MIMA - MKN SABAH - UMS
KESBAN at SEA – Enduring Security for ESSZone

WORKSHOP REPORT
1st PILLAR WORKSHOP
(ECONOMICS SECURITY)

Coordinated by: UMS
Supported by: SEDIA

May 2016
FOREWORD BY THE MINISTER OF TOURISM, CULTURE AND ENVIRONMENT SABAH

Bismillahirrahmannirrahim
AssalamualaikumWarahmatullahiWabarakatuh

I commend the Maritime Institute of Malaysia (MIMA), the Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah (UMS) and Sabah National Security Council (MKN) for your initiative in organizing this workshop focusing specifically on economic matters in the ESSZone. The maritime real estate of ESSZone requires development to ensure economic security for the coastal communities. It is vital to provide them with legitimate economy to remove them from the shadow economy which manipulates them for transnational crime and militant activity.

I was made to understand that this Workshop follows the resolution in the 1st Sulu-Sulawesi Sea Conference in 2015 which was jointly organised by Maritime Institute of Malaysia (MIMA), Sabah Security Research Centre (SASSREC) University Malaysia Sabah and Sabah National Security Council (MKN). The establishment of the security architecture Eastern Sabah Security Command (ESSCOM) in 2013 is a clear reflection of immediate response taken by the Malaysian Government in safeguarding ESSZone. The state and federal government will continue to cooperate in making sure that the Eastern Sabah Security Command (ESSCOM) will be strengthened including in terms of assets and personnel. The Federal government has allocated RM523 million for further development of the ESSCOM in 2016. With security in place in the ESSZone, the effective utilization of resources, which includes, human capital available in the ESSZONE must provide economic security for the coastal communities. Thus, cooperation and support from all quarters, federal, state, industry, communities and NGOs are vital to ensure all possible resources are identified to provide economic stimulus to ESSZone.

This workshop is timely in the interests of constructing the concrete understanding and dimension of economic and business activities needed in this particular area. We hope that your discussion in this workshop will be fruitful and the resolution from this workshop can be used by the federal and state governments as a catalyst to enhance business and investment activities in Sabah particularly in the ESSZONE area.

Lastly, I would like to congratulate the organizers, participants, moderators and the secretariat for putting up this important event together.

Thank you.

Y.B DATUK SERI PANGLIMA MASIDI MANJUN
Bismillahirrahmannirrahim

Assalamualaikum Warahmatullahi Wabarakatuh

It gives me great pleasure to be with UMS and MIMA again, this time coordinating and organizing a workshop focusing on business and economics in the ESSZone area. I would like to thank the Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah (UMS), being the main coordinator and host for this workshop, for putting up a strong team to manage this two-day program. This is indeed a very important and timely effort by all the collaborative partners after the Sulu Sulawesi Sea Conference late last year 2015.

The security of ESSZone is vital to ensure that the tri-border area which encompasses Malaysia-Philippines-Indonesia is safe from transnational organized crime and militant activities. This will include the security of the marine environment from further degradation due to destructive fishing. The threat situation stems from the fact that the well being of coastal communities becomes important to avoid them from becoming pawns for criminal syndicates manipulating them for criminal and militant activities. The 1st Sulu Sulawesi Conference in 2015 highlighted the need to use KESBAN (Keselamatan dan Pembangunan) programme which was successful against threat to national security in Peninsular and Sarawak during the insurgency. The KESBAN at Sea programme envisaged, takes into consideration Economy, Socio-Politics, Marine Environment, and Defence-Security as pillars for holistic security. I believe that workshops on these pillars are vital to specifically identify impediments and develop separate blueprints for these pillars. These blueprints will contribute to the overall management for state’s ESSZone Committee through a Balanced Scorecard in addressing unity of effort.

In this workshop, it is important to identify the resources that will provide coastal communities with the legitimate economy which will not only provide them with economic security but a sense of belonging to the state and ‘eyes and ears’ for situation awareness. The KESBAN at Sea concept is hoped that a holistic approach will provide enduring security to the ESSZone, addressing the management of scarce resources and duplication of effort.

We will continue to give our support and enhancing cooperation with UMS and MIMA on any initiative and matters related to security that will benefit our nation.

Thank you.

