

# Report for Congress

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## **Terrorism in Southeast Asia**

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# Terrorism in Southeast Asia

## Summary

Following the defeat of the Taliban regime in Afghanistan, U.S. attention has turned to radical Islamist groups in Southeast Asia, particularly those in the Philippines, Indonesia, Malaysia, and Singapore that are known or alleged to have ties to the Al Qaeda terrorist network. For more than a decade, Al Qaeda has penetrated the region by establishing local cells, training Southeast Asians in its camps in Afghanistan, and by financing and cooperating with indigenous radical Islamist groups. Indonesia and the southern Philippines have been particularly vulnerable to penetration by anti-American Islamic terrorist groups.

One such network, Jemaah Islamiya, is known to have assisted two of Al Qaeda's September 11, 2001 hijackers and is suspected of plotting attacks against Western targets, including the October 12, 2002 bombing in Bali, Indonesia that killed nearly 200 people, mostly Western tourists. Some analysts fear that the Bali attack may represent a shift in tactics, from targeting Western military and government installations to focusing on "softer" targets such as tourist resorts, Western business, and schools serving Westerners.

To combat the threat, the Bush Administration has pressed countries in the region to arrest suspected terrorist individuals and organizations, deployed over 1,000 troops to the southern Philippines to advise the Philippine military, restarted military-military relations with Indonesia (including restoring International Military Education and Training [IMET]), and has signed a multilateral counterterrorism agreement with the Association of Southeast Asian Nations (ASEAN). The responses of regional governments to both the threat and to the U.S. reaction generally have varied with the intensity of their concerns about the threat to their own stability and domestic politics. Most regional governments also feel threatened by home-grown or imported Islamic militant groups, and therefore have ample incentive to cooperate with the U.S. antiterrorist campaign.

However, these governments have to balance these security concerns with domestic political considerations. Although proponents of violent, radical Islam remain a small minority in Southeast Asia, many governments view increased American pressure and military presence in their region with ambivalence because of the political sensitivity of the issue with both mainstream Islamic and secular nationalist groups. Indonesia and Malaysia are majority Muslim states, and the Philippines has a sizeable Muslim minority. The challenge is to find a way to confront the terrorist elements in these and other countries without turning them into heroes or martyrs in the broader Southeast Asian Islamic community. Furthermore, the continued activities of Al Qaeda and Jemaah Islamiya will require a coordinated, international response in a region where multinational institutions and cooperation are weak.

This report will be updated periodically.

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# Terrorism in Southeast Asia

Following the defeat of the Taliban regime in Afghanistan, U.S. attention has turned to radical Islamist groups in Southeast Asia, particularly those in the Philippines, Indonesia, and Malaysia that are known or alleged to have ties to the Al Qaeda terrorist network. Many of these groups threaten the status quo of the region by seeking to create independent Islamic states in majority-Muslim areas, overthrow existing secular governments, and/or establish a new supra-national Islamic state encompassing Indonesia, Malaysia, Singapore, and the southern Philippines. To create the necessary conditions for political upheaval, they have planned and carried out violent attacks against civilian and non-civilian targets, including Western institutions. Additionally, Al Qaeda has used its Southeast Asia cells to help organize and finance its global activities – including the September 11, 2001 attacks – and to provide safe harbor to Al Qaeda operatives, such as the convicted organizer of the 1993 bombing of the World Trade Center.

## **Background - The Rise of Islamic Militancy and Terrorism in Southeast Asia**

Southeast Asia has been the home of indigenous Islamic militant groups for decades. Traditionally, the linkages among these groups were relatively weak, and most operated only in their own country or islands, focusing on domestic issues such as promoting the adoption of Islamic law (Sharia) and achieving some measure of independence from central government control. The Philippines has long had a violent Muslim separatist movement, but until recently its operations had been confined mainly to the relatively isolated Muslim-majority regions in the South. In Indonesia, various schools of Islamic thought have competed for followers and public attention, but have not called for an Islamic state. Moderate groups—both modernist and traditionalist—formed the main legal opposition to the Suharto regime which ended in May 1998. Abdurrahman Wahid (Gus Dur), the first democratically elected President after the collapse of the Suharto regime, and Amien Rais, currently speaker of the upper house of parliament, are leaders of the two largest Muslim political parties. Both have pursued a largely secular political agenda.

Likewise, mainstream Islam in Malaysia has been largely apolitical, although the late 1990s saw a modest electoral swing towards a radical Islamist party, Parti Islam se-Malaysia (Pas), that calls for making Malaysia an Islamic state. Despite noteworthy gains in November 1999 elections, Pas still only has 27 seats in the 193-seat parliament and controls just two of Malaysia's 13 states.

