

## East Asia and Pacific Overview

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“From the murder of 88 Australians in Bali in October 2002 and the attack on our Jakarta Embassy last September, we know that the threat to our country is very real. Australia’s national security depends upon a collective response to this terrorist threat. Strong links with our partners in Asia form a vital part of this response. The war on terror is a different kind of war. It is a war against loose networks, neither dependent on nation-state sponsors, nor responsive to conventional deterrents.

John Howard, Prime Minister of Australia  
Address to the Lowy Institute for International Policy  
March 31, 2005

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East Asian countries made significant progress in 2005 creating a regional environment inhospitable to terrorists. Despite these steps forward, however, the October 1 triple suicide bombing attack on the Indonesian resort island of Bali demonstrated that the terrorist threat persists in Asia. In February, the Philippines suffered when three bombs went off almost simultaneously in different cities -- Manila, Davao, and General Santos City.

Southeast Asia remained a major front in the global war on terror, and continued to be an attractive theater of operations for regional terrorist groups such as Jemaah Islamiya (JI). A clearer picture of the linkages between JI cells and some indigenous Islamic extremist groups emerged during the last year as a result of testimony in terrorist court cases and investigations by authorities.

The governments in Southeast Asia were reliable partners in the global war on terror but face challenges. Geography makes effective border control problematic for archipelagic states like Indonesia and the Philippines. Terrorists continued to adapt their tactics as well. Because terrorism in Southeast Asia is a transnational problem, capacity building in a regional context emerged as a priority, in addition to the need for national capacity building. Institutes like the Southeast Asia Regional Center for Counterterrorism (SEARCCT) in Malaysia and the U.S.-Thailand Law Enforcement Academy (ILEA) in Bangkok continued to expand their activities to provide effective counterterrorism training to law enforcement officers throughout the region. Likewise, the Australian-Indonesian Jakarta Center for Law Enforcement Cooperation (JCLEC) is a promising additional regional center for capacity building. Multilateral fora, including the United Nations Security Council’s Counterterrorism Committee (UNCTC), the G8’s Roma-Lyon and Counterterrorism Action Groups (CTAG), the Asia-Pacific Economic Cooperation (APEC) forum, the Association of Southeast Asian Nations (ASEAN), and the ASEAN Regional Forum (ARF), continued their important roles as key organizations for regional and transnational counterterrorism cooperation.

Australia remained a key counterterrorism partner. Besides providing critical assistance to others in the region, it maintained a vigorous domestic counterterrorism posture. On the domestic front, Australian police arrested 18 suspected terrorists in Sydney and Melbourne in November, thus disrupting a potential terrorist attack on Australian soil. Australia enacted

comprehensive counterterrorism legislation in December, enhancing the ability of law enforcement and intelligence agencies to detect, detain, and prosecute suspected terrorists. The Australian Ambassador for Counterterrorism continued to play a key role in strengthening the Australian Government's engagement with regional partners and allies on counterterrorism. Australia worked to strengthen the Asia-Pacific region's counterterrorism capacity through a range of initiatives, both bilaterally and in regional groupings such as Asia Pacific Economic Cooperation (APEC), the ASEAN Regional Forum (ARF), and the Pacific Island Forum (PIF). Australia participated in a Trilateral Counterterrorism Dialogue with the United States and Japan. In May, Australia announced a substantial four-year regional counterterrorism assistance package aimed at countering terrorist links and movements among the countries of maritime Southeast Asia. In partnership with the United States, Australia continued to play a leading role in implementing the Regional Movement Alert List (RMAL) to strengthen the ability of countries to monitor the movement of people across borders.

Cambodia demonstrated effective measures to counter the threat of terrorism, despite legislative limitations. The government cooperated with U.S. antiterrorist efforts on many levels. In November, with U.S. assistance, Cambodia destroyed 36 SA-3 air defense missiles, thus removing the possibility of terrorists acquiring such weapons. In close coordination with the United States, the government installed computerized border control systems at Cambodia's international airports in Phnom Penh and Siem Reap and at its land border crossing points at Poipet and Koh Kong. There were no terrorist incidents or known terrorist activities in 2005.

China supported several operational and logistical aspects of the global war on terror, including signing a memorandum of understanding on the Department of Energy's Megaports initiative to detect radiological materials and continuing its support for the Container Security Initiative. Beijing also played an instrumental role in getting the Shanghai Cooperation Organization to issue a joint statement in 2005 on increasing regional cooperation to fight terrorism. Outside China, Chinese citizens were victims of terrorist acts in Afghanistan, Pakistan, Iraq, and Jordan. China increased its efforts to build its domestic counterterrorism capabilities with a focus on improving security for the 2008 Beijing Olympics. Beijing continued to express concern that terrorists operate on Chinese territory, and has said that some members of the Uighur minority in Xingjiang Province pose a threat to China's domestic stability.

The Indonesian Government continued to take strong steps to counter the threat posed by the regional terrorist network Jemaah Islamiya (JI), which has ties to al-Qaida. In March, Indonesian courts sentenced JI Emir Abu Bakar Ba'asyir to 30 months in prison for involvement in a "sinister conspiracy" to carry out the 2002 Bali attacks, but failed to convict him on any terrorist charges. In August, the government granted Ba'asyir a four and a half-month reduction in sentence for good behavior in celebration of the 60<sup>th</sup> anniversary of Indonesian independence, but denied a further reduction in sentence in November at the end of the Muslim holiday of Ramadan. The case is currently under judicial review. The October 1 attacks on the resort island of Bali by three suicide bombers killed 20 people and injured more than 120, including six U.S. citizens, representing the worst terrorist bombing in Indonesia since the 2002 Bali bombings. Assisted by the United States and other friendly

countries, the ongoing Indonesian police investigation into the attacks led to the November 9 police raid on a terrorist safe house and the death of Malaysian bomb maker Azahari bin Husin in the ensuing shootout. Azahari's death ended a three-year manhunt and marked a victory for Indonesian counterterrorism efforts.

Japan strengthened its own counterterrorism measures by contributing to counterterrorism capacity-building among Asian countries and by participating in a trilateral counterterrorism dialogue with the United States and Australia. Japan continues to reach outside the region in its fight against terrorism. In October, the Japanese Diet (Parliament) extended for one year the Antiterrorism Special Measures Law that allows for Japan's Self Defense Force (JSDF) to support Operation Enduring Freedom (OEF).

The Malaysian Government strengthened border controls to ensure that separatist violence in southern Thailand does not spill over into Malaysia. Leaders of both countries have stressed the importance of resolving the matter peacefully. Malaysia also renewed 29 two-year detention orders of suspected terrorists, while nine such detainees were granted conditional release.

Thailand's unwavering commitment to domestic and international counterterrorism efforts continued in 2005. However, ongoing violence, fueled by a renewed separatist insurgency in southern Thailand, remains a concern. The violence has been primarily focused in the three southernmost Muslim-majority provinces located along the Thai-Malaysian border. There is no evidence of a direct connection between militants in southern Thailand and international terrorist organizations such as JI and al-Qaida. There is concern, however, that these groups may attempt to capitalize on the increasingly violent situation for their own purposes.

## Australia



*Australian police officials speak at a press conference in Sydney in November after foiling what they described as a "large-scale terrorist attack" in Sydney and Melbourne. Officers arrested more than a dozen suspected terrorists. (AFP Photo/Greg Wood)*

Australia launched substantial initiatives and worked with its regional neighbors to assist in building their resolve and capacity to confront terrorism. In November, Australian police arrested 18 suspected terrorists in Sydney and Melbourne, disrupting a potential terrorist attack on Australian soil. Australia enacted comprehensive counterterrorism legislation in December, enhancing the ability of law enforcement and intelligence agencies to detect, detain, and prosecute suspected terrorists. The legislation featured new regimes for "preventative detention" of persons to prevent an imminent terrorist act as well as preserve evidence of a terrorist attack, and "control orders" that would allow the close monitoring of persons believed

to pose a risk to the community. It also strengthened offenses for financing terrorism, increased police investigative powers, and modernized and further defined the sedition offenses to cover those who urge the use of force or violence against other groups in the community.