RODZI BIN MD. SAAD
Salam Sejahtera dan Salam Satu Malaysia

Through the *Ministers of the Federal Government (No. 2) Order 2013*, the Maritime Institute of Malaysia (MIMA) is tasked with providing “maritime related advice and consulting services to stakeholders through policy research, training, education and public awareness programmes”. With the support of the Sabah National Security Council, MIMA is currently collaborating with UMS in providing enduring security for East Sabah. As they say, “holistic security is better than ballistic security”, the response to security is often not guns and bullets but winning the hearts and minds of communities that matter. The KESBAN programme was founded on this in peninsula and Sarawak during the communist insurgency. The successful programme may be the answer to the issue on East Sabah.

The 1st Sulu Sulawesi Conference - KESBAN at Sea - Exploring Opportunities for Holistic Security in ESSZone in November 2015, stakeholders agreed that security should be approached holistically taking into account the need for sustainable development, which can be reached through enduring security and economic growth. MIMA has identified that four pillars are to be addressed as means to enduring security. These pillars are economy, socio-politics, marine environment and defence-security respectively.

Blueprints for each Pillar are to be developed through Workshops comprising government, industry, and community representatives. These Blueprints will be merged into a Balanced Scorecard for the ESSZone Committee through unity of effort. The Scorecard will comprehensively address holistic security taking into account management of scarce resources and duplication of efforts. Comprehensive governance will ensure enduring security combines with economy growth to provide sustainable development.

Thank you.

**FIRST ADMIRAL DATO’ CHIN YOON CHIN (R)**

**FOREWORD BY THE DIRECTOR GENERAL**

**MARITIME INSTITUTE OF MALAYSIA**
Bismillahirrahmanirrahim

AssalamualaikumWarahmatullahiWabarakatuh

Salam Sejahtera dan Salam EcoCampus,

Let me take this opportunity to thank our collaborative partners, the Maritime Institute of Malaysia (MIMA) and Sabah National Security Council (MKN) for collaborative efforts in realizing and selecting Universiti Malaysia Sabah (UMS) as an organizers and venue for this important workshop 2016.

This is a continuous effort in response to the previous conference Sulu Sulawesi Sea Conference 2015 to cater for the future needs not only in protecting the security interest of the state Sabah but also to look into the socio-economic development in Sabah, particularly in the ESSZone areas.

As Vice-Chancellor of UMS, I believed UMS as a full pledge higher institution in Sabah must play an important role in realizing this important workshop. Such workshop like this, would increase cooperation and benefit not only UMS, MIMA and the government but also all stakeholders specifically those in the ESSZone areas.

With all the structural facilities, we at Universiti Malaysia Sabah welcome any forms of collaborations of expertise or data or informative exchanged from interested parties. We are also involved directly in various conferences and workshop both at the national and international level sharing the findings of our research. These findings have been translated into books and journals which can be easily accessed at the UMS Library.

We are committed to helping the government and public in providing information and facilitate discussion related to socio economic development in Sabah through various channel including workshop.

I am confident that with all the expertise present today, by the end of this workshop, we would be able to harness and trash out all issues pertaining to business and economic activities in the areas.

Thank you.

PROF. DATUK DR. MOHD HARUN BIN ABDULLAH
PROFILE OF THE KEYNOTE SPEAKER

Y.BHG. DATUK DR. MOHD YAAKUB HJ. JOHARI, J.P
President and Chief Executive
Sabah Economic Development and Investment Authority (SEDIA)

Graduated with a Bachelor of Science (Hons) from the University of Sussex and a Master of Science (Liberal Studies) from the University of Manchester, England. In 1982, he obtained his PhD in Sociology from the University of Salford, England.

Began his career as a part-time lecturer in Political Science at the MARA Institute of Technology and in 1983, he joined the Sabah State Civil Service as an Assistant Director (Research and Consultancy) in the Sabah Chief Minister’s Department. He was made the Principal Assistant Director (Management Development) in 1984. He joined the Institute of Development Studies, Sabah (IDS) as an Associate Director (Social Affairs) in 1985 and later moved up to Deputy Chief Executive / Senior Research Fellow in 1991. In 1994, he was promoted again as the Executive Director of the Institute for Development Studies (Sabah). In 2009, he was appointed as the Chief Executive of the Sabah Economic Development and Investment Authority (SEDIA).

Sits in the board of corporate bodies, including Suria Capital Holdings Bhd, WarisanHarta Sabah SdnBhd, Institute for Development Studies (Sabah) and Kimanis Power Sdn Bhd.

