405	450	455	457	448	420	416	380	336	-11.6%	0.4%	
Other Middle East	52	53	53	52	53	54	53	52	52	50	49	48	48	47	48	48	48	48	48	48	48	-	0%	
Total Middle East	13219	16234	16426	17640	17287	18736	19691	20116	20239	20662	21731	22064	22328	23516	23006	21623	23367	24816	25393	25689	26176	-1.8%	30.8%	
Algeria	1231	1254	1280	1347	1351	1323	1329	1324	1327	1386	1421	1461	1515	1578	1562	1680	1852	1946	2014	2003	2000	-0.1%	2.2%	
Angola	355	452	460	475	498	550	504	557	633	716	741	731	745	746	742	805	862	976	1246	1421	1723	20.7%	2.1%	
Cameroon	165	163	160	155	143	134	130	115	108	110	124	105	95	88	81	72	67	69	82	87	82	-5.7%	0.2%	
Chad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	169	173	153	144	-6.3%	0.2%
Rep. of Congo (Brazzaville)	123	136	154	156	156	167	185	185	180	200	225	264	266	254	234	231	215	216	246	262	222	-15.3%	0.3%	
Egypt	607	669	678	667	666	606	641	621	624	694	673	657	627	781	758	751	749	721	696	697	710	1.4%	0.9%	
Equatorial Guinea	-	-	-	-	-	-	2	5	7	17	80	83	100	91	177	204	242	345	373	358	363	1.6%	0.5%	
Gabon	155	178	205	270	295	299	305	337	356	365	364	337	340	327	301	295	240	235	234	235	230	-2.1%	0.3%	
Libya	1003	1051	1164	1424	1439	1473	1402	1431	1439	1452	1481	1480	1425	1475	1427	1375	1485	1624	1751	1834	1843	0.5%	2.2%	
Nigeria	1353	1496	1775	1870	1960	2020	2024	1991	1998	2145	2316	2167	2096	2155	2274	2103	2283	2502	2590	2474	2366	-4.8%	2.9%	
Sudan	-	-	-	-	-	-	2	2	2	5	9	12	63	174	217	241	265	301	331	331	467	38.1%	0.6%	
Tunisia	108	104	105	96	110	110	99	93	90	89	81	85	84	78	71	74	68	71	73	70	90	40.2%	0.1%	
Other Africa	54	48	36	35	33	29	36	42	51	62	84	63	56	56	53	63	71	75	72	69	66	24.7%	0.1%	
Total Africa	8482	8761	8217	8726	8989	7993	8361	7894	7111	7440	7763	7644	7883	7984	7897	7994	8482	9268	9846	9986	10318	3.2%	12.6%	
Australia	628	597	567	651	618	608	572	614	583	619	669	644	625	309	733	730	624	582	580	554	561	1.8%	0.6%	
Brunei	155	150	150	152	164	182	175	179	175	165	163	157	182	193	203	210	214	210	206	201	194	-12.1%	0.2%	
China	2690	2741	2760	2774	2828	2841	2868	2930	2989	3170	3211	3212	3213	3252	3306	3346	3401	3481	3626	3684	3743	1.6%	4.8%	
India	646	683	733	732	703	643	620	708	804	778	800	787	788	780	780	801	798	812	776	795	801	0.6%	1.0%	
Indonesia	1420	1373	1481	1539	1689	157																		

Appendix B

Oil Consumption 1987-2007

BP Statistical Review of World Energy June 2008

Oil Consumption*	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Change 2007 over 2006	2007 share of total
US	16665	17283	17326	16988	16713	17033	17236	17719	17725	18389	18621	18917	19310	19701	19649	19791	20033	20731	20912	20967	20888	-1.1%	23.0%
Canada	1641	1725	1786	1792	1673	1703	1742	1776	1818	1888	1913	1905	1937	2003	2067	2132	2248	2247	2246	2303	2378	2.6%	2.8%
Mexico	1292	1295	1302	1426	1522	1543	1538	1772	1592	1896	1707	1844	1842	1910	1889	1837	1885	1916	1974	1970	2024	2.8%	2.3%