The emergence of radical Islamic movements in Southeast Asia beginning in the early 1990s can be traced to the conjunction of several phenomena. Among these were reaction to globalization, which has been particularly associated with the United States in the minds of regional elites, frustration with repression by secularist

governments, the desire to create a pan-Islamic Southeast Asia, reaction to the breakdown of Israeli-Palestinian relations, and the arrival of foreign terrorist veterans of years of fighting in Afghanistan. The forging of connections between Al Qaeda and domestic radical Islamic groups in Southeast Asia is part of this phenomenon.

## **The Rise of Al Qaeda in Southeast Asia**

Since the early-to-mid 1990s the Al Qaeda terrorist network has made significant inroads into the region. Al Qaeda's Southeast Asian operatives – primarily of Middle Eastern origin – appear to have served two primary functions. First, they set up local cells that have plotted attacks against Western targets and provided safe haven for other operatives fleeing U.S. intelligence services. Al Qaeda's Manila cell was particularly active in the early-mid-1990s.<sup>1</sup> Later, the locus of activity appears to have expanded to Malaysia, Singapore, and – most recently – Indonesia.

Second, Al Qaeda's local cells worked to cooperate with indigenous radical Islamic groups by providing them with money and training. Thousands of militants were trained in Al Qaeda camps in Afghanistan or in the camps of Filipino, Indonesian, and Malaysian groups that opened their doors to Al Qaeda. Al Qaeda operatives' task was made easier by several factors: the withdrawal of foreign state sponsors, most notably Libya, that had supported some local groups in the 1970s and 1980s; the personal relationships that had been established during the 1980s, when many Southeast Asian radicals had fought as mujahideen in Afghanistan; and the weak central government control, endemic corruption, porous borders, minimal visa requirements, and lax financial controls of some countries, most notably Indonesia and the Philippines.<sup>2</sup>

Over time, Al Qaeda's presence in the region has had the effect of professionalizing local groups and forging ties among them – and between them and Al Qaeda – so that they could better cooperate. In most cases, this cooperation has taken the form of ad hoc arrangements of convenience, such as helping with weapons procurement. Although most Southeast Asian Islamic militant groups remain focused on achieving domestic goals, in the case of one group, Jemaah Islamiya, Al Qaeda appears to have played a role in creating a new, pan-national terrorist network that works closely with Al Qaeda and has plotted attacks against Western targets. Jemaah Islamiya is suspected of carrying out the October 12, 2002 bombing in Bali, Indonesia that killed nearly 200 people, mostly Western tourists.

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<sup>1</sup> For instance, after he coordinated the 1993 bombing of the World Trade Center in New York, Ramzi Yousef, relocated to the Philippines, where he and the Manila cell hatched plots to blow up 11 airliners in a two-day period (what was known as the “Bojinka” plan), crash a hijacked airliner into the Central Intelligence Agency's headquarters, and assassinate the Pope during his visit to the Philippines in early 1995. Filipino police discovered the Bojinka plot, which was in the final stages, in January 1995 only because a fire broke out in Yousef's apartment, filling it with poisonous gas from the bomb-making chemicals. Yousef fled to Malaysia, was arrested in Pakistan, and extradited to the United States, where he was sentenced to life imprisonment for his role in the 1993 bombing and the Bojinka plot.

<sup>2</sup> Zachary Abuza, Abuza, “Tentacles of Terror,” unpublished October 21, 2002 draft, p. 3.

Some analysts fear that the Bali attack may represent a shift in Al Qaeda's tactics, from targeting large military, government, and business installations to focusing on "softer" targets such as tourist resorts, Western businesses, and schools that serve Westerners. Additionally, there are fears that attacks in Southeast Asia may increase because of reports that Al Qaeda's command structure has become more decentralized, and more reliant upon local cells and groups, since the breakup of its headquarters in Afghanistan.<sup>3</sup> In the weeks before the Bali bombing, there were several other small-scale attacks against U.S. civilian and military targets in Indonesia and the Philippines.

Combating anti-American terrorism in Southeast Asia presents the Bush Administration and Congress with a delicate foreign policy problem. Most regional governments also feel threatened by home-grown or imported Islamic militant groups and therefore have ample incentive to cooperate with the U.S. antiterrorist campaign. However, these governments have to balance these security concerns with domestic political considerations. Although proponents of violent, radical Islam remain a small minority in Southeast Asia, many governments view increased American pressure and military presence in their region with ambivalence because of the political sensitivity of the issue with both mainstream Islamic and secular nationalist groups. The challenge is to find a way to confront the terrorist elements without turning them into heroes or martyrs in the broader Southeast Asian Islamic community. Furthermore, the continued activities of Al Qaeda and Jemaah Islamiya will require a coordinated, international response in a region where multinational institutions and cooperation are weak.