He had served as the President of the Association of Development Research and Training Institutes for Asia Pacific (ADIPA); Board Member of the International Federation of Institutes of Advanced Studies (IFIAS), Toronto; and a Governing Council Member of the Commonwealth Association of Local Action and Economic Development, London. He had also served as an adjunct Professor in Social Science at University Malaysia Sabah, Kota Kinabalu.

1.0 Introduction

The administration of the 10 districts under the Eastern Sabah Safety Zone (ESSZone) is governed by the *Preservation of Public Security Regulations 2013* which states in Part II Art 5 that a Committee be formed and to be known as the **ESSZone Committee**. The Committee is to be chaired by the Chief Minister of Sabah and based in Kota Kinabalu. The ESSZone Committee is mandated to safeguard the democratic rights and processes pertaining to the people of Sabah as well as strengthen security, public order, and **prosperity** in Eastern Sabah. Through the ESSZone Committee, the government is to adopt a **holistic** and not a purely **security approach** in protecting eastern Sabah. Part II Art 6 calls for **Monitoring Committee** under the Prime Minister’s Office in Putrajaya while Art 7 enumerates its functions.

A Framework is required for the **ESSZone Committee** to engage in holistic security and prosperity as a means to promote enduring security in the ESSZone. In the absence of any given framework, it is proposed that a Balanced Scorecard be developed based on the KESBAN, or *Keselamatan dan Pembangunan*, at Sea programme. The **digitized** Balanced Scorecard will be suitable for the ESSZone Committee as a one stop centre managed by the committee under the leadership of the Chief Minister, as stipulated under Art 5, to handle all matters concerning the ESSZone. The **Monitoring Committee** led by the Prime Minister, as stipulated under Art 6, should be able to remotely access the **digitized** Balanced Scorecard to check and balance processes in line with the functions enumerated in Art 7. The established organization for safety and security in the ESSZone is in **Annex A**.

KESBAN at Sea is founded on the successes of Malaysia during the communist insurgency. Government, private sector and communities collaborated to ensure that development brought economic security which became a landmark success by Malaysia against the communists. To date no other country has achieved the success against an insurgency in the way Malaysia has done. The KESBAN programme was used successfully on land against the Communist Party of Malaya (CPM) in the Peninsula. It was successful against the Sarawak Communist Organisation (SCO) on land and rivers in Sarawak. It is envisaged that KESBAN at Sea encompassing land, river and the sea will calibrate our successes and bring forth a holistic concept for enduring security and stability. This concept is now called Security Sector Reforms in the United Nations and is currently being used by the Philippines in Mindanao under the Sajahatera Bangsamoro programme.

The KESBAN at Sea programme advocates that holistic security is more enduring than ballistic security - security through the use of weapons. Economic security contributes to the socio economic agenda of the coastal community by denying support to transnational organized crime and militancy that is prevalent in the targeted area. Economic security is the catalyst to shift the coastal community from relying on the **shadow economy** and focus on the legitimate economy.
Holistic security can be achieved by being based and supported on the economic, socio-politics, marine environment, and defence-security pillars. It must address the socio-political landscape of the coastal communities and threats to the fragile marine environment, as well as enhance economic activity and rationalize the defence-security architecture in the maritime real estate of the ESSZone. Each pillar will identify related clusters in order to harmonise the collective effort. The holistic security framework is in Annex B.

2.0 KESBAN at SEA - Enduring Security for ESSZone
First Pillar Workshop Economics

The workshop held at Universiti Malaysia Sabah on 20-21 April 2016, was supported by the Sabah Economic Development and Investment Authority (SEDIA). The objectives of the Workshop were to:

1. Engage the government, industry and community to identify key resources in the maritime real estate.
2. Identify key barriers and forces that need to be addressed in order to shape, develop, and harvest the maritime real estate.
3. Perform SWOT analysis and develop a comprehensive action plan to govern the resources.
4. Contribute to the development of the Economy Blueprint.
5. Harness the Blueprint as a key pillar in the ESSZone Committee digitised Balanced Scorecard for holistic security.
6. Position Sabah as the Business Centre of Excellence (CoE) for the eastern frontiers and the Pacific.