Australia announced funds for other new security measures to enhance its ability to manage mass casualty incidents, including establishing unified policing at Australia's major airports. It also created a chemical, biological, radiological, and nuclear threat research facility and a chemical warfare agents laboratory network.

After the September release of the Wheeler Report on aviation security and policing at Australian airports, Australia announced substantial measures to tighten airport security, including establishing joint investigation teams, increasing Customs patrols, and strengthening air cargo security arrangements. In December, Australia announced that it would establish a new division in the Attorney General's Department to coordinate background checks on people working in the secure areas of airports and seaports. The new division will begin operation in July 2007. Bolstering identity verification and security for Australian travelers, the government began issuing a new security-enhanced "e-passport" in October that includes a microchip with a digital picture and personal details of the passport holder. In September, Australian federal and state governments also initiated a national action plan for counterterrorism that focused on combating extremism.

As a major component of protecting its national infrastructure, Australia opened the Joint Offshore Protection Command (JOPC) in March and began expanded security patrols of offshore areas, particularly oil and gas installations, which will detect threats to Australia's maritime assets and coastline.

Australia designated two additional terrorist organizations under its domestic criminal code, raising the total to 19. The Australian Government has domestic counterterrorism forums, such as the National Counterterrorism Committee (NCTC). The NCTC national exercise program tests, maintains, and strengthens Australia's counterterrorism and consequence management capabilities, command and control arrangements, and interoperability. Australia has been a major partner of the United States in combating terrorist financing. In 2005, the two nations jointly and successfully requested UN sanctions, including an asset freeze, travel ban, and arms embargo, for three leaders of JI and three leaders of the Abu Sayyaf Group.

Australia worked to strengthen the Asia-Pacific region's counterterrorism capacity through a range of initiatives in both bilateral and region groupings, including the Asia-Pacific Economic Cooperation (APEC), the ASEAN Regional Forum (ARF), and the Pacific Islands Forum (PIF). Australia was one of the first countries to sign the new Convention for the Suppression of Acts of Nuclear Terrorism when it opened for signature in September at the United Nations Leaders' Summit. Consistent with its international obligations under UN Security Council Resolutions 1267 and 1373, Australia had listed 550 terrorist-related individuals, entities, and organizations by the end of 2005.

The Australian Ambassador for Counterterrorism chairs the International Counterterrorism Coordination Group (ICTCG), Australia's interagency counterterrorism working group. In May, Australia announced a four-year regional counterterrorism assistance package aimed at countering terrorist links and movements among the countries of maritime Southeast Asia, notably the Philippines, Indonesia, and Malaysia. The package included new measures that built on successful regional cooperation in law enforcement, border and transport security,

intelligence, and legal affairs. Key elements were developing effective counterterrorism legal frameworks in Southeast Asia, assisting the region with border control, strengthening fraud detection and immigration intelligence capabilities, enhancing law enforcement and intelligence cooperation capabilities, and bolstering transport security.

Australia took the lead in law enforcement and legal issues working groups that developed practical measures to strengthen regional counterterrorism cooperation following the Bali Regional Ministerial meeting in 2004. Australia also provided legal drafting assistance to regional states, including the South Pacific islands, seeking to adopt international conventions and protocols against terrorism and to bring their domestic laws into conformity with these conventions. Australian law enforcement agencies also continued to build practical working-level relationships with their regional counterparts, particularly through the joint Australian-Indonesian Jakarta Center for Law Enforcement Cooperation (JCLEC) located in Semarang, Indonesia. JCLEC is now fully operational as a counterterrorism training resource for the region, having offered more than 20 courses and trained more than 500 officers. Twenty-eight countries have been involved with JCLEC.

Australia signed three additional bilateral memoranda of understanding (MOUs) on counterterrorism in 2005 with Brunei, Pakistan, and Afghanistan, raising the total to 12. Other counterterrorism partners include Malaysia, Thailand, the Philippines, Fiji, Cambodia, Papua New Guinea, Indonesia, India, and East Timor. This extensive network of bilateral MOUs supports practical and operational-level cooperation, and has proved beneficial. For example, Australia's MOU with Indonesia provided the basis for cooperation between the Australian and Indonesian police in investigating the Bali bombings of 2002 and 2005, the Marriott hotel bombing of 2003, the Australian Embassy bombing of 2004.

Australia contributed an additional 450 troops to Iraq and 190 Special Forces personnel to Afghanistan in 2005.

Prime Minister Howard led efforts to engage Australia's Muslim community to work together to combat extremism, holding a summit with prominent Muslim leaders in August. PM Howard designated his Minister for Citizenship and Multicultural Affairs to continue a dialogue with the Muslim community, including Muslim youth.

## **Burma**

Bilateral relations between Burma and the United States remain strained. The Government of Burma's willingness to cooperate and coordinate on antiterrorist activities within the country and throughout the region is minimal. The government does not openly share information on state security issues and takes every precaution to project an image that it is exerting full authority over Burmese territory. Sponsorship of terrorist organizations would be counterproductive to that goal. Burmese Special Branch police recently created a new counterterrorism unit headquartered in Rangoon. The United States relays to the government information from the United Nations on terrorist financing, which Burmese authorities then disseminate throughout the banking sector with instructions to report suspicious transactions.

Indigenous violence in Burma generally is targeted against the ruling regime rather than against U.S. citizens and facilities. Various insurgent groups in ethnic minority areas near the borders with China, India, Bangladesh, Laos, and Thailand conduct small-scale actions against the Burmese authorities. The government has attributed several bombings in the capital and elsewhere in recent years to domestic and exiled anti-regime elements.

The Burmese judicial system is corrupt and lacks transparency. The government defines almost all anti-regime activities as "acts of terrorism" and makes little distinction between peaceful political dissent and violent attacks by insurgents or criminals. Suspected perpetrators of any acts that oppose the regime are subject to lengthy detention without trial or due process.

Some observers posit possible links between known terrorist organizations and two local insurgent groups, the Rohingya Solidarity Organization and the Arakan Rohingya National Organization. There are few signs that either group remains active, although the Burmese regime's severe repression of the Rohingya Muslim population inside Burma could foster sympathy with extremist methods and objectives.

On April 26, a bomb exploded in Mandalay's central market, Ze Gyo, killing two persons and injuring more than a dozen; no foreigners were among the casualties. The Government of Burma claimed that the incident was a subversive act "committed by a group of insurgent destructive elements who wanted to disturb and destroy the stability of the state." Authorities have not made public, however, any evidence of a genuine investigation or identified the specific perpetrators.

On the afternoon of May 7, three devices exploded nearly simultaneously in downtown Rangoon at two busy shopping centers and at an official trade fair sponsored by the Government of Thailand. The bombings were unprecedented in their scope and coordination killing over 25 people and injuring at least 200. The Burmese Government again blamed the bombings on "anti-regime groups," individuals either domestically-based or living in exile. It also accused the United States of secret involvement. One of the Rangoon bombings occurred close to U.S. Embassy residences; two of the three bombs exploded at public supermarkets frequented by Americans, other expatriates, and middle-class Burmese. There is no evidence indicating that the Rangoon bombings were directed against Americans or American interests; no Americans were injured or killed in the explosions.

Despite the spate of bombings, in October, the Burmese Government unilaterally reduced security coverage at all foreign missions in Rangoon. In some cases, including in front of the U.S. Embassy, the government re-opened roads and lanes that had previously been closed to provide added protection against terrorist attacks.