## **The Pan-National Jemaah Islamiya**

In the weeks after the September 11 terrorist attacks, a pan-Asian terrorist network with extensive links to Al Qaeda was uncovered. The network, known as Jemaah Islamiya (Islamic Group), has cells in Malaysia, Singapore, Indonesia, the Philippines, and possibly Australia and Thailand. At least two of JI's Singapore cells – with the knowledge and assistance of Al Qaeda's leadership – were plotting bombing attacks against American, Australian, British, and Israeli installations and citizens in Singapore when the cells were raided on December 9, 2001 by Singapore's Internal Security Department (ISD). A video tape subsequently found by U.S. forces in Afghanistan confirmed the Al Qaeda connection with the plot, which apparently was in the final stages.

Reportedly, the Jemaah Islamiya cell in Malaysia coordinated the plot, including the procurement of bomb-making materials, preparing forged travel documents, and communications with Al Qaeda. The FBI has reported that after the plot was disrupted, senior Jemaah Islamiya leaders decided to target "soft targets" in Asia such as tourist sites frequented by Westerners.<sup>4</sup> The October 12, 2002 bomb

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<sup>3</sup> "Southeast Asia Remains Fertile for Al Qaeda," *New York Times*, October 28, 2002; "Al Qaeda's New Leaders," *Washington Post*, October 29, 2002.

<sup>4</sup> Jay Solomon and James Hookway, "Bali Bomb Suspect Used Thailand as Staging Area," (continued...)

attacks in Bali that killed nearly 200 people appear to be a part of this strategy. Additionally, the FBI has linked the cell to the September 11 attack on the United States. Two of the September 11 hijackers and Zacarias Moussaoui, who is under U.S. indictment for his alleged involvement in the September 11 plot, apparently visited Malaysia and met with cell members in 2000. Additionally, the FBI claims that Malaysian cell members provided Moussaoui with \$35,000 and a business reference.

On October 24, 2002, the United States designated Jemaah Islamiya as a foreign terrorist organization and asked the United Nations to add the network to its own list of terrorist groups. The UN petition was backed by 12 East Asian countries, including Indonesia. If it is adopted, all UN Members would be required to freeze the organization's assets, deny it access to funding, and deny its members from entering or traveling through their territories.

In June 2002, the Indonesian police arrested a suspected Al Qaeda leader, Kuwaiti national Omar al-Farouk, at the request of the CIA and turned him over to the U.S. military. After three months of interrogation, al-Farouq reportedly confessed that he was Al Qaeda's senior representative in Southeast Asia and disclosed plans for other terrorist attacks against U.S. interests in the region. These included a joint Al Qaeda/Jemaah Islamiya plan to conduct simultaneous car/truck bomb attacks against U.S. interests in Indonesia, Malaysia, Singapore, the Philippines, Thailand, Taiwan, Vietnam and Cambodia around the one-year anniversary of the September 11 attacks.<sup>5</sup> On the basis of this and other information, in September 2002, the Bush Administration closed U.S. embassies in several countries for several days and raised the overall U.S. threat level from "elevated" (yellow) to "high" (orange).

Al-Farouq reportedly has identified the radical Indonesian cleric Abu Bakar Baasyir as the spiritual leader of Jemaah Islamiya and one of the organizers of the planned September 2002 attacks. For months, Malaysia and Singapore had also accused Baasyir of being a leader of Jemaah Islamiya and had joined with the United States in asking Indonesia to arrest him.

**The Bali Terrorist Attack.** The danger posed by Jemaah Islamiya and Al Qaeda appears to be underscored by the horrific October 12, 2002 bombings in a nightclub district in Bali frequented by western tourists. Synchronized bomb blasts and subsequent fires in a nightclub district popular with young tourists and backpackers killed at least 187 and injured some 300, mainly Australians and Indonesians, but also including several Americans as well as Canadians, Europeans, and Japanese. With the aid of Australian and U.S. investigators, Indonesian police have arrested several suspects, including Ali Gufon (also known as Mukhlas), who is thought to be a senior Jemaah Islamiya commander and an associate of Baasyir. The bombings have raised fears that Jemaah Islamiya has begun to focus on "soft targets" in Southeast Asia, as the U.S.-led war on terror may be replacing indigenous

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<sup>4</sup> (...continued)

*The Wall Street Journal*, November 7, 2002.

<sup>5</sup> Romesh Ratnesar, "Confessions of an Al-Qaeda Terrorist," *Time*, September 23, 2002.

causes as the group's primary grievance.<sup>6</sup> Indeed, in mid-November, three Western schools in Jakarta closed for several days after receiving warnings of a new plot from Western intelligence agencies.

Shortly after the Bali bombing, senior Indonesian officials acknowledged for the first time that Al Qaeda was operating in Indonesia and was cooperating with Jemaah Islamiya.<sup>7</sup> Moreover, the Indonesian Defense Minister Matori Abdul Djalil expressed his conviction that the suspected leader of Jemaah Islamiya, Abu Bakar Baasyir, likely had prior knowledge of the terrorist act because his deputy, Riduan Isamuddin, also known as Hambali, was implicated in the bombing<sup>8</sup>. Baasyir has long been viewed by U.S. officials as directly involved with terrorism, but until the Bali bombing the Indonesian government had stolidly refused to acknowledge his role or arrest him for fear of an anti-government backlash.

