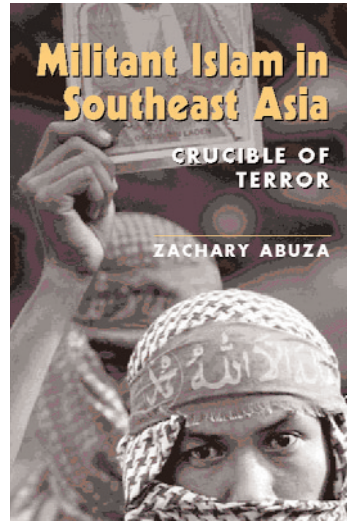


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Militant Islam  
in Southeast Asia  
Crucible of Terror

Zachary Abuza



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## CHAPTER 1

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# Al-Qaida and Radical Islam in Southeast Asia

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ISLAM IN SOUTHEAST ASIA HAS ALWAYS BEEN DEFINED BY TOLERANCE, MODERATION, and pluralism. Most of the Muslim inhabitants of Southeast Asia support the secular state and eschew the violence and literal interpretations of Islam that have plagued their South Asian and Middle Eastern co-religionists. Only a small minority advocates the establishment of Islamic regimes governed by *sharia*, law based on the Quran. There have always been Muslim militants in the region, but the conventional wisdom holds that these militants were focused on their own domestic agenda. As one of the most noted U.S. scholars on Southeast Asian security wrote: “Southeast Asian terrorist groups are essentially home grown and not part of an international terrorist network, although individual members may have trained with Al-Qaida in Afghanistan.”<sup>1</sup> That analysis is naïve and underestimates the degree to which radical Islamists in Southeast Asia have linked up with transnational terrorist organizations like Al-Qaida. Academics and policymakers have been loath to come to terms with the growing threat of radical Islamicism in Southeast Asia. The devastating attack on a Balinese nightclub on October 12, 2002, in which some 202 people (mainly Australian tourists) were killed, was a wake-up call to governments in denial and skeptics in the region. The attack was Al-Qaida’s second most deadly after the September 11, 2001, attacks on the United States and drove home the point that Al-Qaida and its regional arms pose an enormous threat to the safety and well-being of states. Although these militants represent a distinct minority of the population, their ability to cause political and economic instability means that we have to take them seriously. To date there has been no study of militant Islam in Southeast Asia, nor an appreciation of Al-Qaida’s links to the region.

### ■ The Impact of September 11 on the Region

The impact of the September 11 terrorist attacks on the governments of Southeast Asia was enormous, forcing them to confront a radically changed security environment. It elicited an unprecedented and robust Japanese commitment to the U.S. effort, the deployment of Japanese military forces abroad, and potentially a constitutional amendment eliminating Article 9, which makes foreign deployment of Japanese forces illegal. It also raised questions of China's role. On the one hand, China has its own problems with Muslim radicals and Uighur separatists now linked to Al-Qaida by the United States. On the other hand, China remains critical of the unilateral use of force by the United States. To date, China has cooperated fully with the United States, but in return it expects a greater role in international security issues. More important to Southeast Asian states is the question of Chinese aggression in the region if the United States becomes embroiled in a drawn-out war against terrorism. One should have taken note of how quickly the Philippines, which recently has had territory seized by the Chinese, offered the United States transit and supply facilities in its former naval and air bases and allowed more than 1,000 U.S. troops to train Philippine forces. Many Southeast Asian countries are concerned that if the United States becomes disengaged from the region, China will try to fill the strategic vacuum. Questions now exist in all Asian countries about the future of national missile defense, which could have a hugely destabilizing impact on the Asia-Pacific region.

The long- and short-term effects on already fragile economies, whose recovery since the 1997 economic crisis is uncertain and overly based on export-led growth, will be enormous. If the U.S. economy continues to slow, leading to declining imports, the impact across Asia will be profound. The oil-producing states in Southeast Asia have a compensating factor, but certainly not enough to make up for a global economic downturn. In a recent report, the World Bank revised its forecast for export growth in the region, from 3.6 to 1 percent in 2001.<sup>2</sup> Across the region, growth estimates for 2001 were slashed: Singapore revised its gross domestic product (GDP) estimates from 3.5 to 5.5 percent downward to 0.5 to 1.5 percent. The Philippines lowered theirs from 4 to 2.5 percent. Thailand's fell from 4.5 to 2 percent. Indonesia's estimate fell from 5 to 2.5 percent. Although Asian countries, excluding Japan, received a record amount of foreign investment in 2000, some \$143 billion, only 10 percent, went to Southeast Asian nations, down from 30 percent in the mid-1990s. China is far more appealing to international investors, with its huge internal market and its cheap labor force.<sup>3</sup> However, with war in Iraq, the amount of foreign investment moving into Southeast Asia declined further, with considerable impact on the region's economies.