## **Cambodia**

Cambodia's ability to investigate independently potential terrorist activities is limited to an extent by a lack of training and resources. An absence of comprehensive domestic legislation to combat terrorism also hinders the ability to arrest and prosecute terrorists. That said, Cambodia's political leadership demonstrated a strong commitment to take aggressive legal

action against terrorists. The government also has made effective use of its existing one-page law on terrorism, as evidenced by the conviction in late December 2004 of six Jemaah Islamiya (JI) terrorists, each of whom was sentenced to life in prison.

To help bolster its counterterrorism capabilities, the Cambodian Government established the National Counterterrorism Committee (NCTC), a policy-level decision-making body chaired by the Prime Minister that directly addresses the government's domestic and international counterterrorism responsibilities. The NCTC held its first session in August. While the NCTC is a new entity that is still developing its operational capabilities, it is a strong indicator that the Cambodian Government takes counterterrorism seriously and is attempting to coordinate its efforts.

The government signed a bilateral agreement with India to enhance cooperation in combating the trafficking of drugs and arms, terrorism, and transnational crime. The agreement, which came into force in December, provides for cooperation in fighting terrorism, exchanging information and intelligence on the activities of any terrorist group and its associates, and identifying and exchanging information on terrorist financing sources. As ASEAN Chair from July 2002 to June 2003, Cambodia took the lead in coordinating ASEAN statements on terrorism, such as the Joint ASEAN-EU Declaration on Cooperation to Combat Terrorism and the relevant text in the Chairman's Statement of the Tenth ASEAN Regional Forum.

Conditions in Cambodia, such as massive poverty, high unemployment, a poor education system, and disaffected elements within the Cham Muslim population, could make the country vulnerable to terrorists and terrorist influence in the future. There are no indications that specific terrorist groups currently operate in Cambodia; however, porous borders and endemic corruption could make the country vulnerable to a terrorist presence.

The Cambodian Government fully cooperated with U.S. counterterrorism efforts on many levels, despite its limited resources. In April, the government participated in the first-ever U.S. Pacific Command-led multinational interagency counterterrorism survey. The survey was conducted to develop methods to assist the Cambodian authorities in improving their overall counterterrorism capacity. The team made recommendations to various elements responsible for counterterrorism at the tactical, operational, and national levels.

In November, the Ministry of Defense, with U.S. assistance, destroyed 36 SA-3 air defense missiles to remove the possibility of these weapons being acquired by terrorist elements. That same month, Cambodian authorities collected and dismantled two HNU-5 man portable air defense systems (MANPADS) from a police outpost. These two MANPADS are scheduled for future destruction.

The government installed, with U.S. assistance, computerized border control systems at Cambodia's international airports in Phnom Penh and Siem Reap and at its land border crossing points at Poipet and Koh Kong. The Cambodian Government cooperated fully with U.S. requests to monitor terrorists and terrorist entities listed as supporters of terrorist financing.

In impromptu remarks to the Cambodian Government-private sector forum on October 14, Prime Minister Hun Sen acknowledged that weapons from Cambodia have been transported to insurgent/terrorist groups in Sri Lanka and the Philippines, and to the ethnic Karen people in Burma. The Prime Minister noted that a trial project to x-ray all incoming and outgoing containers at the port of Sihanoukville had met with difficulties and led to substantial delays in processing shipments, largely because the port's x-ray machine was too small. Consequently, he requested foreign assistance to upgrade the port's x-ray facilities and said that in the interim manual inspections of containers would be conducted.

## **China**

Although there were no acts of terrorism committed in China in 2005, Chinese citizens were victims of terrorist acts in Afghanistan, Pakistan, Iraq, Thailand, and Jordan.

The United States and China held regular counterterrorism consultations; the most recent talks were in November. The Ministry of Foreign Affairs described U.S.-Chinese cooperation on counterterrorism as a key partnership promoting international stability and as a pillar of the bilateral relationship. In January, China signed a memorandum of understanding with the Department of Energy to participate in the Megaports initiative on the detection of nuclear and radiological materials. After signing the Container Security Initiative in 2003, the Chinese Government launched CSI programs in the ports of Shanghai and Shenzhen this year. The program still faces challenges, but inspections have begun at the two ports.

Chinese officials signed statements with counterterrorism components in regional fora such as the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF), ASEAN plus 3, the Asia Pacific Economic Cooperation organization (APEC), and the Shanghai Cooperation Organization (SCO).

China agreed to participate in APEC inspections of civilian airports to assess vulnerabilities, although it continues to raise objections to Taiwan's participation in the initiative. China has expressed concern, however, that APEC not expand beyond what Beijing considers to be the forum's primary mandate of economic issues and trade liberalization. China's objections to Taiwan's participation have impeded broader cooperation on APEC counterterrorism and nonproliferation initiatives. China hosted an ARF Security Policy Conference and an ARF Seminar, where participants addressed non-traditional security threats, including counterterrorism issues. As a founding member of the Shanghai Cooperation Organization (SCO), China played an instrumental role in getting the SCO to issue a Joint Statement on increasing regional cooperation to fight terrorism, extremism, and separatism.

Although the Ministry of Public Security is responsible for criminal investigations, the People's Bank of China (PBOC) was designated the lead agency for all anti-money laundering activities in China. China has taken steps to strengthen regulatory measures to combat money laundering, and is finalizing money laundering legislation designed to broaden the scope of existing anti-money laundering regulations and to establish more firmly the PBOC's authority over national anti-money laundering operations. Under the authority of the PBOC, China established a Financial Intelligence Unit (FIU) in 2004 to track suspicious



transactions and is working closely with FINCEN in the United States to develop its capabilities. Additional measures are needed to ensure that China's FIU is an independent, centralized body with adequate collection, analysis, and disseminating authority, including the ability to share information with FIUs in other jurisdictions. The State Administration of Foreign Exchange (SAFE), an organization also under the authority of the PBOC, is the primary agency for countering illicit foreign exchange transactions.

Joining the Financial Action Task Force (FATF) remains an important priority for China. After joining the Eurasia FATF-style regional group (EAG) in late 2004, China was granted FATF observer status in 2005. China's money laundering legislation, when completed, will go a long way toward satisfying FATF's criteria for membership. However, China's refusal to recognize the Egmont Group, an umbrella body coordinating the activities of over 100 FIUs worldwide, because the Group includes an FIU from Taiwan, remains a substantial obstacle to joining FATF.

In December 2003, the Chinese Ministry of Public Security published a list of organizations and individuals that it claims have ties to terrorism. One of the groups, the East Turkistan Islamic Movement (ETIM), was designated as an al-Qaida-affiliated terrorist organization under UNSCR 1267; the United States also designated the group under Executive Order 13224. At a UNSC meeting in 2005, China's Permanent Representative to the United Nations called on UN members to adopt measures to crack down on "East Turkistan" terrorist forces.

There were several reports during the year of bombings and bomb threats in various parts of China. It is unclear, however, whether these were politically motivated acts of terrorism or criminal attacks. Although they did not publicly attribute any 2005 incident to terrorism, Chinese authorities asserted that terrorists, primarily based in Xinjiang Province, continued to operate clandestinely on Chinese territory. The Chinese Government attempted to restrict foreign support for insurgent groups and increased the number of deployed security personnel in response to perceived terrorist activities in Xinjiang.

Formally established in 2004, the FBI Legal Attaché Office in Beijing bolstered U.S.-Chinese cooperation on counterterrorism investigations. Chinese law enforcement responsiveness to terrorism investigation requests still needs improvement, but substantive intelligence has been obtained in some cases. Chinese authorities actively participated in the investigation of the 2003 "Portland Six" case, providing hotel records and other information that proved instrumental in obtaining guilty pleas from the defendants in the case. The United States does not have an extradition treaty with China.

China sent several officers to Greece for counterterrorism and Olympic security training; it also sent police chiefs to observe the 25th ASEAN Chief of National Police (APOL) Conference in Indonesia. China continued to participate in training programs at the International Law Enforcement Academy in Bangkok, Thailand. In 2005, China staged antiterror exercises in major cities throughout the country and implemented new antiterrorism training programs at several major police academies.