The Bali bombing also spurred the Indonesian government to arrest Baasyir on suspicion of involvement in an attempt to assassinate Megawati Sukarnoputri when she was Vice-President and a series of past bombings. The government also announced a series of decrees that strengthen the hand of the government in dealing with terrorism. The new measures' lower evidentiary standards allowed Indonesian authorities to move against Baasyir, whose radical Islamic boarding school in Central Java reportedly has been a key training base for terrorists. The school was founded in 1972 with the express purpose of creating a radical Islamic state covering Indonesia, Malaysia, and Muslim areas of the Philippines. Baasyir denies leading Jemaah Islamiya, though he acknowledges training at his school all of the 13 suspects arrested in Singapore in December 2001.<sup>9</sup> In the days after the bombing, Indonesia also formally supported the United States' petition to the UN that Jemaah Islamiya be added to the UN's list of terrorist groups.

## Focus Countries

### Indonesia

Indonesia's attractiveness to Islamic terrorist groups appears to derive primarily from weak central government control and considerable social and political instability. Central government control in Indonesia has declined progressively since the 1997-99 Asian financial crisis and the replacement of the authoritarian regime of President Suharto in 1998, which had been in power since 1965, with a more democratic but weaker central government. Indonesia's President Megawati, who

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<sup>6</sup> International Crisis Group, "Indonesia Backgrounder: How The Jemaah Islamiya Terrorist Network Operates," December 11, 2002.

<sup>7</sup> Ellen Nakashima and Alan Sipress, "Al Qaeda Linked to Blast by Official," *Washington Post*, October 15, 2002.

<sup>8</sup> Patrick McDowell, "Police Report Progress in Investigation; Indonesian Cleric Arrested," *Associated Press*, October 19, 2002; "Jemaah Islamiya Operating in Indonesia – Police," *The Jakarta Post*, November 30, 2002.

<sup>9</sup> Abuza, "Tentacles of Terror," p.72.

is under pressure from Islamic political parties, has condemned anti-American violence and pledged to protect U.S. assets and citizens but also publicly opposed the U.S.-led military campaign in Afghanistan.<sup>10</sup> Muslim-Christian strife in the country's remote regions has attracted the involvement of thousands of foreign Islamic radicals, including, apparently, some with Al Qaeda connections.

For the most part, Indonesian Islam is viewed as moderate, but radical groups have grown in influence by taking advantage of the country's many internal problems. These include separatist movements in several provinces, a severe economic recession following the Asian financial crisis, an ongoing power struggle among the Indonesian elite for control of the government, and clashes between Christians and Muslims in small islands such as Maluku that have been on the receiving end of forced "transmigration" from Java and other of the more densely populated islands. Radical groups such as Laskar Jihad and the Islamic Defenders Front also reportedly have received assistance from elements within the Indonesian military in organizing, securing arms, and transport to locales throughout the Indonesian archipelago.<sup>11</sup>

Even the more extreme groups traditionally have been concerned primarily with domestic issues such as promoting the adoption of Islamic law (Sharia). In the 1999 national elections, only a small minority of the Muslim parties favored radical Islamic agendas, and overall the Muslim parties drew less than one-fifth of the vote. More recently, however, the U.S.-led campaign against Islamic terrorism has had negative political resonance with a variety of groups, currently jockeying for power and influence. Megawati has been said to fear that cooperating too closely with U.S. demands for arrests and other measures could leave her vulnerable to attack not only by radical Islamists, but perhaps more importantly, by secular nationalists.<sup>12</sup> Among other factors, Megawati's policies are influenced by the political threat posed to her position by Vice President Hamzah Haz, leader of the largest Muslim party who has personal ties with leaders of militant Muslim groups and espouses a fundamentalist Islamic doctrine, and by the chairman of the upper house, Amien Rais.

Until Indonesia's policy reversal following the Bali bombing, U.S., Singaporean, and Malaysian officials expressed dissatisfaction with the level of Indonesia's cooperation against terrorism. Although they say they have no evidence of an extensive Al Qaeda organization in Indonesia, U.S. officials are concerned that Al Qaeda has been raising funds, recruiting members, and running training camps in the archipelago.<sup>13</sup> Until Jakarta's reaction to the Bali incident, the main source of U.S. dissatisfaction was the unwillingness of Indonesia to take action against

<sup>10</sup> Richard Paddock, "Indonesia Presses U.S. to Stop Bombing Asia," *Los Angeles Times*, November 2, 2001.