2.1 Discussions were aimed at identifying, shaping, and developing the maritime real estate in the ESSZone. Planned sectors, investments, and job creation have already been identified through the BIMP-EAGA and Economic Transformation Programme (ETP) as follows:

1. Trade and Connectivity.
2. Transportation and Shipping Industry.
3. Tourism.
4. Palm oil Industrial Cluster(POIC).
The means of harvesting the maritime real estate of the ESSZone requires the identification of governance issues related to trade barriers, mismanagement, and red tape which contributes to loss of projected revenues and jobs. The proposed Balanced Scorecard and the economic sector are in Annex C.

2.2 In parallel with ongoing investments on defence and security, a conducive investment climate is required to spur economic growth to enable sustainable development in the maritime real estate and contribute to enduring security in the long term. Through good governance, the region can be positioned competitively in the under-developed eastern frontiers. Subsequently, business best-practices have the potential to translate the region as a Business Centre of Excellence (CoE) for the eastern frontier and the Pacific region, positioning East Sabah as the economic and business magnet of the East.

3.0 Workshop Findings

The findings are presented in the five key sectors in accordance with the Sabah Development Corridor, namely: 1) Trade and Connectivity, 2) Transportation and Shipping industry, 3) Tourism Industry, 4) Palm oil Industrial Cluster (POIC) and 5) Marine Integrated Cluster. These key sectors are located within the ESSZone and BIMP-EAGA region. The objective behind the creation of BIMP-EAGA is to accelerate economic development in the four countries’ “focus areas” which, although geographically distant from their national capitals, are in strategic proximity to each other, in one of the world’s most resource-rich regions. The BIMP-EAGA initiative is market-driven and operates through a decentralized organization structure involving the four governments and the private sector.

Following are the key sectors and sub key sectors identified:

3.1 Trade and connectivity

3.1.1 Trade policies and authority transparency in operation, cost and risk management.

**Existing issues/challenges and policies faced**

1. Uplifting of Barter trade system (15th April 2016).
2. Suspension of barter system trade caused several impacts to the economy. The immediate one has affected small entrepreneurs where they were not able to trade. This affects the exports of raw materials, thus increasing costs.
3. Barter traders are not allowed to collect their products kept in Storage (Gudang) after the ban. Hence, a huge loss for barter traders.
4. Also a loss to the authorities (tax etc).
Basic necessities (cooking oil etc) can be purchased cheaply. This can stimulate economic growth. However, the ban on barter trade has taken away this advantage.

Barter Trade Authority is to be reinstated.

Closure of barter trade (Sandakan): Lost of incomes for state (6% GST), Sabah Port revenue (RM 1 million perday) and barter trading revenue - RM 1 Million perday; cross border trading and transhipment for rice, sugar and cigarette estimated RM 7 million.

Lost of employment at various sectors and closure of retail shops - textile, coffee shops, spare part and money changers.

Sandakan town business reduce to 50% and 15% of shops in town forced to close

Accommodation, transportation and tourism related business affected significantly

Increase in various form of crimes due to loss of job and no incomes.

Increase the risk of bank taken action on cross border trading, barter traders and transhipment companies and damages of good keep at warehouse.

Closure of barter trade (Kudat): Lost of incomes for barter trading revenue, state revenue (6% GST) and port revenue.

Trading with Palawan is regarded as “safe” location; thus the banned of barter trading should be lifted in Kudat.

Good logistic for cross trading with Palawan in term of distance and as a “safe” location for barter trading and transhipment (Kudat).

Provision of ferry services in Kudat will stimulate the economic and business activities as well as regional growth between Kudat and Palawan.

Kudat can be a potential feeder port to Sepanggar Port.

Lack of proper trading facilities – custom warehouse, transhipment warehouse and wharf facilities need to be improved in Kudat.

Suggestions / Recommendations

To introduce an entry point system to check/ inspect vessels, crew and cargo.

Majlis Keselamatan Negara (MKN) to act as the lead agency to monitor and control activities.
(3) Barter trade should be allowed to continue. It contributes to country/state income, and offers a 5-times trade advantage to the Philippines and 3-times to Indonesia. It is proposed:

(4) MKN commission the development of Standard Operating Procedures (SOP) as a reference to relevant agency engagement in enforcement.

(5) Products that have been banned and held in storage are to be released in accordance to/in compliance with expected transparent policies and regulations rather than deliberate delays. This will reduce loss to traders as well as reduce cost of holding incurred by the authorities.