Total North America	19598	20303	20434	20206	18989	20279	20688	21232	21149	23092	22279	23674	23249	23669	23587	23568	24066	24697	24629	24694	25084	1.8%	28.1%
Argentina	457	466	417	389	411	417	418	415	415	432	451	467	445	431	405	384	372	394	421	440	492	12.0%	0.6%
Brazil	1438	1478	1517	1476	1500	1533	1569	1648	1736	1847	1966	2034	2114	2056	2062	2063	1985	1999	2048	2064	2182	5.8%	2.4%
Chile	110	121	136	143	148	159	174	190	209	228	242	247	249	238	232	230	231	236	256	265	242	-3.8%	0.4%
Colombia	100	197	199	209	213	233	238	246	260	268	272	266	238	232	245	222	222	223	225	235	228	-1.4%	0.3%
Ecuador	89	90	94	92	104	101	108	115	112	125	142	146	131	129	132	131	137	141	138	176	191	4.0%	0.2%
Peru	139	136	121	121	113	118	123	134	150	155	154	155	159	155	146	147	146	151	165	146	146	-2.9%	0.2%
Venezuela	391	407	388	387	405	431	430	435	446	426	422	425	424	496	546	594	478	523	574	582	686	1.9%	0.7%
Other S. & Cent. America	732	808	889	944	956	940	970	1020	1051	1076	1116	1145	1158	1170	1218	1223	1390	1277	1390	1333	1317	-1.2%	1.9%
Total S. & Cent. America	3020	3294	3791	3773	3949	3941	4027	4212	4382	4657	4790	4933	4928	4997	5088	4974	4826	4944	5147	6225	6403	6.2%	6.4%
Austria	219	217	215	223	241	236	237	235	234	242	246	255	250	244	265	271	293	285	294	294	291	-0.8%	0.3%
Azerbaijan	162	196	192	170	184	190	196	144	130	116	110	116	111	123	81	74	85	92	108	99	93	-7.1%	0.1%
Bahrain	589	569	535	485	479	408	280	235	209	197	179	175	154	143	140	145	152	154	143	142	145	1.9%	0.2%
Belgium & Luxembourg	489	501	502	509	544	558	546	566	548	606	629	653	670	707	689	691	748	726	815	839	838	0.0%	1.0%
Bulgaria	210	223	218	178	118	121	127	116	115	116	92	100	93	84	87	96	115	105	100	120	120	*	0.1%
Czech Republic	209	201	192	176	145	140	142	149	169	177	170	174	174	169	179	174	185	203	211	206	210	0.8%	0.3%
Denmark	188	185	180	185	187	186	186	196	209	217	235	229	223	222	215	205	200	180	189	195	197	0.4%	0.2%
Finland	230	228	230	229	221	216	206	216	208	216	213	221	224	224	222	226	239	224	233	225	226	0.8%	0.3%
France	1646	1628	1679	1610	1618	1611	1640	1678	1683	1690	1648	1616	1644	1607	1603	1607	1605	1678	1695	1678	1660	-1.7%	2.3%
Germany	2747	2744	2693	2708	2833	2949	3004	3060	2892	2821	2913	2915	2824	2793	2904	2714	2694	2634	2605	2624	2688	-0.6%	3.2%
Greece	269	278	305	321	323	329	342	345	361	372	370	374	383	405	411	414	404	437	434	453	443	-2.2%	0.5%
Hungary	209	195	190	198	199	170	182	189	159	149	150	157	151	145	142	140	139	142	163	169	158	-1.4%	0.2%
Iceland	12	12	14	13	13	14	15	15	16	16	18	18	18	19	18	19	18	20	21	20	21	5.0%	*
Republic of Ireland	88	81	83	82	100	105	106	119	118	124	136	152	172	170	185	182	178	165	186	195	190	-1.9%	0.2%
Italy	1851	1881	1831	1832	1918	1950	1924	1920	1967	1956	1969	1974	1990	1956	1946	1943	1927	1973	1919	1812	1746	-3.9%	2.1%