Like everywhere else, the regional airline industry was particularly hard hit. The manufacturing industries in Southeast Asia, with their focus in electronics, are very vulnerable to global slowdowns. Sixty percent of Malaysia's exports come from the electronics industry; in Singapore, exports, mainly in the electronic sector, account for 153 percent of GDP. In the Philippines and Thailand, where exports account for 50 percent and 65 percent of GDP, respectively, there was a palpable sense of alarm as exports slowed. Unemployment was already a problem in the region.

The Southeast Asian economies remain vulnerable to external forces, and they are highly vulnerable to terrorism. The October 2002 bombing of the Sari Nightclub in Bali led to an immediate 10 percent drop in the Jakarta Stock Exchange, as traders contemplated the bombing's effect on the \$5 billion a year tourist industry. Indonesian GDP for 2002 fell to 3.4 percent, down nearly 1 percent due to the bombing.<sup>4</sup> The outbreak of SARS (severe acute respiratory syndrome) has further hurt regional tourism.

Yet the most profound impact on the region will be felt politically. Every country in Southeast Asia has a Muslim community: 5 percent of the Philippines, 5 percent of Thailand, 5 percent of Cambodia, 65 percent of Malaysia, and 85 to 90 percent of Indonesia. Indeed, Indonesia is the world's largest Muslim country, with some 180 million Muslims.

Southeast Asia was always considered the "Islamic fringe," home to mostly secular Muslims who shunned the radical variants of Islam found in the Middle East. Studies reinforced the notion that unlike in the Middle East, Islam in Southeast Asia facilitated the development of civil society and democracy. Across the region, there has been an Islamic resurgence in the past few decades.<sup>5</sup> Spectacular economic growth from the mid-1970s to the mid-1990s led to two contradictory pressures for an Islamic revival. On the one hand, the rapid pace of industrialization, urbanization, and the decline in traditional village life created a spiritual vacuum. Change is destabilizing, and people often turn to religion to make sense of their changed lives. Development led to the introduction, and in some cases saturation, of Western values into the region, threatening the traditional elites. And the influence of the Iranian Revolution on the entire Muslim world was profound. On the other hand, Islamization of Southeast Asia was also the direct result of sustained economic growth. For many in Indonesia and Malaysia, it was proof that one could be modern, industrial, and urban while still being a devout Muslim. Muslim moderates rejected the idea that Islam held the country in a state of underdevelopment.

All of the governments of Southeast Asia are secular. Extremists represent a miniscule proportion of the populations, and the potential for any Southeast Asian state to be taken over by a fundamentalist regime is small. The resounding defeat of the inclusion of *sharia* law into Indonesia's constitution by the parliament is evidence of this. But Islamic fundamentalism has

been growing steadily since the early 1970s, and many in the region are beginning to at least acknowledge that they share the extremists' grievances, if not methods. In some countries, it has even become politically incorrect or politically foolhardy to stand up to the extremists. Governments, especially in Malaysia and Indonesia, used Islam as a legitimizing force to varying degrees in the past, though both governments have always been wary of the independence of the ulamas, Muslim scholars trained in Islamic law.

For the most part, the grievances of radical Muslims across Southeast Asia are local in nature. However, since the early 1990s, there has been a noticeable expansion of both radical Islamists and their transnational activities. Such groups are now operating out of foreign countries, where there are fewer political and law enforcement constraints on their activities than at home. In that process, the radical Muslims are beginning to establish relationships with other extremist groups. It is not uncommon now for groups from one country to train and coordinate their activities and assist one another.

That militant and extremist groups are gaining strength throughout the region is alarming. Yet an even greater cause for concern is that radical Islamists—those who are trying to establish an Islamic state governed by *sharia* through violence and extralegal means—are increasingly relying on each other in different states for assistance, financing, and training. Domestic groups with domestic grievances are now forming international alliances in pursuit of their goals—if not the furtherance of those goals.