<sup>11</sup> "Al-Qaida Planned Indonesia Attack," *Associated Press*, January 23, 2002. This report cites Indonesian military sources and western intelligence sources that the Indonesian army committed at least \$9.3 million to finance Laskar Jihad.

<sup>12</sup> December 2002 conversation with Zachary Abuza.

<sup>13</sup> Seth Mydans, "Belatedly, Indonesians Concede Nation Faces a Terrorist Threat," *New York Times*, October 15, 2002; Jane Perlez and Raymond Bonner, "U.S. Says it Told Indonesia of Plot by Terror Group," *New York Times*, October 16, 2002.

suspected Jemaah Islamiya leaders Baasyir and Hambali and suppress the violent actions of groups like Laskar Jihad and the Islamic Defenders Front. The Indonesian police investigation of the Bali bombing, assisted by Australian police authorities and by the F.B.I., has turned up evidence that Jemmah Islamiya has a number of cells operating within Indonesia.

Following the Bali bombing, the State Department ordered the evacuation of nonessential U.S. government personnel and all family members from Indonesia and issued a travel warning to Americans to defer travel to Indonesia because of intelligence indicating the possibility of future attacks against U.S. targets. The bombing may have reduced the chances of an anti-government backlash as Megawati's government toughens its policy toward radical Islamist groups. Indeed, the leaders of Indonesia's two largest Muslim organizations publicly have supported the arrest of Baasyir and the Megawati government's new anti-terrorism measures.

## The Philippines

The Philippines condemned the September 11, 2001 attacks and offered ports and airports for use by U.S. naval vessels and military aircraft for refueling stops. Philippine President Gloria Macapagal-Arroyo and President Bush agreed on the deployment of U.S. military personnel to the southern Philippines to train and assist the Philippine military against the terrorist Abu Sayyaf group. The two Presidents announced on November 20, 2001, \$92 million in U.S. military assistance and \$55 million in U.S. economic aid for Muslim regions in the Philippines for 2001 and 2002.<sup>14</sup> The number of American military personnel deployed between January 2002 and July 31, 2002 was nearly 1,200, including 150 Special Forces. The exercise, dubbed "Balikatan" or "shoulder-to-shoulder," included the deployment of over 300 troops, primarily Navy engineers, to the Southern Philippines to undertake "civic action" projects such as road-building on Basilan, an island that is the center of Abu Sayyaf's activities. The Balikatan exercise reportedly resulted in a significant diminishing of Abu Sayyaf strength on Basilan. Armed Forces of the Philippines (AFP) operations improved as a result of U.S. assistance in intelligence gathering, the supplying of modern equipment, and aid in the planning of operations.<sup>15</sup>

In consideration of the Filipino Constitution's ban on foreign combat troops operating inside the country, Washington and Manila negotiated special rules of engagement for the Balikatan exercise. U.S. Special Forces personnel took direction from Filipino commanders and could use force only to defend themselves.

Abu Sayyaf is a small, violent, faction-ridden Muslim group that operates in the western fringes of the big island of Mindanao and on the Sulu islands extending from Mindanao. It has a record of killings and kidnappings and has had links with Al Qaeda. Abu Sayyaf kidnapped three American citizens in May 2001. One was

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<sup>14</sup> Steven Mufson, "U.S. to Aid Philippines' Terrorism War," *Washington Post*, November 21, 2001; "Arroyo's Meeting With Bush at White House, US Economic Package Reported," *GMA 7 Television*, November 21, 2001, translated by FBIS.

<sup>15</sup> Gloria, Glenda M. Training days. *Manila Newsbreak* (internet version), July 8, 2002. Schmitt, Eric. By aiding needy Filipinos, G.I.'s could help rout the rebels. *New York Times*, June 15, 2002. p. A6.

beheaded in June 2001. The family of the other two, a missionary couple, the Burnhams, has disclosed that in March 2002 they made a ransom payment of \$300,000 to Abu Sayyaf, but the couple was not released, presumably because the payment was mistakenly delivered to a rival Abu Sayyaf faction. The payment reportedly was facilitated by U.S. and Philippine officials, including the Federal Bureau of Investigation.<sup>16</sup> In June, Filipino army rangers encountered the Abu Sayyaf groups holding the Burnhams. In the ensuing clash, Mr. Burnham and a Filipino female hostage were killed, but Mrs. Burnham was rescued.

Radical Islamic terrorists appear to be operating with more boldness even after a major increase in U.S. antiterrorism support to the army and police. A bombing in Zamboanga City in the southern part of the country on October 18, 2002, killed seven and wounded 160, while the bombing of a bus the following day killed two and injured a dozen or more Filipinos. Other bombings subsequently occurred in Mindanao cities. The attacks are thought to be the work of the Abu Sayyaf Group.