Kazakhstan	377	378	397	446	452	422	325	253	249	210	213	175	147	158	186	190	183	187	207	227	213	-3.2%	0.2%
Lithuania	158	152	158	149	154	86	76	89	64	66	69	75	89	89	89	89	89	89	89	89	89	0.0%	0.1%
Netherlands	706	742	735	783	767	763	768	762	828	810	858	854	880	897	942	952	982	1003	1010	1043	1044	-0.9%	1.2%
Norway	215	203	198	203	193	196	210	212	212	215	216	210	213	206	219	210	217	221	221	221	221	0.0%	0.2%
Poland	354	382	361	331	313	289	295	314	321	358	391	424	431	427	415	430	435	480	479	516	522	4.0%	0.6%
Portugal	188	183	232	230	239	265	252	252	272	259	283	322	330	324	307	338	317	322	331	300	302	2.0%	0.4%
Romania	355	332	344	373	309	259	242	226	274	260	278	242	195	203	217	226	198	250	223	219	223	4.7%	0.3%
Russian Federation	5131	5090	5162	5129	4699	4597	3815	3359	3025	2886	2696	2554	2625	2833	2568	2688	2622	2919	2601	2709	2680	-0.9%	3.2%
Slovakia	119	117	116	121	88	81	67	70	69	71	72	80	73	72	68	76	71	68	71	73	80	10.3%	0.1%
Spain	859	890	1040	1040	1058	1113	1079	1120	1177	1221	1290	1381	1423	1452	1508	1526	1559	1583	1610	1602	1616	0.8%	2.0%
Sweden	356	341	343	341	326	343	335	354	338	362	336	337	318	318	317	332	319	313	302	314	303	1.1%	0.4%
Switzerland	263	264	255	275	277	281	294	272	254	261	276	279	271	253	281	267	259	258	260	289	246	-9.9%	0.3%
Turkey	436	465	442	470	469	499	574	553	610	635	646	640	638	677	645	606	668	680	695	655	658	0.5%	0.6%
Turkmenistan	72	71	72	80	102	106	84	84	88	85	87	75	80	78	83	86	85	85	100	103	107	3.8%	0.1%
Ukraine	1361	1249	1198	1361	1186	877	867	411	401	287	292	332	272	255	273	278	288	283	284	318	325	2.2%	0.4%
United Kingdom	1608	1703	1744	1782	1798	1775	1791	1777	1757	1788	1752	1741	1721	1697	1687	1683	1717	1764	1802	1785	1880	-0.6%	2.0%
Uzbekistan	229	282	271	280	227	175	156	141	138	135	145	145	143	138	135	130	148	134	114	117	119	2.1%	0.1%
Other Europe & Eurasia	904	936	894	938	918	958	498	428	415	462	474	450	425	402	427	403	485	512	548	563	681	3.8%	0.7%
Total Europe & Eurasia	2918	2917	2927	2840	2709	2742	2691	1987	1970	1895	1978	1882	1872	1894	1874	1873	1892	2011	2024	2047	2010	-2.0%	34.0%
Iran	891	774	882	951	985	1017	1044	1099	1206	1259	1320	1194	1221	1301	1314	1413	1408	1558	1578	1625	1621	0.4%	1.3%
Kuwait	154	153	148	139	72	110	101	124	129	128	139	180	202	202	208	222	238	266	302	275	278	0.3%	0.4%
Qatar	41	29	31	27	28	29	31	33	35	38	39	38	39	45	59	78	95	78	95	78	95	21.7%	0.1%
Saudi Arabia	982	898	985	1171	1249	1176	1214	1333	1272	1339	1391	1402	1504	1536	1551	1572	1684	1805	1891	2005	2164	7.2%	2.5%
United Arab Emirates	178	221	227	248	318	326	337	355	347	345	283	271	255	292	320	333	355	376	419	460	478	0.8%	0.8%
Other Middle East	820	881	909	973	822	1007	1160	1160	1227	1232	1272	1303	1337	1383	1422	1425	1423	1467	1519	1548	1608	4.0%	1.9%
Total Middle East	3003	2852	3165	3494	3584	3685	3823	4168	4236	4433	4482	4482	4824	4716	4921	5011	5229	6007	6791	6948	6265	-4.4%	1.4%