There is one final cause for concern, the linkages between the loosely affiliated terrorist network known as Al-Qaida, run by Osama bin Laden, and local Islamic groupings, insurgencies, and cells. There has clearly been deep penetration of Southeast Asia by Al-Qaida, with cells in Indonesia, Malaysia, the Philippines, Thailand, Myanmar (Burma), Cambodia, and Singapore. Following the loss of its secure bases in Afghanistan in late 2001–early 2002, Al-Qaida became a more dispersed and diffuse organization, and Southeast Asia emerged as one of its major operational hubs. In a sense, the defeat of the Taliban has increased the threat to Southeast Asia.

#### ■ Al-Qaida

There is a growing body of literature on Osama bin Laden and the Al-Qaida network.<sup>6</sup> For our purposes here, we need not delve into the organization's history. The scion of Saudi Arabia's largest construction magnate, bin Laden was one of fifty children. In many ways, he was always the outsider: Unlike many of his brothers, he was educated in Saudi Arabia, not Europe or the United States; he was born to a Syrian mother while his father was a Yemeni; and he joined the family concern, the Bin Laden Group, but it was firmly in the control of his elder brothers. It was not until he joined the mujahidin in Afghanistan that he found his calling.

In Afghanistan, bin Laden was deeply influenced by three individuals: Abdullah Azzam, Prince Turki bin Faisal bin Abdelaziz, and Ayman al-Zawahiri. Azzam was the founder of the Maktab al Khidmat lil-Mujahidin al-Arab (MaK), known as the Afghan Bureau. The MaK was established around 1985 and was based as an organization on the life of the Prophet Mohammed. It was responsible for coordinating the recruitment of “Arab volunteers” to the mujahidin. Bin Laden became the organization’s principal funder and coordinated fund-raising in the Gulf region. Prince Turki, the head of Saudi intelligence, was the key conduit of weapons and money to the mujahidin (usually through the Pakistani Inter-Service Agency—the Pakistani Intelligence Service, ISI). Prince Turki saw to the establishment of two banks and nongovernmental organizations (NGOs) under the World Muslim League umbrella, to funnel money to the mujahidin. Ayman al-Zawahiri was the head of the Egyptian Islamic Jihad, responsible for the assassination of Egyptian President Anwar Sadat. Al-Zawahiri became bin Laden’s spiritual mentor.<sup>7</sup>

Abdullah Azzam, himself a member of the Muslim Brotherhood, was the Vladimir Lenin of radical Islam. He believed that jihad had to be led by an organization. And that organization had to be based on the life of the Prophet Mohammed. To that end, the organization would have four phases: *hijra* (emigrate/withdrawal), *tarbiyyah* (recruitment and training), *qital* (fighting the enemies of Allah), and *sharia* (implementing Islamic law and creating an Islamic state). Upon the completion of this cycle, the organization would then move on to the next jihad.<sup>8</sup> Al-Qaida has implemented this cycle around the world.

Historically Al-Qaida was not a terrorist organization but a network designed to assist foreigners to join and fight alongside the mujahidin in their war against the Soviets. Bin Laden established Al-Qaida (literally the “Base”) in 1988, with help from the head of Saudi Arabian intelligence in order to organize Arabic recruiting for the mujahidin; in reality, he was engaged in this work from 1984. In this context, he has always been involved in international networking. He spent \$25,000 a month from his own personal fortune to support the 17,000-strong Arab brigade.

With the Soviets’ defeat, Bin Laden moved Al-Qaida to Khartoum, Sudan, where he developed a more international vision and thought of the possibilities of waging little jihads all over the world. Although he was probably still receiving some funding from Saudi intelligence and individual Saudi patrons, he wanted financial independence. He opened several businesses that served as fronts and the financial backing of his terrorist operations. He has often been called the “Ford Foundation” of terrorists; groups and cells have come to him for financial support, expertise, networking, and logistical planning. Under pressure from the United States, the Sudanese government expelled bin Laden in 1996, when he returned to Afghanistan. He ingratiated himself to the country’s new and radical Islamic leadership, the Taliban,

donating millions of dollars to the diplomatically and economically isolated regime. It is estimated that bin Laden and Al-Qaida funneled upward to \$100 million per year to the Taliban, two times their official budget. He engaged in construction projects and road building, while at the same time establishing a network of forty terrorist training camps in Afghanistan.