## Hong Kong

Hong Kong's implementation of the Container Security Initiative was transparent and cooperative. The high level of cooperation and the successful implementation of CSI by Hong Kong Customs officials received praise from a congressional staff delegation, which described it as a model for CSI implementation.

Hong Kong's Joint Financial Intelligence Unit (JFIU), operated by the Hong Kong Police and the Customs and Excise Department, is a member of the Egmont Group (a prominent body of FIUs that fosters international cooperation) and continued to process reports on suspicious financial transactions. Hong Kong law enforcement agencies provided full support and cooperation to their overseas counterparts in tracing financial transactions suspected of being linked to terrorist activities. Hong Kong actively participated in various anti-money laundering and counterterrorist financing initiatives in 2005, including the Financial Action Task Force on Money Laundering (FATF) and the Asia/Pacific Group on Money Laundering.

As the primary reviewer of Indonesia's anti-money laundering and counterterrorism finance regime within the Financial Action Task Force on Money Laundering within the Asia Pacific/Group on Money Laundering, Hong Kong took the lead in co-coordinating the review group's on-site visit to Indonesia in January to examine its anti-money laundering and terrorist financing regime. Hong Kong also participated in the FATF's mutual evaluation of Ireland in June.

To further promote international and regional understanding and cooperation on anti-money laundering and terrorist financing issues, Hong Kong hosted the International Conference on Combating Money Laundering in February 2005, as well as several international anti-money laundering and terrorist financing seminars and workshops. These forums provided a good opportunity for representatives from government and other sectors to review progress and to share experience in tackling money laundering and terrorist financing challenges.

## Macau

In October, Macau submitted to its Legislative Assembly a new counterterrorism bill aimed at strengthening counterterrorist financing measures. The bill, drafted to implement the provisions of UNSCR 1373, would make it illegal to conceal or handle finances on behalf of terrorist organizations. Individuals would be liable even if they were not members of designated terrorist organizations themselves. The legislation would also allow prosecution of persons who commit terrorist acts outside of Macau and mandate stiffer penalties.

The government also submitted a money laundering bill to the Legislative Assembly that, if passed and enforced, would strengthen its oversight. Macau's financial system is governed by the 1993 Financial System Act and amendments, which lay out regulations to prevent use of the banking system for money laundering. The new bill imposes requirements for the mandatory identification and registration of financial institution shareholders, customer identification, and external audits that include reviews of compliance with anti-money laundering statutes.

Financial regulatory authorities continued to direct financial institutions to conduct searches for terrorist assets using U.S. and UN lists. Bank examiners reviewed customer profiles, large cash transaction records, and suspicious bank reports. They also interviewed frontline staff, senior management, and money laundering compliance officers.

## **Indonesia**

Following deadly terrorist bombings this year, the Indonesian Government, led by the country's first directly elected president, Susilo Bambang Yudhoyono, demonstrated a new urgency on counterterrorism that could spawn needed institutional changes and a more comprehensive counterterrorism policy. The Indonesian Government actively pursues the perpetrators of terrorist attacks.

President Yudhoyono's July appointment of a new National Police Chief, General Sutanto, led to strengthened support for needed police reform, anti-corruption steps, and focused counterterrorism measures. Reform efforts included the December appointment of 13 new regional police chiefs. In order to better track the use of cell phones, the government announced the mandatory registration of anonymous cell phone numbers effective in 2006. Cell phone providers were reportedly drafting implementation plans at year's end.

Links among violent Islamic radicals and extremist organizations, including the regional terrorist network Jemaah Islamiya (JI) and its associates, remain a serious security threat to both Western and domestic targets in Indonesia. These networks launched several terrorist attacks using connections often based on radical school ties and shared training experiences in Afghanistan, the southern Philippines, and Indonesia's Muslim-Christian violence in the former conflict areas of Maluku and central Sulawesi. Indonesia joined other countries in co-sponsoring JI for UNSCR 1267 designation in 2002.

The Sulawesi and Maluku regions were the scene of continued attempts apparently aiming to reignite inter-religious violence. In May, violent extremists brutally attacked a remote police outpost on the island of Seram, killing five policemen and their cook. Later that month, two bombs exploded in a market near Poso in central Sulawesi. This largely Christian area experienced a grisly attack in late October when six masked men beheaded three teenage Christian schoolgirls and seriously injured a fourth. In early November, two teenage schoolgirls, one Muslim and the other Christian, were critically wounded in the same region after being shot in the head by gunmen at a bus stop. In late November, masked gunmen in Poso shot and wounded a Christian university professor and his wife as they returned home from church. Although police investigations into all the Sulawesi incidents remain ongoing, by year's end no perpetrators had been charged by police in any of these incidents.

The simultaneous October 1 attacks on the resort island of Bali by three suicide bombers, which killed more than 20 and injured more than 120, including six Americans, represented the worst terrorist bombing in Indonesia since the 2002 Bali attacks. The ongoing Indonesian police investigation into the attacks led to the November 9 police raid on a terrorist safe house in Malang, East Java, and the death of Malaysian bomb maker Azahari bin Husin in the ensuing shootout. Azahari's death ended a three-year manhunt and marked a major victory

for Indonesian counterterrorism efforts. Azahari and JI recruiter Noordin Mohammed Top, a Malaysian, are suspected in nearly every major terrorist attack in Indonesia in the last five years, including the 2000 Christmas Eve bombings, the 2002 and 2005 Bali bombings, the 2003 J.W. Marriott hotel bombing, and the 2004 Australian Embassy bombing. Indonesian police continued an intense manhunt for Noordin Top, who remains at large.

Building upon the death of Azahari and the discovery of 35 bombs ready for use, Indonesian Vice President Jusuf Kalla has recruited prominent Muslim leaders to work in concert with the government to discourage youth from joining terrorist groups. The Vice President has spoken publicly of the need for the government to monitor institutions closely associated with radicalism. A number of Muslim leaders have publicly acknowledged that the bombings in Indonesia could not be justified on religious grounds. Indonesian authorities remained committed to investigating terrorist networks and prosecuting those suspected of terrorist acts.

Special counterterrorism units within the police still played the lead role in conducting counterterrorism investigations, though the previously power-wielding Indonesian military and intelligence apparatus indicated eagerness to find new relevance by joining in the counterterrorism fight.

Since President Yudhoyono assumed office in October 2004, the police have arrested more than 50 suspected terrorists, including six key individuals and the field lieutenant of the Australian Embassy bombing. In June and July, police arrested approximately 20 members of the JI-linked Islamic NGO Kompak, including terrorist financier Abdullah Sunata. Within two months of the October suicide bombings in Bali, police had tracked down Azahari, identified the three suicide bombers, and arrested several other associates of Noordin and Azahari's network. Despite major successes on the JI front, police and prosecutors had relatively little success in the arrest and prosecution of the perpetrators of terrorist violence in central Sulawesi and Maluku.

The Indonesian Attorney General's office initiated 17 new cases under the 2003 antiterrorism law and won convictions in all 17 trials. Among the 17 convicted were Iwan Dharmawan Mutho (alias Rois) and Achmad Hasan (alias Purnomo), both sentenced to death for their roles in the Australian Embassy bombing, and Agung Abdul Hamid, who received life in prison for his role in the December 2002 McDonald's restaurant bombing in Makassar in southern Sulawesi. In 2005, for the first time ever, convicted terrorists had their sentences increased upon appeal under the antiterrorism law, signaling a firmer law enforcement approach by judges.