(6) Barter Trade Authority should be reinstated. It is important to allow barter trade but with transparent and relevant regulatory policies and enforcement to encourage revenue.

(7) Authorities and policies shall not be barriers in trade; instead should support business and trade accordingly.

3.1.2 Transport & Shipping Industry (Air, Sea, Land)

- Logistics.
- Shipping.

Existing issues/challenges and policies faced

(1) Circular by Jabatan Laut Sabah dated 19 May 2015 states that ‘wooden ships’ are not allowed to come close to any jetty except barter trade jetty.

(2) Sabah Port does not allow non-compliant ISPS code ships to berth.

Suggestions /Recommendations

(1) According to BIMP-EAGA Leaders’ Summit in Langkawi 2015, contracting country leaders agreed to approve a system on border trade in the next 5 years allowing traditional or wooden ship to be used freely. Hence, we urge the government to review the circulated proposal in compliance with the agreement before imposing on the use of wooden ships.

(2) Establish a new jetty to cater for the needs of non-compliant ISPS code ships. In the meantime, government should allow non-compliant ISPS Code ships to berth at existing jetty as volume is large.
(3) In enhancing BIMP-EAGA collaboration, all parties should facilitate and monitor traders in terms of profile screening. Due to traders’ direct involvement in trade activities, their feedback is important for consideration in government policy making. Therefore, it is crucial to involve BIMP-EAGA immediate members in border trade meetings and be part of ESSZone Committee.

3.1.3. Immigration

Existing issues/challenges and policies faced

Passport - Barter traders are allowed to stay in Malaysia for up to only one week. This is too short.

Suggestions /Recommendations

The stay period be extended to 14 days to cater for those waiting long periods at anchorage for their turn to be processed.

3.2 Sabah Port

3.2.1 Transportation hub and port management

Existing issues/challenges and policies faced

(1) While Kota Kinabalu is the transmission hub for trading, the ESSZone trade activities are affected due to trade policies changes or left behind in term of trading facilities.

(2) Most revenue of ports activity is from ESSZone area ports. Thus, it is important to develop the port in ESSZone. As the policy is regulated by the authorities, the same tariffs have been regulated/followed for 30 years, and have not been reviewed because of certain issues. Therefore it is advisable for the related industries and the authorities to work together in revising the tariffs policies and regulations accordingly.

(3) Sabah Port must treat businesses as their partners. Sabah port should induce more competitive cost (of operating cost and storage cost) in supporting industries.

(4) The snapshot survey revealed huge loss incurred due to closure of barter trading estimated RM 5 million from the key sector of shipping, transhipment and barter trade business in Sandakan and Tawau.

(5) The potential loss will be estimated around over RM 400 million.
Suggestions / Recommendations

(1) If Sepanggar Port is being projected as the eastern hub (next biggest hub after Port Klang), volume should be created to support the hub. The enhancement of activity at ESSZone can contribute to the volume.

(2) Sabah has abundant resources (natural, plantation, marine products, etc) available for exploration and to develop in producing and service industries. To be a competitive market for the production of products and services, those resources should be nurtured accordingly.

(3) Sabah and Sarawak have more markets for exports and imports due to their strategic location. Historically eastern Sabah trading activities have been significant within the area. Despite the incidents of kidnapping and other political and illegality issues, trade between borders continues.

(4) Coastal communities can play a vital part as labour in the port management architecture Lahad Datu should be viewed as a potential to be another trade hub in eastern Sabah. It can be the logistics and trading centre for the eastern region in Sabah and the eastern frontiers. This is because it is nearer to the other regions of Philippines (Mindanao, Sulawesi). Any failure to manage this will ‘hand over’ trade to Menado and Tarakan.

3.2.2. Transhipment Hub - Feeder port

Existing issues/challenges and policies faced

Indonesia and the Philippines are more likely to deal with entrepreneurs in Sabah by trading exchange of items such as sugar, rice, cement, etc. BIMP-EAGA urges continuation of the barter trade since security is parallel with trading. However, trade barriers imposed by governments, restrict potential trade activities. By allowing Indonesia to use our transhipment hubs, although it will create competition in pricing advantage, Sabah port will benefit. In terms of transhipment facilities, the Southern Philippine’s market will still able to consume rice but with higher price. In Manado and Tarakan, they were main suppliers of starch where the price will be much lower if they were allowed to trade. Therefore, Sabah port will lose its potential source of income.
Suggestions / Recommendations

(1) Tawau is connected to many other regions. If KK is the transhipment hub (feeder ports), it will not function efficiently. ESSZone with its richest area in Sabah and the resources should be optimized. By not being competitive, traders will continue to trade despite the increasing in cost management. Geographically, the closing of Sabah port in ESSZone area will be advantageous to other BIMP-EAGA members. The government should channel more funds to the ESSZone and create business opportunities to industries, as this will create higher value for the region.