The central leadership of Al-Qaida is a small organization, perhaps thirty senior officials; its strength is derived from its international network with cells in some sixty countries. Al-Qaida is thought to have between 5,000 and 12,000 members (Figure 1.1). As John Arquilla notes:

Terrorist networks develop along the lines of “diverse, dispersed nodes” who share a set of ideas and interests and who are arrayed to act in a fully inter-netted “all-channel” manner. . . . Ideally there is no central leadership, command, or headquarters—no precise heart or head that can be targeted. The network as a whole (but not necessarily each node) has little to no hierarchy, and there may be multiple leaders. Decision-making and operations are decentralized, allowing for local initiative and autonomy. Thus the design may appear acephalous (headless), and at other times polycephalous (hydra-headed).<sup>9</sup>

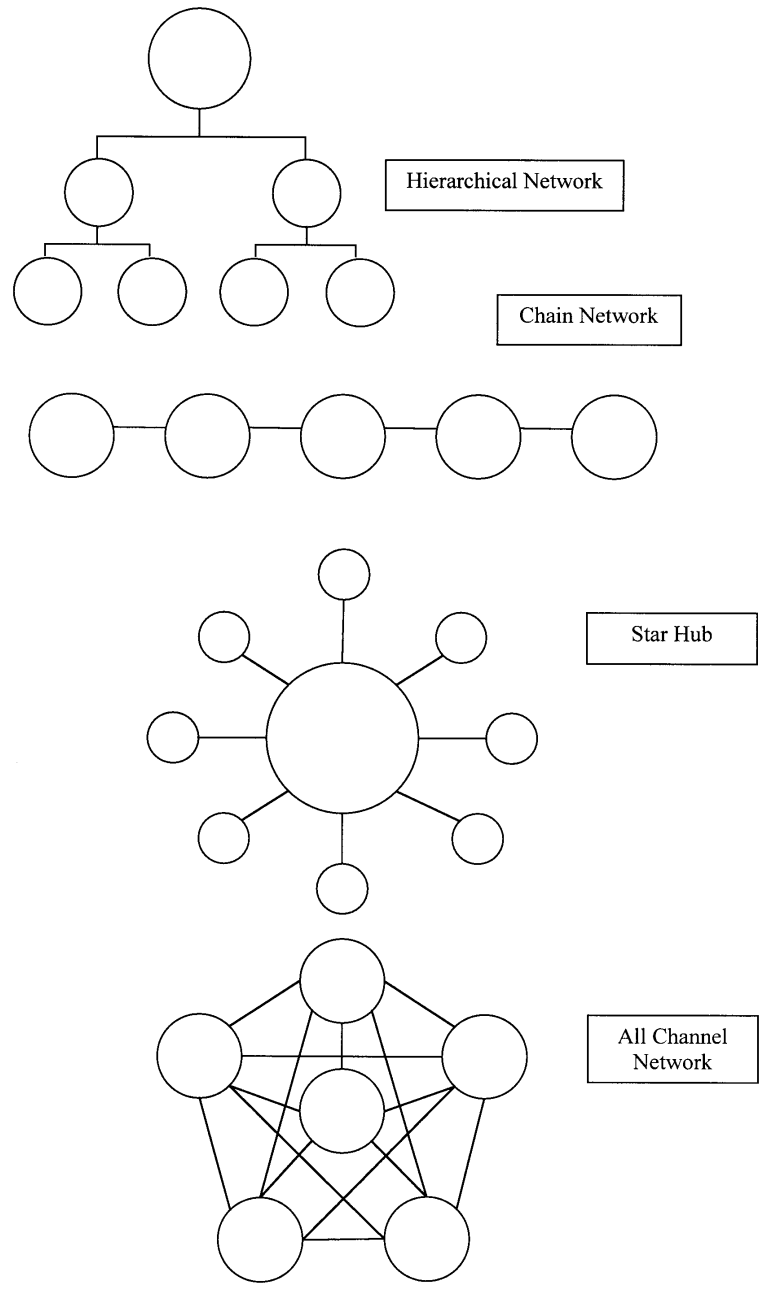
Bin Laden has several lieutenants, beneath which is the *shura majlis*, or the consultative council. Four specialized committees—military, religious-legal, finance, and media—report to bin Laden and the *shura majlis*. “Vertically, Al-Qaida is organized with Bin Laden, the emir-general, at the top, followed by other Al-Qaida leaders and leaders of the constituent groups. Horizontally, it is integrated with 24 constituent groups. The vertical integration is formal, the horizontal integration, informal.”<sup>10</sup> Al-Qaida is highly compartmentalized. “These groups share the principles of the networked organization—relatively flat hierarchies, decentralization and delegation of decision-making authority and loose lateral ties among dispersed groups and individuals.”<sup>11</sup> These networks are not easy to maintain.