The U.S. focus on Abu Sayyaf is complicated by the broader Muslim problem in the southern Philippines, including the existence of two much larger groups, the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF). Both groups have been in insurrection against the Philippine government for much of the last 30 years, and both reportedly have links with some elements of Abu Sayyaf. Evidence in 2002 points to strong links between the MILF and Jemaah Islamiya, including the training of Jemaah Islamiya terrorists in MILF camps. Singapore officials stated in September and October 2002 that the MILF is a “key ally” of Jemaah Islamiya.<sup>17</sup> Both the MILF and MNLF have tenuous cease-fire agreements with the Philippine government, and any breakdowns of these truces would complicate the U.S. mission against Abu Sayyaf. There are reports that President Arroyo’s government has pressed the U.S. government not to include the MILF on its list of terrorist organizations.<sup>18</sup> The Philippine Communist Party, the political head of the New Peoples Army, also has called for attacks on American targets and claims responsibility for the murder of an American hiker and the firing on an American transport aircraft in January 2002 on the island of Luzon.

The next phase in the U.S. military deployment began in October 2002. It is to involve about 450 U.S. soldiers, who will train several AFP light reaction companies on the main Philippine northern island of Luzon. Funding will come from a \$25 million military aid package included in the FY2002 emergency supplemental appropriations. U.S. soldiers will not accompany AFP patrols. In July 2002, the two governments decided that, except for aerial surveillance, U.S. military personnel would not be involved in the stepped-up Philippine military campaign against Abu

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<sup>16</sup> Bonner, Raymond and Schmitt, Eric. Philippine Officials Detail the Trap, Set with U.S. Help, that Snared a Rebel Leader. *New York Times*, September 22, 2002. p. NE16. Lerner, Mark. Hostage’s Father Says Abu Sayyaf Broke Deal. *Washington Times*, April 26, 2002. P. A15.

<sup>17</sup> Wain, Barry and McBeth, John. A Perilous Choice for the Presidents. *Far Eastern Economic Review*, October 3, 2002. p. 17-20. Bonner, Raymond. Southeast Asia Remains Fertile for Al Qaeda. *New York Times*, October 28, 2002. p. A1.

<sup>18</sup> “Gloria’s Powers of Persuasion,” *Far Eastern Economic Review*, December 12, 2002.

Sayyaf on Jolo Island south of Basilan where Abu Sayyaf has concentrated strength. President Arroyo favored greater U.S. involvement, but U.S. military leaders reportedly had reservations.<sup>19</sup> However, a continued if weaker Abu Sayyaf threat was pointed up by the bomb attack in Zamboanga City (on mainland Mindanao opposite Basilan island) in early October 2002 and subsequent bombings elsewhere in Mindanao. The Zamboanga bomb attack killed one of the approximately 270 American military personnel who remained after the end of the Balikatan exercise to complete training and civil action projects. Many of the bombings took place in areas outside of Abu Sayyaf's usual sphere of operations, raising concerns that Abu Sayyaf had reestablished cooperative ties with other militants.

Reportedly, the attacks have led the Defense Department to consider a more extended U.S. assistance program in the southern Philippines, proceeding with the training on Luzon but also focusing on the Abu Sayyuf concentrations on Jolo. The plan under consideration reportedly involves up to 450 U.S. Special Forces and other training personnel. American personnel would continue to be in a non-combat role, but some of them likely would be on the ground on Jolo. On December 3, 2002, Philippine Defense Secretary Angelo Reyes announced an apparently revised plan under which the U.S. military will train 16 AFP light infantry companies of about 1,600 troops in the southern Philippines over a period of ten months.<sup>20</sup>

Another change involves Philippine plans to commit some of the new light reaction companies against the communist New People's Army (NPA) and nearly half of the \$55 million in U.S. military assistance to anti-NPA operations. This is in response to the growth of the NPA since 1995 from an armed strength of about 5,000 to about 11,000 in 2002. The Bush Administration placed the Communist Party of the Philippines (CPP) and the NPA on the official U.S. list of terrorist organizations in August 2002. It also is pressuring the government of the Netherlands to revoke the visa privileges of CPP leader, Jose Maria Sison, and other CPP officials who have lived in the Netherlands for a number of years and reportedly direct CPP/NPA operations.

## Malaysia and Singapore

Malaysia and Singapore have been in the forefront of cooperation with the United States. The two countries have arrested dozens of suspected Jemaah Islamiya members since December 2001. Malaysia's Prime Minister Mahathir Mohammed, a longstanding promoter of Muslim causes, openly criticized Islamic terrorists after September 11, including Palestinian suicide bombers. In a show of appreciation for his cooperation in the U.S. anti-terrorism campaign, Mahathir was invited to Washington, DC and met with President Bush in mid-May 2002. In June 2002, Singapore and the United States signed an agreement to allow U.S. customs officials to inspect cargo containers in Singapore bound for the United States: part of a global

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<sup>19</sup> Villanueva, Mirichu and Pareno, Roel. Arroyo Scolds US General. *Philippine Star* (internet version), July 11, 2002. New US-Philippine Exercises Against Rebels Plan ned. Reuters News Service report, July 10, 2002.