(2) “A hungry man is an angry man”; one way to enhance the security in ESSZone is through trading rather than using guns. Peace can be done through trading.

(3) Some consideration should be look into such as moving our security force (Navy based) if it is beneficial to ESSZone business activities.

3.3 Service Industry

3.3.1 Tourism industry, tourists and tourism businesses

Existing issues/challenges and policies faced

(1) The tourism policy is good but implementation does not comprehensively cover areas evenly. Contributing reason due to the security disparity.

(2) The establishment of ESSZone and presence of security personnel has not really adversely impacted number of tourists. Due to security issues, ESSZone is very much welcomed by the industry and the tourists themselves.

Suggestions / Recommendations

(1) Frequent dialogue between ESSCOM with industry players (tourism) is required in coordinating effective and secure operations within affected areas.

(2) It is important to continue to promote a positive link with the industry and public.

(3) Propose industry players act in a ‘Rakan Cop’ kind of partnership where the public positively assists ESSCOM.
3.3.2 **Hospitality Business**

**Existing issues/challenges and policies faced**

1. In the case of the hospitality industry especially in home stay, operators are tied in transportation for more comprehensive tourism package. Therefore, indirectly this industry will be affected by logistic problems.

2. Local transportation: Transportation to hotels & resorts is well connected. Homestay requires better linkages. However, issues exist in manpower supply and, in certain parts, limitations to movement from one place to another.

**Suggestions / Recommendations**

As for tourism industry, hospitality also plays a role for business sustainability and security.

1. Homestay operators to tie in transportation for more comprehensive tourism package.

2. The tourism policy is good but implementation does not comprehensively cover areas evenly. Contributing reason might be because of security disparity.

3. Coastal communities are valuable assets for housekeeping and general “blue collar” part of the industry

3.3.3 **Restaurant, retail and wholesale.**

60% of Malaysia’s GDP contributed by domestic consumption, wholesale and retail trade.

**Existing issues/challenges and policies faced**

1. Food & Beverages: Number of outlets in Sandakan is satisfactory.

2. However in Kudat, fewer available.

3. Obviously, it is not well distributed and creates purchasing power disparity.

**Suggestions / Recommendations**

1. Construction of shopping malls and outlets should be well distributed to push development and promote economic spill over in ESSZone area.

2. Seafood restaurants can employ coastal communities.
3.3.4 Rebranding to the economic zone

Existing issues/challenges and policies faced

(1) It is obvious that the “ESSZone” appellation evokes negative connotations, more so the use of the red colour.

(2) To effectively manage public perception on security issues, government policy or initiatives must reflect actual facts on implementation or action.

Suggestions / Recommendations

Tourism and hospitality industries suggested:

(1) To rebrand ESSZone to Sabah Eastern Economic Growth Area (SEEGA) to portray positive perception by emphasizing the economic agenda although it is actually under the purview of ESSCOM.

(2) The authority should enhance and capitalize the use of social media on their day-to-day security initiatives to promote positive perception.

(3) Replacing One Stop Centre to become Sabah East Economic Growth (SEGA) to attract more investment and providing:
- Government-specific incentives.
- Tax incentives.

3.5 Stateless Immigrants

Existing issues/challenges and policies faced

(1) The presence of Sea Gypsies has the potential to neutralize benefits of industries. Due to their water expertise, they are the available manpower needed in the industries. However, their stateless status is an obstacle for this purpose.

(2) It is important to understand their simple economic requirements, viz:
- Socio-economic fishing.
- Securing basic raw materials.

(3) Securing timber for ship and building shelter

Suggestions / Recommendations

(1) The issue of documentation the Sea Gypsy shall be look from the positive perspective.
(2) Understand the liberalization of documentation intention issues; we can convert it to neutralization reason.