The capacity of this design for effective performance over time may depend on the presence of shared principles, interests, and goals—at best, an overarching doctrine or ideology that spans all nodes and to which the members wholeheartedly subscribe . . . [providing] a central ideational, strategic and operational coherence that allows for tactical decentralization. It can set boundaries and provide guidelines for decisions and actions so that the members do not have to resort to a hierarchy—“they know what they have to do.” . . . But when communication is needed, the network’s members must be able to disseminate information promptly and as broadly as desired within the network and to outside audiences.<sup>12</sup>

Al-Qaida is thought to control roughly eighty front companies and includes a fleet of ocean-going cargo vessels. For the most part, the front

Figure 1.1 Arquilla's Terrorist Network Models

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companies have been commercial failures. But Al-Qaida is known to provide only start-up costs for cells and operations, and it expects cells to become financially self-sustaining. Al-Qaida's financial network is very sophisticated and complex, dating back to the late 1980s to early 1990s. Osama bin Laden set out to establish an organization that would be self-sustaining over time: one part self-reliant, another part reliant on the *umma*—the Muslim community. Built on “layers and redundancies,”

Al-Qaida's financial backbone was built from the foundation of charities, nongovernmental organizations, mosques, websites, fund-raisers, intermediaries, facilitators, and banks and other financial institutions that helped finance the *mujahidin* throughout the 1980s. This network extended to all corners of the Muslim world.<sup>13</sup>

Although most of the money from Islamic charities goes to legitimate social work, some of the money is diverted to clandestine activities.

It is not known how many extremists trained at the camps bin Laden established in Afghanistan, but German police have estimated that number to be as many as 70,000 people. The U.S. Central Intelligence Agency (CIA) has placed this number between 15,000 and 20,000. Clearly there were two generations of “Afghan veterans,” a pool of some 50,000 potential supporters. So what happened to them and how did they become members of Al-Qaida?

Most became foot soldiers in an international brigade, also referred to as the Arab brigade, that fought alongside the Taliban, which included individuals from Southeast Asia. There were about 6,000 members of this brigade. The international brigade comprised up to one-third of Taliban forces. What is clear is that the brigade contained the fiercest and most disciplined fighters of the Taliban, and they displayed the most resistance to the Northern Alliance and U.S. forces in the Afghan War in the fall of 2001 through early 2003. Many were killed in the fighting, but many also disappeared, either returning to their home countries or simply regrouping. The capture of Abu Zubaydah in April 2002 and Khalid Sheikh Mohammed in March 2003, the operational chiefs, were serious setbacks.

Al-Qaida used the basic military training at the camps to select promising individuals for advanced training in establishing cells and combat. These camps were not run gratis. Groups and individuals paid either through a donation to Al-Qaida or through personnel. Al-Qaida got its choice of individuals who trained at the camps. Some were brought directly into the Al-Qaida organization and became operational agents while others were sent home as sleeper agents who were responsible for establishing independent cells.

Al-Qaida agents look to bin Laden and the other senior Al-Qaida leaders for guidance, a “blessing,” funding, and help in establishing contact with other cells that they operate independently. Although most maintain opera-

tional autonomy, they are part of the network. As Richard Schultz notes, “They [Al-Qaida operatives] are not micro-managed, but that does not mean they are not connected.”<sup>14</sup> The links are personal, rarely structured, and amorphous. As Bruce Hoffman of the Rand Corporation notes: “Al Qaida works on multiple levels, which is what makes it such a formidable opponent. Sometimes it operates top-down, with orders coming from the CEO, and sometimes it is a venture-capitalist operation, from the bottom up, when the terrorists come to ask for finance from bin Laden.”<sup>15</sup>