<sup>20</sup> Schmitt, Eric and Conde, Carlos H., "U.S. and Philippines May Start New Training Mission," *New York Times*, December 1, 2002, p. NE 22. Agence France Presse (Hong Kong) report, December 3, 2002.

U.S. program to prevent terrorists from smuggling weapons of mass destruction into the United States.

The Bush Administration also has decided to downgrade U.S. human rights concerns over Malaysian Prime Minister Mahathir's use of its Internal Security Act (ISA) to imprison political opponents without trial, especially since he has employed the ISA against suspected members of Jemaah Islamiya. Mahathir's successful visit to Washington, DC in May 2002 symbolized the fundamental change in the U.S. posture toward him since the September 11 attack. However, Mahathir has criticized the reported U.S. intention to attack Iraq and new U.S. visa restrictions on Malaysians, who wish to go to the United States.

## **Options and Implications for U.S. Policy**

### **Indonesia**

In Indonesia, U.S. policymakers have sought to balance firmness with patience regarding Indonesia's seeming reluctance to act forcefully against individuals and groups who have ties to Islamic terrorists, recognizing that cooperation with Jakarta, which is indispensable, requires a finely tuned mix of pressure and positive incentives. The U.S. ambassador in Jakarta, Ralph Boyce, has praised the limited Indonesian moves against terrorism such as the arrest of al-Farouq, and he has stressed in an active public diplomacy that the great majority of Indonesian Muslims are moderate. However, U.S. officials had long expressed frustration with the Indonesian government's continued unwillingness to arrest the suspected Jemaah Islamiya leader Baasyir and the negative Indonesian reaction to the U.S. presentation of al Farouq's testimony to President Megawati. The October 12 terrorist attack on Bali appears finally to have caused the U.S. to increase pressure on Megawati to act against terrorist groups operating in her country.

Even in the aftermath of the Bali bombing, however, the potential for a nationalist backlash against working too closely with the United States exists, perhaps raising the need for a heavy reliance upon relatively unobtrusive forms of counter-terrorism cooperation. Such options include intelligence sharing, cooperation in police investigations, training in border and immigration controls, and securing Jakarta's approval for the dispatch of covert U.S. agents to Indonesian soil. The latter option, however, if discovered, runs the risk of inflaming lingering anti-American passions.

Many predict that a U.S. attack against Iraq, if it occurs, will radicalize moderate Indonesian Muslims, activate militant groups more directly against the United States, and create increased dangers to Americans in Indonesia. If these predictions appear to be credible, the Administration will face tough decisions over policy and the safety of Americans.

Administration officials and Members of Congress have also struggled to find a way to reconcile the need to gain the cooperation of the Indonesian military (TNI) with the desire to keep pressure on the military to accept civilian control and accept accountability for past human rights violations in East Timor and current abuses in

a number of dissident regions, including Aceh, Papua New Guinea, and elsewhere. The so-called “Leahy Amendment” to the annual foreign operations appropriations bill bans aid to the TNI until Indonesia fulfills several conditions relating to accountability for these reported human rights abuses. (see *Role of Congress/Legislation* below) However, the TNI generally has more effective domestic intelligence capabilities than the national police, which until January 2001 were part of the military establishment. In March 2002, Indonesia began its first trial of military officers over East Timor, though many have criticized the proceedings as deeply flawed.

In mid-2002, the Administration and some allies in Congress began to seek ways to relax the Leahy Amendment’s restrictions. In FY2002-FY2003, the Administration reportedly plans to spend \$4 million of the Defense Department’s new, \$18 million, Counter-Terrorism Fellowship Program to train Indonesian army officers in anti-terrorism, and \$16 million from a different DOD account to set up a special counter-terrorism police unit. In August 2002, Secretary of State Colin Powell announced in Jakarta \$50 million in bilateral counter-terrorism aid, mainly for the Indonesian police but a small amount for the military.<sup>21</sup>

For FY2003, the Administration has sought \$400,000 in the FY2003 foreign operations appropriation bill to restore International Military Education and Training (IMET) to TNI. The same legislation also includes some \$121 million in requested economic assistance. (See *Role of Congress/Legislation*, below). However, the Administration’s initiative to restore cooperation with the TNI has been jeopardized by the killing of two American teachers and the wounding of five others in Indonesia’s eastern-most province of Papua. The chief Indonesian police investigator has cited evidence that the TNI’s notorious Koppassus (special forces) was responsible for the attack against the Americans.<sup>22</sup> Prior to 1998, the Kopassus was a major recipient of U.S. military training programs.