In March, Indonesian courts sentenced JI Emir Abu Bakar Ba'asyir to 30 months in prison for his involvement in a "sinister conspiracy" to carry out the 2002 Bali attacks, but failed to convict him on any terrorism charges. In August, the government granted Ba'asyir a 4 1/2-month sentence reduction for good behavior in a routine step in celebration of Indonesia's 60th anniversary of independence. However, the government denied Ba'asyir an additional one-month sentence remission in November, traditionally given at the end of the Muslim holy month of Ramadan. In December, defense attorneys for Ba'asyir requested a judicial review of the case, citing new evidence as well as judicial error in the March conviction. The new

evidence behind the judicial review request centers on a written statement by convicted 2002 Bali bomber Amrozi that denies he requested and received Ba'asyir's approval for those attacks.

In September, Indonesia's Attorney General established a long-awaited terrorism and transnational crime task force designed to oversee counterterrorism trials nationwide through a cadre of special terrorism prosecutors, though he has yet to assign personnel to the new task force. The United States agreed to provide \$750,000 to help implement the creation of the task force.

Over the past year, the Indonesian Government continued to make progress toward developing an effective anti-money laundering regime, although more effort is needed in the areas of investigations, prosecutions, and bank and financial institution compliance. The Financial Action Task Force (FATF) removed Indonesia from its Non-Complying Countries and Territories (NCCT) list on February 11. Indonesian police have frozen terrorist financial assets uncovered during investigations, but the government's implementation of the sanctions regime established pursuant to UNSCR 1267 remains weak and is hampered by poor interagency coordination, as well as by human and technical capacity issues in both the government and financial institutions. The USAID Financial Crimes Prevention Project is a multi-year effort that provides technical advisors and support to Indonesia's effort to develop an effective and credible anti-money laundering/counterterrorism finance (AML/CTF) regime.

Indonesian counterterrorism efforts remain hampered by weak rule of law, serious internal coordination problems, and systemic corruption that further limits already strained government resources. Lawmakers and other senior elected officials continue their slow pace toward needed legal reforms that could strengthen the country's counterterrorism posture. The much-anticipated establishment of an official counterterrorism coordinating agency and of an independent police commission to guide police reform awaits final presidential approval. The government has not yet submitted a revision of the 2003 Counterterrorism Law to the House of Representatives. Indonesian authorities recognize a need to revise the law to include updated standards for introducing evidence in terror cases, and to add comprehensive conspiracy articles to more effectively prosecute terrorism cases.

## **Japan**

In 2005, Japan made valuable contributions to building counterterrorism capacity among Asian countries. In September, it participated in a trilateral strategic dialogue on counterterrorism issues with the United States and Australia to better synchronize regional activities. In July, Japan held a training course with the Government of Malaysia and the Southeast Asia Regional Center for Counterterrorism on prevention and crisis management of biological terrorism. About 50 participants from ASEAN member countries, China, and South Korea attended the seminar.

In January, Japan introduced a voluntary Advance Passenger Information System (APIS) that tightens control on suspicious travelers to prevent terrorists' entry into Japan.

In October, the Japanese Diet extended for one year the Antiterrorism Special Measures Law that allows Japan's Self-Defense Force (JSDF) to support Operation Enduring Freedom (OEF). As of December 3, the Maritime Self-Defense Force (JMSDF) had provided approximately 7.3 million gallons of fuel to U.S. and allied naval vessels engaged in OEF in 2005. In December, the Koizumi cabinet extended the Basic Plan for one year to allow continued JSDF reconstruction and humanitarian activities in Iraq.

In 2005, the Foreign Ministry granted long-term diplomatic status to U.S. Customs and Border Protection (CBP) officers working on the Container Security Initiative in Japan. The Japanese Customs Bureau was reorganized to facilitate cooperation between Japanese CSI teams and U.S. CBP officers. Japan formally accepted the U.S. air marshal program, and started its own air marshal program on flights to and from the United States. After substantially rewriting its immigration legislation to improve enforcement capabilities, Japan agreed in principal to participate in the Immigration Advisory Program; coordination is ongoing. Japan is an advocate and active participant in the International Port Security Program. Widely considered a leader in the region in maritime security collaboration, the Government of Japan hosted a number of bilateral and multilateral maritime security events. The Ministry of Land, Infrastructure, and Transport's Maritime Bureau established the Port State Control Officer exchange program with the U.S. Coast Guard to share best practices in implementing international ship security requirements while boarding foreign flag ships in Japan.

The National Police Agency (NPA) and the Public Security Intelligence Agency (PSIA) continued to monitor the activities of Aum Shinrikyo, renamed Aleph. According to the PSIA, at the end of 2004 Aleph had about 650 live-in followers and about 1,000 other followers with 26 facilities in 17 prefectures. The cult also has about 300 followers in Russia. In May, the Tokyo police raided 22 facilities and arrested several Aleph members for working without a government license. The PSIA continued surveillance of the group through 2005, and in November requested Public Security Commission permission to continue surveillance for three more years through January 2009.

The Tokyo District Court sentenced Haruo Wako, a former Japanese Red Army (JRA) member, to life in prison in March. Wako and other members of the JRA are responsible for seizing the French Embassy in The Hague in 1974 and the U.S. Embassy in Kuala Lumpur in 1975. Wako is appealing the sentence. Prosecutors in September also asked for a life sentence for Fusako Shigenobu, the alleged mastermind of The Hague incident.

In June, the Diet (Parliament) amended Japanese immigration law to allow the sharing of information with foreign immigration officials. The Immigration Bureau of the Ministry of Justice completed the implementing guidelines and is ready to commence detailed discussions on the logistics of sharing information. The Ministry of Foreign Affairs is also ready to move forward on the sharing of lost and stolen passport data.

## **Republic of Korea**

The Republic of Korea (ROK) boasts the third-largest troop presence in Iraq, demonstrates excellent law enforcement and intelligence capabilities, and provides terrorism-related training to law enforcement officials from various developing countries. Traditionally focused on potential terrorism from the Democratic People's Republic of Korea (DPRK, "North Korea,") the ROK is slowly shifting its attention to possible acts of terror from beyond the Korean Peninsula, especially from al-Qaida and other groups that oppose the ROK's military presence in Iraq.

Seoul has supported U.S. goals in both Afghanistan and Iraq since 2003, despite political pressure from a skeptical Korean public. One of the early contributors to Operation Iraqi Freedom, the Republic of Korea maintains 3,200 troops in Iraq, making it the third-largest foreign troop contingent in Iraq; it also has committed \$200 million in assistance to Iraq between 2004 and 2007.

The Republic of Korea has highly trained and capable intelligence and law enforcement agencies, as well as other government entities that monitor information on potential acts of terror and react in the event of a terrorist incident. The ROK Government and public traditionally have focused on acts of terror by the DPRK but recently have begun to recognize terrorism as a global problem that could affect its citizens and interests beyond the Korean Peninsula.

The June 2004 murder of Korean citizen Kim Sun-il by Iraqi insurgents with al-Qaida ties was a critical wake-up call, because it was the first time that a ROK citizen had been targeted by an entity other than North Korea. The incident galvanized both the government and National Assembly to push for comprehensive counterterrorism legislation. The draft bills for the counterterrorism legislation have not yet passed the National Assembly; however, in March the ROK Government as an interim step revised its National Antiterror Action Directive (Presidential Directive 47).

The ROK Customs Service began the Container Security Initiative program with the United States in the port city of Pusan in August 2003. U.S. and ROK intelligence, defense, and law enforcement agencies worked together successfully to prevent the outbreak of any terrorist incidents during the November 2005 APEC Leaders Meeting, hosted by the ROK in Pusan.

The government consistently supported greater regional cooperation in combating terrorism in various international fora, such as the ASEAN Regional Forum (ARF). In recent years, the ROK has taken a leading role in joint counterterrorism projects with other members of the Asia-Pacific region. It hosted the Third Conference on Secure Trade in the APEC Region (STAR III) in February, focusing on aviation and maritime security. The government also dispatched expert speakers from the Korean National Police Agency to the Southeast Asia Regional Cooperation on Counterterrorism (SEARCCT) Cyber-terrorism Seminar, hosted in May by Malaysia.