In addition to establishing independent cells, Al-Qaida has been brilliant in its co-option of other groups, those with a narrow domestic agenda and bringing them into the Al-Qaida network. In short, bin Laden tries to “align with local militant groups with country-specific grievances to increase his reach and influence.”<sup>16</sup> It is an amalgam of organizations. “They have not been subsumed into Al-Qaida,” said one British analyst, but “they work with Al-Qaida,” giving the organization “a degree of rootedness in their countries.”<sup>17</sup> Associates, who pledge *bayat*, a form of allegiance to Osama bin Laden, share intelligence, money, equipment, and recruitment.<sup>18</sup> Although independently the cells are too small to make an impact, their strength lies in the network itself. Al-Qaida is able to graft itself on radical groups in the region or establish new cells from scratch; and increasingly, those cells are using the Al-Qaida network to coordinate their activities.

In several cases bin Laden took over these domestic groups and networks slowly. This was clear in the case of the Algerian Armed Islamic Group’s (GIA) network in Europe. Senior GIA leader Antar Zouabri and Hassan Hattab, a leader of a GIA faction, were both brought into the Al-Qaida fold, and by 1997–1998, Al-Qaida had co-opted much of the radical Algerian network in Europe.<sup>19</sup> As Rohan Gunaratna notes, “Over time Al Qaida gradually absorbed Jemaah Islamiya (JI) into its wider structure, just as it has absorbed Egyptian Islamic Jihad and the Islamic groups of Egypt. And just as the Algerian Islamist groups were co-opted to work for Al Qaida in Europe, JI members were similarly co-opted in Southeast Asia.”<sup>20</sup> JI put itself at the disposal of Al-Qaida; in return for funding and training, it coordinated attacks and supported Al-Qaida operations in the region.

For the purposes of this book, it’s important to understand that Al-Qaida is a global network of small, independent, self-sustaining cells. As Reuel Marc Gerecht put it, “Bin Laden’s greatest achievement—the creation of a worldwide network of warrior cells—will outlive bin Laden unless the United States physically eliminates al Qaida’s entire command structure.”<sup>21</sup>

### ■ Al-Qaida’s Ties to Southeast Asia

Southeast Asia has become a major center of operations for Al-Qaida operatives for three primary reasons: the Afghan connection to Middle Eastern

extremists, the growth of Islamic grievances within Southeast Asian states since the 1970s for socioeconomic and political reasons, and, most important, that Southeast Asian states are “countries of convenience” for international terrorists. One of the aspects that made Southeast Asia so appealing to the Al-Qaida leadership in the first place was the network of Islamic charities, the spread of poorly regulated Islamic banks, business-friendly environments, and economies that already had records of extensive money laundering. It is the contention of this book that Al-Qaida saw the region, first and foremost, as a back office for its activities (especially to set up front companies, fund-raise, recruit, forge documents, and purchase weapons), and only later became a theater of operations in its own right as its affiliate organization in Southeast Asia, the *Jemaah Islamiya*, developed its own capabilities.

Up to a thousand Southeast Asian Muslims fought with the mujahidin the 1980s, and there is an Afghan connection to most of the radical Islamic groups. Beginning in 1982, the Pakistani Intelligence Service began to “recruit radical Muslims from around the world to come to Pakistan and fight with the Afghan Mujahidin.”<sup>22</sup> Others disagree with this assertion. In the *Bear Trap*, the authors, senior ISI officials, contend that they simply tolerated the foreign jihadis.<sup>23</sup> Between 1982 and 1992, some 35,000 Muslim radicals from thirty-five countries joined the mujahidin—17,000 from Saudi Arabia alone. When bin Laden set up training camps in Afghanistan, he continued to recruit Islamic militants from around the world. Whether they returned home, or whether they joined Al-Qaida, the veteran mujahidin were able to rely on the network. One cannot underestimate how crucial the Afghan connection is: It was the basis for the Al-Qaida network around the world. As Peter Bergen wrote:

Still, in the grand scheme of things the Afghan Arabs were no more than extras in the Afghan holy war. It was the lessons they learned from the jihad, rather than their contribution to it, that proved significant. They rubbed shoulders with militants from dozens of countries and were indoctrinated in the most extreme ideas concerning jihad. They received at least some sort of military training, and in some cases battlefield experiences. Those who had had their [tickets] punched in the Afghan conflict went back to their countries with the ultimate credential for later holy wars. And they believed their exertions had defeated a superpower.<sup>24</sup>