Algeria	184	183	194	214	209	211	210	204	198	187	187	194	187	182	200	222	231	240	251	260	270	3.8%	0.3%
Egypt	438	442	461	477	470	457	438	437	474	501	531	553	573	564	548	534	550	567	619	610	661	6.8%	0.8%
South Africa	308	338	351	355	358	369	383	400	426	437	444	451											

Appendix C

Oil Production (Thousand barrels daily) 1999-2009 BP Statistical Review of World Energy 2010

Thousand barrels daily	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change 2009 over 2008	2009 share of total
US	7731	7753	7669	7626	7406	7228	6895	6841	6847	6734	7196	7.6%	8.5%
Canada	2694	2721	2677	2658	3004	3086	3041	3208	3326	3268	3212	-1.6%	4.1%
Mexico	3343	3460	3560	3586	3789	3824	3760	3683	3471	3167	2979	-6.2%	2.9%
Total North America	13677	13934	13906	14069	14199	14137	13696	13732	13638	13169	13388	1.6%	16.5%
Argentina	847	819	830	818	806	754	725	716	699	682	676	-0.7%	0.9%
Brazil	1133	1268	1337	1439	1556	1642	1716	1809	1833	1899	2029	7.1%	2.6%
Colombia	838	711	627	601	564	551	554	559	551	516	485	-12.2%	0.9%
Ecuador	383	409	416	401	427	525	541	546	520	514	465	-9.6%	0.7%
Peru	107	100	98	98	92	84	111	116	114	120	145	21.6%	0.2%
Trinidad & Tobago	141	138	135	155	164	162	171	174	164	145	151	9.6%	0.2%
Venezuela	3126	3259	3142	2895	2554	2967	2937	2808	2513	2558	2437	-4.9%	3.3%
Other S. & Cent. America	124	139	137	152	153	144	143	141	142	146	141	-0.4%	0.2%
Total S. & Cent. America	6699	6913	6722	6019	6214	6680	6839	6866	6636	6578	6760	1.2%	8.3%
Azerbaijan	279	282	301	311	313	315	452	654	869	915	1033	13.5%	1.3%
Denmark	299	362	348	271	368	390	377	342	311	287	266	-7.9%	0.3%
Italy	104	95	86	116	116	113	127	129	122	108	95	-12.4%	0.1%
Kazakhstan	531	744	856	1018	1111	1297	1356	1426	1484	1654	1682	8.5%	2.0%
Norway	3139	3346	3418	3333	3264	3189	2969	2779	2566	2451	2342	-4.6%	2.6%
Romania	133	131	130	127	123	119	114	105	99	98	93	-5.4%	0.1%
Russian Federation	6178	6536	7056	7638	8544	9267	9952	9769	9578	9368	10032	15%	12.9%
Turkmenistan	143	144	162	182	202	193	192	186	188	205	206	0.3%	0.3%
United Kingdom	2369	2067	2479	2453	2257	2028	1809	1636	1638	1526	1448	-4.8%	1.8%
Uzbekistan	191	177	171	171	166	152	126	125	114	114	107	-6.6%	0.1%
Other Europe & Eurasia	474	465	465	531	509	496	468	455	448	425	400	-5.7%	0.5%
Total Europe & Eurasia	14480	14950	15460	16280	16973	17679	17541	17695	17810	17572	17702	0.8%	22.4%
Iran	3693	3955	3892	3709	4180	4248	4234	4296	4322	4327	4216	-3.3%	5.3%
Iraq	2610	2614	2523	2116	1344	2050	1823	1699	2143	2423	2482	2.4%	2.2%
Kuwait	2085	2266	2148	1955	3329	2475	2518	2699	2636	2782	2491	-11.3%	2.2%
Oman	911	959	960	904	824	766	778	742	715	754	810	7.4%	1.0%
Qatar	723	757	754	764	879	892	1028	1110	1187	1378	1345	-4.6%	1.5%
Saudi Arabia	8853	9491	9209	8928	10164	10538	11114	10893	10449	10846	9713	-10.6%	12.0%
Syria	579	548	581	548	527	495	450	435	415	398	376	-6.5%	0.5%