In June, Seoul hosted a workshop on cybersecurity for the Asia-Europe Meeting (ASEM). The ROK and the Philippines co-chaired the Second ARF Seminar on Cyberterrorism, which was held in October in Manila. The Korean National Police Agency and the Korea International Cooperation Agency (KOICA) co-hosted a two-week training workshop in September, inviting 30 law enforcement officials from Russia and Southeast Asia to participate in training sessions on international cooperative investigation and cyber crime investigation. They also invited 10 Thai law enforcement officials to a two-week forensic science program in November that provided training on responding to acts of terrorism.

In 2005, the government mandated through a revised National Antiterror Action Directive (Presidential Directive 47) the institutionalization of interagency committees on counterterrorism, including a ministerial-level standing committee, a weekly working group meeting, and a counterterrorism council chaired by the Prime Minister. The directive also established a Terrorism Information Integration Center at the headquarters of the National Intelligence Service (NIS), with responsibility for the collection, analysis, and dissemination of potential intelligence on terrorist activities targeting ROK interests.

The Korean authorities increased their vigilance in the months following the June 2004 murder in Iraq of Kim Sun-il, reacting to threats from groups affiliated with al-Qaida to launch attacks in retaliation for Seoul's decision to dispatch additional troops to Iraq. South Korea also increased security precautions in the months leading up to the November 2005 APEC Leaders Meeting in Pusan. The government's stringent immigration policies and practices, and its generally homogeneous population, prevent the country from being a terrorist sanctuary. Korean immigration and law enforcement agencies have an excellent record of tracking suspicious individuals entering their territory and react quickly to potential acts.

The Republic of Korea is a valued international partner in the fight against terror financing and other financial crimes such as money laundering, and it is pursuing international agreements in this regard. The government hopes to sign an agreement with the United States to form a Financial Crime Enforcement Network to provide a more effective exchange of information on money laundering. The National Assembly passed the Financial Transaction Reports Act, a major anti-money laundering law that mandates a currency transaction reporting system and enhanced due diligence requirements for financial institutions.

## **Laos**

Although the Government of Laos has positive intentions regarding counterterrorism, weak enforcement procedures and inefficient security organizations hamper the implementation of multilateral agreements. Border security is poor, and Laos unwittingly could be used as a safe haven for terrorists. Since 2002, Laos consistently has denounced international terrorism and expressed a willingness to cooperate with the international community on counterterrorism. Its actions, however, have mostly been disappointing, due to both a lack of resources and skill and an attitude among Lao officials that Laos could not become a target of international terrorism. In spite of the presence of a domestic insurgency that has employed terrorist tactics, such as ambushing civilian buses and bombing civilian targets, Lao officials at many





South Korean Foreign Minister Ban Ki-Moon (center) and his Lao counterpart Somsavat Lengsavad (right) sign a joint declaration to combat international terrorism during a meeting of the Association of Southeast Asian Nations (ASEAN) in Vientiane in July, while Indonesian Foreign Minister Hassan Wirajuda (left) serves as a witness. (AFP Photo/Deshakalyan Chowdhury)

levels see terrorism as an issue of only marginal relevance to Laos; they believe that Laos, as a small and neutral country, would not be targeted by international terrorists.

Laos experienced a handful of bombings conducted by suspected anti-government groups in 2005, but no injuries or deaths were reported. The Bank of Laos vetted government and commercial bank holdings for possible terrorist assets, as identified by U.S.-provided lists of terrorist organizations and individuals, and has issued freeze orders for assets of organizations and

individuals named on these lists. However, the Bank has yet to take steps to report on its implementation of the provisions of UNSCR 1373 (Laos is late in submitting its third report to the CTC) or to require the freezing of assets of individuals and entities included on the UNSCR 1267 Sanctions Committee's consolidated list.

At UN and U.S. request, Laos continued efforts to identify assets of terrorists and sponsors of terrorism. The Bank of Lao issued freeze orders for assets of organizations and individuals named in lists provided by the United States. Lao authorities issued orders limiting the amount of cash that can be withdrawn from local banks and strengthened reporting requirements of state and privately owned commercial banks. Banking regulation remains extremely weak, however, and the banking system is vulnerable to money laundering and other illegal transactions.

Laos does not have a separate counterterrorism law. The Lao judicial system, however, is prepared to prosecute acts of terrorism as serious crimes under the Lao criminal code, and recent amendments to the criminal code have strengthened counterterrorism sanctions.

Laos' border security is weak; border officials cannot effectively control access to the country. Since 9/11, Lao authorities have strengthened airport security, but security procedures at both airport and land immigration points remain lax compared with most other countries in the region. In addition, official Lao identity documents, including passports and ID cards, can be purchased from corrupt officials.

There are no areas of the country where terrorists are relatively free to operate. Laos does have a small insurgency numbering perhaps 1,000 to 2,000 persons, including women and children, that is based in very remote areas of the north. Insurgents were responsible for a series of attacks against passenger vehicles along Route 13 in northern Laos in early 2003. These attacks led to the deaths of approximately two dozen civilians.

## Malaysia

Malaysian authorities have detained more than 110 suspected terrorists since May 2001 under the Internal Security Act (ISA), which allows for detention without trial on renewable two-

year terms. According to public sources, Malaysia renewed 29 two-year detention orders for terrorist suspects, while nine such detainees were granted conditional release. Malaysia has a bilateral extradition treaty with the United States and is in the process of negotiating a mutual legal assistance treaty (MLAT), both of which have the potential to aid in counterterrorism cooperation.

Malaysia facilitated regional counterterrorism training and cooperated in efforts to catch terror suspects. The Southeast Asia Regional Center for Counterterrorism (SEARCCT), established in 2003 under Malaysia's Ministry of Foreign Affairs, continued training Malaysian and regional authorities in law enforcement, banking, and other sectors. Trainers from the United States, Japan, Australia, South Korea, Britain, France, Russia, and Canada participated in regional counterterrorism courses, lectures, and workshops.

Concerns remain over separatist violence in southern Thailand. People along both sides of the porous border share Malay ethnicity and the Islamic faith, and their families and business interests often straddle the boundary. While Malaysian tourists have been injured by bombings in southern Thailand, the violence has not spread across the border.

## **Mongolia**

There are no known terrorist groups operating in Mongolia and no known bases of support. However, government officials cite more than 6,000 kilometers of porous borders, easy entry for foreign travelers, and poverty as contributing conditions that could lead to terrorism within Mongolia. The Government of Mongolia moved to increase awareness of the possibility of terrorism and to consider new laws. In December, a law to combat money laundering and terrorist financing offenses was approved by the Cabinet for submission to the Parliament.

The Mongolian police, Ministry of Justice, and the General Intelligence Agency's counterterrorism branch all cooperated with the U.S. Embassy and willingly provided any requested support, most notably during the November visit to Mongolia by President and Mrs. Bush and Secretary of State Rice. Due to resource and technical limitations, however, law enforcement capacities, including those related to counterterrorism, remain modest at best.

Mongolia deployed a fifth rotation of 150 Mongolian soldiers to Iraq in September in support of Operation Iraqi Freedom. In October, 13 Mongolian soldiers were deployed to Afghanistan, the country's fifth rotation in support of Operation Enduring Freedom.

## **New Zealand**

New Zealand further strengthened its domestic counterterrorism legislation in 2005. In December 2004, the government introduced a bill into Parliament to extend until 2007 New Zealand's UN Security Council-related designations of terrorist organizations. In June, Parliament passed the Terrorism Suppression Amendment Act 2005, which expanded criminalization of terrorist financing to include the intentional financing of non-designated organizations that engage in terrorism. The amendment also extends until 2007 New Zealand's UN Security Council-related designations of terrorist organizations. By year's end,

New Zealand had designated 420 terrorist organizations. To date, no funds belonging to these organizations have been found in New Zealand.