Undeniably, the Afghanistan experience was the formative experience in the lives of Southeast Asian jihadis. In Indonesia, there was the Group 272 of returned veterans, and the key leaders of radical groups in the region are all veterans of the mujahidin: Jafar Umar Thalib, Riduan Isamuddin (Hambali), Mohammed Iqbal Rahman (Abu Jibril), Nik Aziz Nik Adli, Abdurajak Janjalani, and others. As one regional intelligence official recounted, they were miserably homesick, spoke poor Arabic, were unaccustomed to the harshness of their surroundings and the weather, hated the food, and experienced “diar-

rhea as a way of life.”<sup>25</sup> Nonetheless, they were driven by the call to jihad and their experience in Afghanistan was the catalyst for radical activities in Southeast Asia.

By December 2001, there were an estimated 200 undocumented Filipinos in Afghanistan and 600 Islamic scholars in Pakistan.<sup>26</sup> Of those scholars in Pakistan, only 70 percent were studying Islam and some 200 were “missing,” according to the Philippine Embassy in Pakistan. The whereabouts of those students were unknown.<sup>27</sup> According to a Russian report given to the Philippine government, “at least 50 Filipinos were recently trained in one of the 55 camps and bases being maintained in Afghanistan by Osama bin Laden” and who fought in the Taliban’s 8th Division, which included fighters from across the Muslim world. With the rout of Taliban forces in November 2001, intelligence analysts estimated that some fifty Filipino militants had already returned to the southern Philippines.<sup>28</sup>

More extensive and influential were the networks of *madrasas*, or Islamic schools, that were established in the 1980s by President Zia-ul-Haq to train refugees and young Pakistanis whose secular school system was beginning to crumble. The *madrasas* were the ideological front line against the Soviets, the primary socialization vehicle and recruitment organ for jihad. The *madrasas* teach only Quranic studies and Arabic—no modern or secular studies. The products of *madrasas* are radical Muslims who believe that their life mission is jihad. As Simon Reeve put it, “They leave the schools with only a rudimentary knowledge of the world, but a fanatical belief in the supremacy of Islam and their responsibility to fight and ensure its spread.”<sup>29</sup> Once the Soviets were defeated, the *madrasas* stayed open, often funded by radical political parties or wealthy patrons. And as Pakistan slumped into economic malaise, the *madrasas* filled an important void in the country’s crumbling educational system. By 2000 there were some 10,000 *madrasas* that had almost 1.5 million students. During the 1980s, up to 100,000 foreigners attended *madrasas* in Pakistan where they came into contact with the jihad and established transnational networks. The World Bank found that 15 to 20 percent of Pakistani *madrasas*, to some degree, had a military training component. In early 2002, Pakistani president Pervez Musharraf announced that he would implement new policies to oversee the 10,000 *madrasas*, which “propagate hatred and violence” and “produce semi-literate religious scholars.”<sup>30</sup> Pakistan has recently pledged to reduce the number of foreign students attending Pakistani *madrasas* by 60 percent.<sup>31</sup>

Most Southeast Asians returned and set about committing themselves to running jihads at home, recruiting followers, in an attempt to create Islamic states governed by *sharia* law. Since the mujahidin, tens of thousands of Southeast Asian Muslims have traveled to the Middle East to study in Islamic universities, including those in Egypt, Syria, Yemen, and Pakistan. Thousands of Southeast Asians have studied in the Pakistani *madrasas* that gave rise to the

