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Malacca Strait a 'war risk zone'? Lloyd's should review its assessment

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A JUNE 20 list issued by Lloyd's insurance market, the Joint War Committee (JWC), declared the Malacca Strait and 20 other areas to be at risk from "war, strikes, terrorism and related perils". The JWC's decision followed a major assessment by the security consultancy group Aegis Defence Services (ADS). The area deemed to be at risk runs the entire distance of the strait and includes major Indonesian ports such as Dumai and Belawan in Sumatra. The list categorised the strait together with other areas such as Iraq, Lebanon, Somalia and Nigeria as security threats to shipping.

As a result, insurers have raised premiums for the high-risk zones, including on ships transiting through the Malacca Strait. This is a blow for the shipping industry, which is already reeling from the burgeoning operating costs due to the sharp increase in oil prices.

The JWC announcement has been met with criticisms from the shipping community, the coastal states as well as the International Maritime Bureau (IMB). The nub of the negative reactions was the Aegis Threat Assessment report which lumped together the various but distinct security concerns, such as piracy, robbery at sea, hijacking, kidnappings for ransom, civil war and the probability of maritime terrorism. The three littoral states, Malaysia, Indonesia and Singapore, and the shipping community have emphatically demanded a review of the report. Given the circumstances, Lloyd's List was expected to justify its reasoning behind the contentious assessment of the Malacca Strait as a war risk area. The recent initiatives by the littoral states have necessitated a review of the JWC report. There are several reasons why the rating is as controversial as it is unfounded.

Figures speak for themselves

For long the Malacca Strait has been a favourite hunting ground for pirates. With the issue of security in the strait becoming increasingly sensitive, the move by the JWC seems to be motivated by the concern that this crucial shipping lane could be a terrorist target. The strait is the second busiest shipping lane in the world with more than 55,000 ships passing through these waterways. Given this fact, the piracy figures are not that alarming. The IMB figures showed that 37 piracy cases were reported in 2004. If the figure is doubled, since it is assumed that the number of attacks is usually twice that reported, the total would be 74 attacks in the Malacca Strait in 2004. This gives a mere 0.1-0.2 percent probability of a ship being attacked -- which is quite low by any definition.

Alleged or overblown

ADS has said that the JWC rating was based on the “alleged interests of followers of Osama bin Laden in shipping traffic in the Malacca Strait”. How serious these ‘alleged interests’ and how justified the concerns were still need to be clarified. This is considering the fact that the strait has never seen a terrorist attack at least since 1992 when the IMB started collating the piracy data on the strait. The closest it ever got was when there were reports of the boarding of a small chemical tanker, Dewi Madrim, in March 2003 in which the crew were tied up and the vessel piloted for some distance through the strait.

ADS then concluded that this was a case of terrorists learning to drive a ship and that the kidnapping was designed to acquire the expertise for carrying out a maritime attack. ADS called the incident a new and “an interesting” development in maritime terrorism and its report was widely cited. The Economist described the takeover of the Dewi Madrim as the equivalent of the Al-Qaeda hijackers who perpetrated the September 11 attacks going to flying school in Florida. However, this report was found to be uncorroborated and is believed to be speculative.

Such reports highlight the problem of how limited information and sensitive scenarios could be over-dramatised, ultimately affecting the business and policy judgements of the international maritime community. Nevertheless, it would be naive to say that the Malacca Strait does not face any terrorist threat. Terrorist organisations like the Abu Sayyaf Group have always been involved in piracy in the Southeast Asian waters essentially to raise funds for their operations. Thus, it is a gross generalisation and a blunder to bundle the low-risk, high-impact event such as a terrorist attack with a high-risk, low-impact act of piracy, especially when the likelihood of their nexus is presently remote.

Reinforcing Security

The final reason why a review is in order – the intense efforts that the littoral states have recently initiated to reinforce security in the strait. One good thing that the JWC report has led to is that it brought back the attention of the three littoral states to the central issue of securing the sea lane. The littoral states have reacted strongly to the report and various new initiatives have been taken to make navigation safer in the strait. The trilateral coordinated patrols involving the navies of Indonesia, Malaysia and Singapore were implemented since 20 July 2004 and are targeted against sea piracy and maritime terrorism. These efforts have borne fruit as piracy attacks have fallen by 25 percent since they were initiated.

According to IMB, only four pirate attacks were logged in the strait between January and March this year -- a 50 percent decline from the eight attacks during the same period last year. In the recently concluded 4th Shangri-La Dialogue security conference in Singapore, Malaysian Deputy Prime Minister and Defence Minister Najib Tun Razak announced a surprise invitation to the Royal Thai Navy to take part in the coordinated patrols in the Malacca Strait. He also proposed the “eyes in the sky” plan with foreign surveillance planes helping to fight piracy in the strait. He hinted that Malaysia was not averse to an international role in policing the waterway and would consider allowing maritime aircraft nations such as the United States, Japan and Australia to use its domestic airspace on condition that the consoles and monitors be operated by the three littorals.

This outlook is a departure from the previous rhetoric when Malaysia and Indonesia were extremely hesitant to any foreign involvement in the strait. In a new development, some shipowners have even turned to private armed escort services to protect the vessels traversing the Malacca Strait. These private armour-plated ships equipped with elite mercenaries could act as a capable deterrent against pirates.

Conclusion

The Malacca Strait is a key-trading route with almost a third of the world's tonnage and half of the world's oil shipment passing through. With the growing Asian economies and rising appetite for energy supplies from China, the strategic importance of the waterway is only going to grow. Additional costs due to increased shipping premiums and bad branding of the strait will not only affect the economies of the littoral states but also the other stake holders like the shipping community.

The JWC may have rightly recognised terrorism in Southeast Asian waters as a growing concern. However the proactive initiatives taken by the littoral states cannot be ignored. Labelling the Malacca Strait as a "war risk area" is highly questionable and most certainly will require a review.

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