In April, Parliament passed the Charities Act, which established a Charities Commission to regulate and monitor charitable entities. Charities will be obliged to register with the Commission in order to gain tax exempt status. A charity will not be able to register if it is a designated terrorist entity or convicted of any offense under the Terrorism Suppression Act.

New Zealand continued cooperative efforts to enhance counterterrorism capacity both in the Pacific region and beyond. It played a leading role organizing and funding through the Pacific Security Fund the first Pacific Islands Forum-wide counterterrorism contingency planning exercise, Exercise Ready Pasifika, which took place in Suva, Fiji, in November. The exercise brought together senior counterterrorism officials from all Pacific Islands Forum countries to assess their capacity to plan for, and respond to, a developing terrorist incident. Exercise Ready Pasifika focused on four specific themes: internal cooperation and coordination, legal frameworks (with a particular focus on terrorist financing measures), border security (especially port and immigration security), and regional cooperation.

In June, New Zealand hosted the inaugural Pacific Working Group on Counterterrorism (WGCT) in Auckland. The Working Group brought together counterterrorism officials from Pacific Islands Forum member countries, Forum observer countries, and relevant regional organizations to discuss the region's priorities, challenges, and progress in implementing the international counterterrorism agenda.

New Zealand offered assistance to Pacific Islands Forum member countries to help them submit reports pursuant to UN Security Council Resolutions 1267, 1373, and 1540. Seven Pacific Island countries responded positively to this offer, and New Zealand assistance is being provided to them.

In June, New Zealand concluded a bilateral MOU on enhanced counterterrorism cooperation with Fiji. New Zealand signed a Joint Declaration to Combat International Terrorism with ASEAN in July. The New Zealand Police continued its relationship with the Indonesian National Police under a bilateral MOU on cooperation in countering terrorism. The New Zealand Police provided practical assistance to Indonesia following the series of bomb attacks in Bali in October.

New Zealand has been a strong supporter of the Australia and Indonesia Interfaith Dialogue Initiative (IFD).

## **Philippines**

The major, and disturbing, trend in the Philippines has been the growing cooperation among the Islamist terrorist organizations operating in the country: Jemaah Islamiya (JI); the Abu Sayyaf Group (ASG); and the Rajah Sulaiman Movement (RSM). The near-simultaneous Valentine's Day bombings in Manila, Davao, and General Santos City involved operatives from all three entities and resulted in eight deaths and 150 injuries.



*A boy walks past the wreckage of a bus charred during the February 14 bombing in Manila. There were also terrorist attacks that day in Davao and General Santos City. (AFP Photo/Joel Nito)*

These bombings also used more technically sophisticated explosive devices, another cause for concern. The RSM, composed of Christian converts to Islam, has the ability to blend in and move freely about Luzon and other urban areas of the Philippines. The Philippines experienced another domestic terrorist attack in August when a bomb exploded aboard the Dona Rosa passenger ferry in Basilan, injuring 30 people, four of whom subsequently died.

Philippine authorities had a number of successes against terrorists in 2005. The government's most recent successes were the arrest in October of several members of the ASG-affiliated Rajah Sulaiman Movement, including RSM leader Ahmad Santos, and the arrest in December of RSM's alleged second-in-command and operations chief, Pio de Vera. The Antiterrorism Task Force (ATTF) arrested, captured, or killed 83 suspected terrorists. In March, it coordinated operations that led to the seizure of 600 kilos of ammonium nitrate and other bomb making materials stored in an apartment in Quezon City in the metropolitan Manila area.

Several terrorists were convicted in Philippine courts. In June, a Philippine court convicted seven members of the Abu Sayyaf Group responsible for the Dos Palmas kidnapping, the Lamitan siege, the Golden Harvest massacre, and the Balobo massacre, which all took place in the Southern Philippines in 2001. In October, a court convicted RSM operative Angelo Trinidad, JI operative Rohmat (aka Zaki), and ASG operative Gamal Baharan for their roles in the February 14 triple-city bombings.

Several key ASG figures were also killed during armed encounters with the Philippine armed forces. Wedjimeh Sayad and Ahmad Sabudin, operatives serving under ASG sub-leader Jundam Jamalul, were killed in an encounter in Sulu on September 5. Jainal Usman, a senior ASG lieutenant who was behind the abduction of six Malaysian resort workers in 2003, was killed in fighting in Tawi-Tawi on November 17 along with two subordinates, Faizal Mohammad and Pula Ali.

The Philippines made some progress in tracking, blocking, and seizing terrorist assets. The main body tasked with investigating terrorist finance cases, the Anti-Money Laundering Council (AMLC), completed the first phase of its information technology upgrades in 2004. From January to October 2005, AMLC received 1,760 suspicious transaction reports involving 8144 suspicious transactions, as well as covered transaction reports involving 44 million covered transactions. Because of the significant improvements in the government's anti-money laundering capacity and efforts, and the AMLC's accomplishments and efforts in addressing remaining vulnerabilities, the OECD's Financial Action Task Force removed the Philippines from the Non-Cooperative Countries and Territories list in February. Subsequently, AMLC was accepted as a member of the Egmont Group, a prominent body of financial intelligence units that fosters international cooperation.

The government continued to imprison Juanito Itaas, convicted by Philippine courts in connection with the 1989 murder of Colonel James Rowe, the deputy commander of the Joint U.S. Military Advisory Group. Donato Continente, also convicted as an accessory to the murder, was released in June after serving his full term. Both Itaas and Continente were associated with the Communist Party of the Philippines/New People's Army (CPP/NPA) terrorist group at the time of the murder.

The absence of a law defining and codifying terrorist acts, combined with restrictions on gathering of evidence, continues to hinder the building of effective terrorism cases in the Philippines. These problems include rampant corruption, low morale, inadequate salaries, recruitment and retention difficulties, lack of information technology upgrades, and lack of cooperation between police and prosecutors.

A large and growing case backlog and the absence of continuous trials for terrorism cases are major impediments to the Philippines' prosecution of suspected terrorists. After four successive years of trying, the Philippines came closer to enacting new counterterrorism legislation in 2005. A counterterrorism bill passed its second out of three readings in the House of Representatives in December. The bill remains stalled in the Senate, which is seeking assurances that provisions of the legislation could not be used by the government against political opponents as well as against terrorists.

The Philippines issued arrest warrants for all Filipino nationals sought by the United States on terrorism charges. The United States and the Philippines signed a bilateral extradition treaty in 1996. The treaty gave precedence to the Philippine Government for the prosecution, conviction, and imprisonment of Filipino criminals apprehended in the Philippines.

Philippine military and law enforcement at the regional and provincial level worked closely with U.S. Embassy counterparts and visiting military personnel to ensure antiterrorism force protection to more than 25 annual U.S.-Philippine bilateral military events conducted throughout the country.

The State Department is in the process of establishing an in-country Antiterrorism Assistance Program to improve the capability of government agencies to respond to terrorist threats. The Australian-funded Bomb Data Center for the Philippine National Police also provided a new and important resource for investigating terrorist attacks.

U.S. and Philippine authorities worked closely to continue the Rewards for Justice programs targeting terrorist groups. Using its Rewards Program, the USG made a number of payments ranging from \$2,500 to \$50,000 to informants who played critical roles in the capture of JI and ASG terrorists. The U.S. Department of Defense also made two in-kind payouts under the rewards program in July, valued at \$1,000 and \$2,500, respectively.

Under USAID's multi-year LEAP (Livelihood Enhancement and Peace) program, 28,000 Moro National Liberation Front (MNLF) combatants were successfully integrated into the economic mainstream.

Border management in the Philippines struggles under the pressures of poor physical and information technology infrastructure, and insufficient capital and human resources. Increased traffic and antiquated facilities overburden airports and seaports. Understaffed customs and immigration offices, manned by undertrained and underpaid officials, are extremely vulnerable to corruption. The United States has made some headway in assisting the Philippines in improving border management systems.