United Arab Emirates	2511	2547	2455	2290	2553	2964	2753	2971	2906	2936	2599	-12.6%	3.2%
Yemen	405	450	455	457	448	420	416	380	345	304	298	-2.0%	0.1%
Other Middle East	48	48	47	48	48	48	54	32	35	35	37	13.7%	0.1%
Total Middle East	22328	23475	23035	21729	23298	24797	25258	25467	25168	26182	24957	-7.3%	30.3%
Algeria	1515	1578	1562	1680	1852	1846	2015	2003	2016	1993	1811	-9.1%	2.0%
Angola	745	746	742	905	870	1103	1405	1421	1584	1875	1784	-4.9%	2.3%
Cameroon	95	88	81	72	67	89	82	87	82	84	73	-12.6%	0.1%
Chad	-	-	-	-	24	168	173	153	144	127	118	-7.3%	0.2%
Republic of Congo-Brazzaville	266	254	234	231	215	216	240	262	222	249	274	10.6%	0.4%
Egypt	827	781	758	751	749	721	686	697	716	722	742	2.1%	0.9%
Equatorial Guinea	186	91	177	209	244	346	376	364	376	356	367	-2.3%	0.4%
Gabon	340	327	301	236	240	235	224	235	230	235	229	-2.6%	0.3%
Libya	1425	1475	1427	1375	1485	1622	1745	1815	1820	1820	1852	3.4%	2.0%
Nigeria	2096	2155	2274	2103	2236	2431	2499	2423	2395	2116	2051	-3.6%	2.6%
Sudan	62	174	217	241	295	301	305	331	468	480	489	2.6%	0.6%
Tunisia	84	78	71	74	68	71	73	73	97	89	86	-3.4%	0.1%
Other Africa	56	56	53	63	71	75	72	66	84	79	79	0%	0.1%
Total Africa	7583	7904	7897	7980	8386	9324	9921	9905	10236	10219	9745	-5.2%	12.0%
Australia	625	809	730	730	624	582	590	554	567	556	558	0.4%	0.6%
Brunei	182	190	203	219	214	210	266	221	134	175	168	-3.9%	0.2%
China	2213	3252	3606	3346	3491	3481	3627	3684	3743	3901	3790	-2.8%	4.9%
India	736	726	727	753	756	772	758	762	799	766	754	-1.6%	0.9%
Indonesia	1408	1456	1369	1288	1183	1129	1067	1017	999	1031	1021	-1.6%	1.3%
Malaysia	737	735	719	757	776	793	799	747	763	768	740	-3.7%	0.9%
Thailand	140	176	191	204	236	222	265	296	305	321	330	3.2%	0.4%
Vietnam	296	328	350	354	364	427	399	367	337	317	245	-9.6%	0.4%
Other Asia Pacific	218	200	195	193	195	225	286	305	320	340	328	-3.1%	0.4%
Total Asia Pacific	7958	7874	7813	7838	7790	7853	7944	7942	7988	8175	8088	-1.0%	10.0%
Total World	72325	74620	74813	74633	76816	80371	81281	81957	81446	81995	79946	-3.0%	100.0%
of which: European Union	3684	3493	3285	3339	3128	2902	2659	2422	2388	2222	2082	-6.1%	2.6%
OECD	21193	21521	21363	21439	21165	20766	19861	19458	19146	18414	18380	-0.2%	22.5%
OPEC	29646	31072	30644	29132	30877	33592	34721	34923	34904	35568	33076	-7.3%	41.2%
Non-OPEC†	35127	35724	35608	35669	35540	35371	34760	34321	34346	33902	33671	-0.1%	41.9%
Former Soviet Union	7552	8014	8660	9535	10498	11407	11829	12316	12795	12825	13282	3.6%	16.9%

Appendix D

Oil Consumption (Thousand barrels daily) 1999-2009 BP Statistical Review of World Energy 2010

Thousand barrels daily	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change 2009 over 2008	2009 share of total
US	19519	19701	19649	19761	20033	20722	20802	20687	20580	19498	19686	-1.9%	21.7%
Canada	1926	1927	2023	2067	2132	2248	2247	2246	2233	2287	2195	-4.1%	2.5%