(3) Documentation of immigrant especially the sea gypsy it to monitor and identification rather than a potential citizenship identification.

(4) The application of such IMM13 documentation shall not be produce anymore. In such, any illegal activities, and population control can be effectively monitored.

(5) It also important to verified and clears the status of existed IMM13 card holder in ESSCOM.

3.6 Cross-Border Issues

Existing issues/challenges and policies faced

(1) The Philippine government ignores cross border trespassing by their citizens which encourages them to have a free pass to our waters.

(2) Due to several security and fatal incidents in kampong air areas, government should consider removing the water village as it may be a potential hiding place or centre for illegal activities.

Suggestions / Recommendations

(1) It is high time for Malaysia and other members in BIMP EAGA resolve the issue of illegal immigrants from the Philippines and Indonesia. The former must respect the sovereignty of Sabah and Malaysia as Indonesia does.

(2) As an initial move to KESBAN framework, the movement shall start from somewhere. Moving the people to land and introducing planned economic activities can be a start.

(3) The kampong air should be rebranded with better facilities and planned rebuilding.

(4) We suggest the BIMP EAGA use Brunei Kampung Air construction as the example.

(5) Propose the use of containers as homes.
4.0 PIOC Investment

Existing issues/challenges and policies faced

1. Security issues have caught the attention and concern of the local and foreign investors in the area.
2. There is lack of efficient enforcement and patrolling both at land and sea are crucial; with the modern and function modern physical equipment.
3. Public perception on safety and building trust in term of relevant measures supported with advance technologies and equipment are vital for the investors.

Suggestions /Recommendations

(1) Improve on security measures in term of constant monitoring
(2) Use of modern surveillance equipment
(3) Improve public confidence and making the zone as safe and security place for investors.

5.0 Development of Agro-Marine Belt: POIC Lahad Datu, Permanent Food Production Parks, Seafood and Aquaculture (Marine Integrated cluster - Tawau, Semporna and Kudat)

Key activities involved are:

(1) Production of aquaculture products.
(2) Seafood.
(3) Fresh and dried export.
(4) Cosmetics material.
(5) Pharmaceutical products.

EPP 3: Mini-Estate Farming for Seaweed

Transform the seaweed farming industry into a high-yielding commercial-scale business by clustering farms under the seaweed mini-estate initiative.

EPP 4: Integrated Cage Farming By integrating cage farming

Increase the production of high-value fish species (e.g. sea bass, grouper, tilapia and lobster) to account for 28% of total aquaculture production by 2020.
EPP 5: Cattle Integration in Oil Palm Estates

(1) Integrating and rearing an additional 300,000 heads of cattle in large oil palm plantations by 2020.

(2) Integrated Zone for Aquaculture Model (IZAQs) to Tap Market for Premium Shrimp Led by the Department of Fisheries (DoF), comprise networks of industrial scale and land-based aquaculture zones.

Existing issues/challenges and policies faced

(1) Security issues affect the operations and activities of cultivation, production and export.

(2) Close of cross border trading affect the exporting activities.

Suggestions /Recommendations

(1) Improve security measures and ensure normal operations.

(2) Strategies and programs of security around the sea base activities.
Annex A - Organisation For Safety And Security In ESSZone

ORGANISATION FOR SAFETY AND SECURITY IN ESSZONE

CHAIRMAN OF MONITORING COMMITTEE
PRIME MINISTER Y.A.B DATO’ SERI MOHD NAJIB TUN ABDUL RAZAK

CHAIRMAN OF ESSZONE COMMITTEE
SABAH CHIEF MINISTER
Y.A.B DATUK SERI PANGLIMA MUSA HAJI AMAN

ESSCOM COMMANDER
DCP DATO’ WAN ABDUL BARI WAN ABDUL KHALID

ESSCOM CHIEF EXECUTIVE OFFICER
MR NOOR ALAM KHAN ABDUL WAHID KHAN
Annex B1 Holistic Framework for ESSZone Committee

PROPOSED FRAMEWORK FOR ESSZONE COMMITTEE
Annex B2 Four Pillars for Holistic Security for ESSZone Committee

SOCIO POLITICAL PILLAR
- CLUSTERS
  - Demographic Development
  - Health
  - Education
  - Women Empowerment

MARINE ENVIRONMENT PILLAR
- CLUSTERS
  - Coral Triangle Initiative
  - Sulu Sulawesi Marine Eco-Region