## The Philippines

The delicate internal political situations in the Southeast Asian countries affected by Islamic radicalism and terrorism impose serious limitations on U.S. freedom of action. The Bush Administration and the Philippine government wish to avoid a U.S. confrontation with the MILF. However, mounting evidence of MILF support for Jemaah Islamiya could make this difficult especially now that the Bush Administration has placed Jemaah Islamiya on the U.S. list of terrorist organizations. If Manila’s truces with the MILF collapses, the Philippine Army – elements of which favor restarting military actions against the MILF – undoubtedly would use recently supplied U.S. military equipment against these groups. The Philippine government might change policy and encourage U.S. action against the MILF at least in a role similar to that in the Balikatan exercise against Abu Sayyaf. The shift in Philippine military priorities toward the NPA increases the danger that Americans, including

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<sup>21</sup> Robin Wright, “Military Aid to Indonesia Revived in War on Terror,” *Los Angeles Times*, August 3, 2002.

<sup>22</sup> Ellen Nakashima and Alan Sipress, “Indonesian Probe Leads to Army,” *Washington Post*, October 27, 2002.

U.S. military personnel, could become targets of communist assassinations or other attacks.

## Multilateral Cooperation

Intelligence organs of Malaysia, Singapore, and the Philippines reportedly are exchanging information about Jemaah Islamiya and other possible terrorist groups with U.S. intelligence agencies and the Federal Bureau of Investigation (FBI). The governments of Malaysia and Singapore have arrested dozens of suspected Jemaah Islamiya members. Philippine authorities have arrested another alleged key plot member.

A number of Southeast Asian states have increased anti-terrorist cooperation, both with the United States and with each other. In August 2002, the U.S. and all ten members of the Association of Southeast Asian Nations (ASEAN) signed an agreement to cooperate in counter-terrorism activities. The agreement calls for signatories to freeze terrorist groups' assets, improve intelligence sharing, and improve border controls.<sup>23</sup>

## Role of Congress/Legislation

U.S. programs with Indonesia received \$12 million from the FY2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks, which was signed into law on August 2, 2002 (P.L. 107-206). The act provided up to \$4 million for law enforcement training for Indonesian police forces and up to \$12 million – of which the Bush Administration allocated \$8 million – for training and equipping Indonesian police to respond to international terrorism, including the establishment of a special police counter-terrorism unit.

In action on S. 2779, the FY2003 foreign operations appropriations bill, the Senate Appropriations Committee did not include the long-standing “Leahy Amendment” restrictions on IMET and Foreign Military Financing (FMF) for Indonesia that are contained in Sec. 572 of the FY2002 foreign operations appropriations act, P.L. 107-115, but did include a shorter list of conditions on FMF alone. Thus, as approved during a committee markup on July 24, 2002, IMET would be unconstrained but FMF would be subject to three conditions concerning human rights accountability and greater transparency to the civilian authorities in respect to sources of funding for the TNI, which currently relies on various “off-budget” sources of funding for about 75% of its operations. As reported, the House bill, H. R. 5410, does not restrict IMET funding but includes as Section 554 seven restrictions on Indonesia’s access to the FMF programs. Neither bill has received floor action as of mid-December 2002, and further action, if any will only come in the 108th Congress.

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<sup>23</sup> *United States of America-ASEAN Joint Declaration for Cooperation to Combat International Terrorism*, August 1, 2002.

Regarding the Philippines, the FY2002 emergency supplemental allocated \$55 million in new military assistance and \$12 million for infrastructure improvement on Mindanao. However, for budgetary reasons, President Bush declined to spend \$30 million, reducing Manila's total receipts from the FY2002 supplemental to \$25 million. It is unclear whether the additional \$30 million will be forthcoming. In its FY2003 budget request, the Administration requested over \$90 million for the Philippines, nearly half of which would be allocated toward direct military aid and creating a stable environment in Mindanao.

## **Other CRS Products Dealing with Terrorism in Asia**

CRS Report RL31265. *Abu Sayyaf: Target of Philippine-U.S. Anti-Terrorism Cooperation.*

CRS Report RL31152. *Foreign Support of the U.S. War on Terrorism.*

CRS Issue Brief IB97004. *Japan-U.S. Relations.*

CRS Issue Brief IB91141. *North Korea's Nuclear Weapons Program.*

CRS Report RS20697. *Philippine-U.S. Security Relations.*

CRS Report RL31046. *Supplemental Appropriations for FY2002: Combating Terrorism and Other Issues.*

## Maps

Figure 1. Southeast Asia



Source: Map Resources. Adapted by CRS. (M.Chin 11/02)

Figure 2. Indonesia



Source: Map Resources. Adapted by CRS. (M.Chin 11/02)

**Figure 3. Malaysia and Singapore**



Source: Map Resources. Adapted by CRS. (M.Chin 11/02)