Mexico	1842	1910	1899	1837	1886	1918	1974	1970	2017	2010	1945	-3.4%	2.2%
Total North America	23287	23538	23571	23665	24051	24988	25027	24903	24827	23795	22676	-4.7%	26.3%
Argentina	446	421	405	364	372	368	414	431	484	499	473	-5.7%	0.6%
Brazil	2114	2066	2082	2053	1995	1999	2033	2087	2258	2397	2405	-0.2%	2.7%
Chile	249	256	233	228	228	240	224	264	346	357	333	-7.6%	0.4%
Colombia	227	223	216	211	211	214	225	238	229	229	194	-2.7%	0.2%
Ecuador	131	129	132	131	137	141	168	182	196	207	188	-5.2%	0.3%
Peru	159	165	148	147	140	153	152	147	164	172	188	8.8%	0.2%
Venezuela	474	496	545	594	479	522	576	607	597	607	609	0.9%	0.7%
Other S. & Cent. America	1095	1118	1159	1175	1201	1213	1222	1254	1269	1243	1235	-0.8%	1.5%
Total S. & Cent. America	4895	4885	4918	4915	4874	4871	5047	5210	5577	5681	5663	-0.1%	6.3%
Austria	251	245	265	272	294	296	295	294	278	279	270	-3.2%	0.3%
Azerbaijan	111	123	81	74	86	92	108	98	92	74	60	-20.2%	0.1%
Belarus	154	143	149	145	148	153	148	195	152	172	192	11.6%	0.2%
Belgium & Luxembourg	670	702	669	691	748	786	815	839	832	812	791	-3.7%	1.0%
Bulgaria	93	84	87	98	115	105	109	116	113	103	98	-5.2%	0.1%
Czech Republic	174	169	179	174	185	203	211	208	206	210	205	-2.1%	0.2%
Denmark	222	215	205	200	193	189	195	197	196	189	174	-8.3%	0.2%
Finland	224	224	222	226	239	224	223	225	226	225	212	-5.9%	0.3%
France	2044	2007	2023	1967	1995	1978	1969	1950	1923	1902	1833	-3.5%	2.3%
Germany	2824	2763	2804	2714	2654	2634	2606	2624	2595	2517	2422	-4.0%	2.9%
Greece	384	407	412	416	495	438	436	454	446	437	417	-5.3%	0.5%
Hungary	161	145	142	140	138	142	163	169	169	164	161	-1.9%	0.2%
Iceland	18	19	18	19	18	20	21	20	24	20	20	0.0%	0.0%
Republic of Ireland	172	170	185	182	178	184	194	194	198	190	169	-10.6%	0.2%
Italy	1990	1966	1946	1943	1927	1873	1819	1813	1759	1680	1590	-5.3%	1.9%
Kazakhstan	147	158	135	135	207	227	227	239	245	293	260	-3.3%	0.3%
Lithuania	63	49	56	53	51	55	58	59	64	61	61	0.0%	0.1%
Netherlands	890	897	942	952	962	1003	1070	1039	1114	1089	1054	-3.6%	1.3%
Norway	216	201	212	208	219	210	212	217	222	214	211	-1.6%	0.3%
Poland	431	427	415	420	435	460	479	516	536	554	553	1.2%	0.7%
Portugal	330	324	327	338	317	322	331	300	302	283	269	-4.8%	0.3%
Romania	195	203	217	228	199	230	223	219	223	221	211	-4.2%	0.3%
Russian Federation	2626	2583	2629	2606	2622	2618	2611	2709	2708	2817	2895	4.8%	3.2%
Slovakia	73	73	68	75	71	68	81	82	86	90	83	-8.3%	0.1%
Spain	1423	1452	1508	1525	1559	1593	1619	1602	1617	1574	1492	-5.2%	1.9%
Sweden	337	318	318	317	332	319	315	322	308	302	287	-5.7%	0.4%
Switzerland	271	263	281	287	259	258	262	269	243	258	262	1.9%	0.3%
Turkey	638	677	645	656	662	667	658	635	656	663	621	-6.5%	0.7%
Turkmenistan	90	79	83	98	95	95	100	118	113	117	120	1.6%	0.1%
Ukraine	272	256	288	296	285	310	298	309	339	336	307	-8.1%	0.4%
United Kingdom	1721	1697	1697	1693	1717	1764	1802	1795	1714	1681	1611	-4.3%	1.5%