Despite plans dating back to 2001, the Philippine Department of Foreign Affairs has not yet introduced a digitized machine-readable passport. However, the Philippine Government did complete a review process.

The Philippine government cooperated on regional counterterrorism efforts through its membership in APEC and in ASEAN. The Philippines unanimously was elected chair of APEC's Counterterrorism Task Force in November 2004, and held this post throughout 2005. At the Fifth ASEAN Ministerial Meeting on Transnational Crime in November, ASEAN nations, including the Philippines, called for the establishment of an ASEAN Convention on Counterterrorism.

## **Singapore**

During 2005, Singapore continued its intelligence and law enforcement cooperation with a variety of governments, including the United States, to investigate terrorist groups, especially Jemaah Islamiya (JI). Singapore requested that Indonesia extradite several JI members to face trial for engaging in a conspiracy to commit terrorist acts in Singapore.

In 2005, Singapore detained three members of the regional terrorist group JI under the Internal Security Act (ISA). As of November, 36 people with links to terrorist groups were in detention. Detainees included members of JI who plotted to carry out attacks in Singapore in the past, and members of the Moro Islamic Liberation Front (MILF). Under their orders of detention, the detainees were required to undergo a program of religious counseling with a group of volunteer religious counselors. Singapore enlisted the support of religious teachers and scholars to provide counseling, study JI's ideology, and develop teachings to counter the group's spread within Singapore's Muslim community.

In February, Singapore announced it would spend \$23 million over three years to enhance computer security and combat cyberterrorism. Singapore's Parliament amended the Moneychanging and Remittance Businesses Act in August to strengthen the government's ability to combat money laundering and terrorist finance-related activities in the moneychanging and remittance sector.

Singaporean officials have taken strong measures to enhance maritime security in nearby waters, especially the Strait of Malacca. These measures are focused on addressing terrorist threats as well as piracy and other criminal attacks. In August, Singapore hosted Exercise Deep Sabre, a Proliferation Security Initiative (PSI) maritime interdiction and port search exercise that was the first PSI exercise in Southeast Asia, with participants from 13 nations. Singapore and the United States agreed in August to launch Operation Safe Commerce



*Singapore Armed Forces commandos board a vessel during a simulated exercise off the Singapore Straits in March 2005. (AFP Photo/MINDEF/HO)*

Singapore Phase Three, a program that evaluates vulnerabilities in maritime trade lanes that could allow entry of weapons of mass destruction, contraband, or illegal immigrants into U.S. ports. In September, Singapore, Indonesia, and Malaysia launched an "Eyes in the Sky" initiative, whereby the three nations will conduct combined maritime air patrols over the Straits of Malacca and Singapore.

Singapore actively participated in counterterrorism efforts through various international fora, including the ASEAN Regional Forum. In March, Singapore and the United States co-hosted an ASEAN Regional

Forum confidence-building measure conference on maritime security. In June, Singapore hosted the first Asia-Middle East Dialogue, with government and non-government representatives from 50 countries. Senior Minister Goh Chok Tong proposed the dialogue as a "platform for progressive Muslim voices."

## **Taiwan**

In January, Taiwan established a cabinet-level Counterterrorism Office (CTO) to oversee and coordinate an interagency response to terrorist activities in Taiwan and in the region. The CTO is comprised of representatives from ten agencies, including the National Security Bureau, the National Police Administration, the Department of Health, and the Atomic Energy Council. Since its inauguration, the CTO has conducted two large-scale training exercises. The first, held in April, tested responses to a terrorist attack against critical infrastructure as well as responses to a toxic spill, while the most recent exercise in December focused on chemical and biological threats. The CTO's primary mission remains counterterrorism, but there are plans to broaden its focus by incorporating crisis management and disaster preparedness to create a new Ministry of Interior and Homeland Affairs in a proposed governmental reorganization.

In September, the Container Security Initiative began operations in Kaohsiung, identifying and targeting shipping containers that pose a terrorist risk. Preliminary discussions are underway to expand the Initiative to the northern port of Keelung. Taiwanese authorities expressed a willingness to join the U.S. Department of Energy's Megaports program to help restrict trafficking in radioactive materials.

Taiwan was elected to the Steering Committee of the Asia Pacific Group on money laundering. Taiwan continued to provide rapid and thorough responses on terrorist finance issues and brought to U.S. attention a number of suspect transactions. The Ministry of Justice drafted a new, detailed "Antiterrorist Action" law modeled after the U.S. Patriot Act. The draft bill is being reviewed by the Executive Yuan.

## **Thailand**

Thailand continues to support domestic and international counterterrorism efforts. The country is a major beneficiary of U.S. antiterrorism assistance; numerous Thai police and security officials participated in U.S. Government training programs.

Thailand's biggest domestic security challenge is the ongoing insurgency in the far south of the country. This region, bordering Malaysia, has experienced episodic separatist-related violence for decades. Since January 2004, however, violence has increased dramatically and has continued throughout 2005. There are no indications that transnational terrorist groups are directly involved in the violence, and there is no current evidence of direct operational links between southern Thai separatist groups and regional terror networks. Overall, the Royal Thai Government maintains that the situation remains a domestic issue.

Elements of the government expressed public concern, however, that militants involved in the violence may have received funding and training from outside Thailand. Relations between Thailand and Malaysia were strained as the violence continued in Thai territory near their common border. The ongoing unrest attracted increased international attention and the concern of international Islamic organizations. In March, in response to the violence, the Indonesian-based Nahdlatul Ulama Islamic organization sent a delegation to Thailand. In June, the Organization of Islamic Conferences sent a fact-finding delegation to study the underlying causes of the violence.

Police forensics and ballistics work often failed to produce evidence that led to arrests following insurgent attacks, and government prosecutors struggled to develop cases that could stand up in court. In June, four southern Thai Muslims, accused of having links with Jemaah Islamiya (JI), were acquitted by a Bangkok court because of a lack of evidence.

No current direct evidence exists that regional or transnational terror groups such as Jemaah Islamiya or al-Qaida are operating in Thailand. Several Thai JI associates who provided financial and logistics support to JI fugitive leaders and operatives remain in Thailand. Since Hambali's capture in 2003, there has been no indication that these Thai nationals had any form of contact with JI. Thailand does not have any indigenous terrorist groups, but there are several militant domestic separatist groups implicated in the ongoing unrest in the far southern Muslim-majority provinces of Narathiwat, Yala, and Pattani and in several districts of Songkhla Province. These organizations include the Pattani United Liberation Organization, Barasi Revolusi Nasional, and Pattani Islamic Mujahedin Movement.

Some of these separatist groups may share the basic ideology and general rejection of Western influence held by international Islamic terrorists, but by all indications they remain primarily focused on seeking autonomy or independence for the far southern provinces. During 2005, separatist militants conducted attacks that included coordinated bombing attacks using improvised explosive devices (usually triggered with a cell phone), shootings, and



beheadings. There is no evidence that foreign governments provided financial, military, or diplomatic support for Thai separatist groups.

The U.S. and Thai militaries conducted a large number of joint exercises and training programs that supported counterterrorism objectives. The United States and Thailand have undertaken a joint effort to create a national training facility that will provide field training for Thai military and police units involved in counterterrorism operations. Bangkok's International Law Enforcement Academy is a center for law enforcement skills training that is useful to counterterrorism efforts. Under the auspices of the Container Security Initiative, Thailand is engaged in a range of port security programs. Thailand is working with its international partners to eliminate financial support networks for terrorists.

The government participated actively in international counterterrorism efforts, but areas of concern remain. Thailand has not endorsed the Proliferation Security Initiative, a key objective given Thailand's regional leadership role and strategic location. Because Thailand is an international center for document fraud, the Thai Government has engaged with the G8 Counterterrorism Action Group (CTAG) on increasing penalties for document fraud, but proposed legislation has not yet been passed.