SECURITY DEFENCE PILLAR
- CLUSTERS
  - Law Enforcement
  - Military

ECONOMIC PILLAR
- CLUSTERS
  - Trade and Connectivity
  - Transportation and Shipping Industry
  - Tourism
  - Palm oil Industrial Cluster (POIC)
  - Marine Integrated Cluster
Annex B3 Balanced Scorecard for ESSZone Committee

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<td>Enabling Perspectives</td>
<td>Law and Order</td>
<td>Productive Investment Climate</td>
<td>Practical Legislation</td>
</tr>
<tr>
<td>Learning Perspectives</td>
<td>Mitigate Threats/Consequence Management</td>
<td>Human Capital</td>
<td>Conducive Processes</td>
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<tr>
<td>Resource Perspectives</td>
<td>Law Enforcement Agencies/Military</td>
<td>Industry Mapping</td>
<td>National Laws/International Conventions</td>
</tr>
</tbody>
</table>
Annex B4 Map of Sabah - Economics sectors under the Economic Transformation Programme (Source: SEDIA)
## Organizing Committee

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Patron</strong></td>
<td>Y.Bhg. Prof. Datuk Dr. Mohd Harun bin Abdullah</td>
</tr>
<tr>
<td><strong>Advisor</strong></td>
<td>Y.Brs Prof. Dr. Rasid Mail</td>
</tr>
<tr>
<td></td>
<td>Captain Martin A. Sebastian RMN (Rtd)</td>
</tr>
<tr>
<td><strong>Chairperson</strong></td>
<td>Y.Brs. Prof. Dr. Jennifer Chan Kim Lian</td>
</tr>
<tr>
<td><strong>Secretariat</strong></td>
<td>Y.Bhg. Prof. Datuk Dr. Kasim Hj Md Mansur</td>
</tr>
<tr>
<td></td>
<td>Assoc. Prof. Hj Dullah Hj Mulok</td>
</tr>
<tr>
<td></td>
<td>Dr. Mori Kogid</td>
</tr>
<tr>
<td></td>
<td>Cik Rostika Petrus Boroh</td>
</tr>
<tr>
<td></td>
<td>En. James Anthony</td>
</tr>
<tr>
<td><strong>Treasurer</strong></td>
<td>Cik Ivy Garon</td>
</tr>
<tr>
<td><strong>Committee Members:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Invitation/Registration</strong></td>
<td>Pn. Sarlona J. Gindug (Leader)</td>
</tr>
<tr>
<td></td>
<td>Pn. Rosarie John</td>
</tr>
<tr>
<td></td>
<td>Cik Christie Nilus</td>
</tr>
<tr>
<td><strong>Technical/Logistic</strong></td>
<td>En. Datu Tumanggong Datu Manong (Leader)</td>
</tr>
<tr>
<td></td>
<td>En. Ag. Hazrin Pg. Apong</td>
</tr>
<tr>
<td></td>
<td>En. Harmizie Sabudin</td>
</tr>
<tr>
<td><strong>Food &amp; Beverages</strong></td>
<td>Pn. Marlina Yacho (Leader)</td>
</tr>
<tr>
<td></td>
<td>Pn. Siti Norhaini Osli</td>
</tr>
<tr>
<td></td>
<td>Pn. Farhania Abdullah Chong</td>
</tr>
<tr>
<td><strong>Protocol</strong></td>
<td>En. Mohd Safri Saiman</td>
</tr>
<tr>
<td></td>
<td>Pn. Arvina Mathew</td>
</tr>
<tr>
<td><strong>Promotion &amp; Media</strong></td>
<td>En. Kamarul Mizal bin Marzuki</td>
</tr>
<tr>
<td><strong>Rapporteur</strong></td>
<td>Cik. Zuraidah Jamrin (Leader)</td>
</tr>
<tr>
<td></td>
<td>Dr. Rafiq Idris</td>
</tr>
<tr>
<td></td>
<td>En. Azmi Abd Majid</td>
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</tbody>
</table>
SPECIAL THANKS TO

Ministry of Tourism, Culture and Environment Sabah

Sabah Economic Development and Investment Authority (SEDA)

Sabah State Economic Planning Unit (UPEN)

Institute Development Studies (IDS)

BIMP-EAGA Malaysian Business Council