Uzbekistan	138	132	130	125	142	134	109	102	99	101	101	0.1%	0.1%
Other Europe & Eurasia	448	417	445	469	493	502	540	582	592	592	580	-2.0%	0.7%
Total Europe & Eurasia	19760	19572	19768	19760	19940	20129	20201	20498	20203	20193	19272	-4.2%	23.8%
Iran	1221	1301	1314	1413	1498	1658	1620	1650	1695	1761	1741	-1.3%	2.2%
Kuwait	243	246	251	271	295	327	359	333	338	370	419	9.8%	0.5%
Qatar	51	60	72	89	105	122	144	158	174	198	209	5.0%	0.2%
Saudi Arabia	1543	1579	1605	1632	1769	1880	1987	2065	2212	2380	2614	9.8%	3.1%
United Arab Emirates	271	258	297	328	340	364	394	429	448	475	495	5.0%	0.6%
Other Middle East	1368	1384	1439	1432	1396	1454	1505	1578	1612	1571	1708	2.1%	2.1%
Total Middle East	4689	4826	4979	5124	5304	5705	6010	6247	6495	6853	7145	3.2%	9.7%
Algeria	187	192	200	222	231	240	251	250	288	311	331	6.5%	0.4%
Egypt	573	564	548	534	550	567	629	610	650	693	720	3.6%	0.9%
South Africa	467	463	474	486	503	514	515	529	550	522	518	-2.9%	0.6%
Other Africa	1273	1264	1295	1310	1329	1369	1405	1387	1442	1508	1513	0.3%	1.8%
Total Africa	2490	2464	2517	2632	2674	2857	2906	2795	3077	3144	3082	-1.1%	7.7%
Australia	843	827	845	845	851	856	886	918	925	926	941	0.8%	1.1%
Bangladesh	58	66	80	80	82	83	84	90	93	92	93	0.4%	0.1%
China	4477	4772	4872	5288	5803	6772	6984	7410	7771	8086	8625	6.7%	10.4%
China Hong Kong SAR	194	202	244	238	270	316	287	305	324	294	299	2.9%	0.4%
India	2134	2254	2284	2374	2420	2573	2589	2693	2838	2971	3163	3.7%	3.8%
Indonesia	1019	1122	1162	1191	1218	1290	1289	1252	1273	1314	1344	0.4%	1.5%
Japan	5598	5557	5422	5247	5440	5269	5343	5213	5039	4846	4396	-10.7%	6.1%
Malaysia	436	435	442	482	473	485	469	458	481	476	468	-1.6%	0.6%
New Zealand	130	133	134	139	149	149	154	156	156	166	148	-5.6%	0.2%
Pakistan	363	373	365	357	321	325	312	355	388	389	414	7.1%	0.5%
Philippines	375	348	347	331	331	358	315	284	300	285	285	0.0%	0.5%
Singapore	619	654	716	699	668	748	794	853	916	969	1062	3.5%	1.3%
South Korea	2178	2229	2235	2282	2300	2283	2308	2317	2389	2287	2327	1.5%	2.7%
Taiwan	954	1003	981	999	1099	1084	1090	1097	1123	1027	1014	-3.3%	1.2%
Thailand	788	784	768	827	881	957	1005	996	985	962	875	-1.7%	1.1%
Other Asia Pacific	334	357	375	381	396	419	432	433	462	481	516	8.3%	0.6%
Total Asia Pacific	23518	24126	24257	24901	25771	27057	27471	27471	27882	28562	29990	1.0%	31.1%
Total World	75848	78428	77832	77945	78424	82281	83512	84387	85518	85239	84977	-1.7%	100.0%
of which: European Union	14814	14582	14881	14797	14868	15022	15204	15290	14826	14775	14143	-4.1%	17.3%
OECD	47489	47553	47692	47579	48277	49372	49489	49223	49008	47363	45327	-4.8%	53.4%
Former Soviet Union	3714	3631	3646	3688	3769	3815	3799	3848	3773	4115	3965	-4.0%	4.7%
Other EMEs	24485	25144	25694	26581	27377	29374	30226	31096	32629	33771	34785	2.8%	41.9%

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