radical Taliban regime.<sup>32</sup> In the 1990s the CIA tried to keep track of some 700 to 1,500 Indonesian students who went to Egypt, Syria, and Iran for study. According to a retired CIA officer, “We figured 30–40 percent of them never showed up. We don’t know where they went.”<sup>33</sup> None of the countries in Southeast Asia has an accurate fix on how many of their nationals studied in *madrasas* in the past or are currently studying now. There are an unknown number of Malaysian students studying in other Islamic universities and *madrasas* in Pakistan, as the government keeps no records on privately funded students studying abroad.<sup>34</sup> One Malaysian official recounted to me how its embassy in Islamabad, Pakistan, believed there were 5 to 10 Malaysians studying at a certain *madrasa* in Pakistan; there turned out to be 150. In the Philippines, some 1,600 *madrasas* have been established, unsupervised by state educational authorities, and almost entirely funded by contributions from the Middle East.<sup>35</sup> Forty-four Indonesian students were expelled from Yemeni *madrasas* in February 2002 alone. The Indonesian government has no idea how many Indonesians are studying in Egypt, Pakistan, or elsewhere. In addition to the Pakistani *madrasas*, many Southeast Asians have attended Egypt’s Al-Azhar University, the foremost Islamic university in the world, and Yemen’s Al Imam University, both of which teach rigid Wahhabi interpretations of Islam and have produced the most radical firebrands in the Muslim world, such as Abdel Meguid al Zindani, and have been key recruiting grounds for Al-Qaida. At Egypt’s Al-Azhar University, there are some 6,000 Malaysian students alone. Each of the nine state governments on the Malaysian peninsula rents a block of apartments for the students that it sponsors. Although most of these students will return and join the government’s Islamic bureaucracy, and not turn militant, some students return committed to turning Malaysia into an Islamic state. This was brought to the government’s attention in February to March 2002, when twelve Malaysian students were arrested in Yemen in a crackdown on radical Islamic *madrasas*. Though released after they were found to not have terrorist connections, Malaysia agreed to repatriate the 250 to 300 privately funded students in Yemen.<sup>36</sup>

The very strict and orthodox Wahhabi brand of Islam is a literal interpretation of the Quran. This puritanical sect was founded by Muhammad Ibn al-Wahhab (c. 1703–1791) and rejects all Islamic practices adopted after the third century of the Muslim era (approximately 950 C.E.). Wahhab considered it a duty to conquer all other “heretical” sects of Islam practiced among the Saudi tribes. He allied himself with one clan, the Saud, in 1744. In the mid-1760s the Saud completed their conquest of Saudi Arabia, and ever since, there have been close links between the House of Saud and the Wahhabi sect.

The growth of the Wahhabi sect around the world can be explained by two reasons. First, the sect markets itself as the “purest” brand of Islam. Second, it has been patronized by the Saudi royal family, the Saudi Arabian government, and especially Saudi-based charities, which have financed thousands

of Islamic schools around the world as well as new mosque construction. The financial power of Saudi Arabia has ensured that its predominant Islamic sect has been able to propagate itself, including in places like Southeast Asia that have always had very tolerant and undoctrinaire interpretations of Islam. Even in devoutly Buddhist Cambodia nearly 15 percent of Cham Buddhists are Wahhabi, the result of Saudi aid and scholarships.

The Pakistani *madrasas* blended rigid Wahhabism with Deobandism, an authoritarian and pan-Islamic sect that emerged in the subcontinent in the nineteenth century. Deobandists wanted to create a pan-Islamic movement to combat British and other European colonial rule.<sup>37</sup> This is noteworthy because if one studies the language of bin Laden, he evokes the idea of the caliphate. As Gerecht explained, “For many fundamentalists, at least sentimentally, the ideal geopolitical expression of Muslim universalism [is] an empire free of Westernized nation-states, where the sharia, the holy law, reigns supreme, thus guaranteeing the union of the church and state and the brotherhood and strength of the faithful.”<sup>38</sup> This is important because increasingly in Southeast Asia, radical groups, such as the *Kampulan Mujahidin Malaysia* and the *JJ*, are beginning to reconceive precolonial notions of pan-Islamicism.

*Madrasas* are not just a Middle Eastern phenomenon. In their pursuit of the creation of Islamic states, many Southeast Asian jihadis established Islamic schools to indoctrinate, propagate, and recruit. The leaders of many militant groups in Southeast Asia, including the *Laskar Jihad*, *Kampulan Mujahidin Malaysia*, and *Jemaah Islamiya*, returned from Afghanistan and established a network of *madrasas* as the base of their operations and recruitment.

And *madrasas* are increasingly beyond state control. Of the 37,362 *madrasas* in Indonesia, only 3,226 (8.6 percent) are run by the state; and 81 percent of the 5.6 million students enrolled in *madrasa* attend privately funded and run Islamic schools. In the Philippines only thirty-five of 1,600 are controlled by the state, with alarming consequences. As one education official put it, the privately funded *madrasas* “tailor their curricula to the wishes of whoever subsidizes them.”<sup>39</sup>

The *madrasas* and *pesentren*, or Muslim boarding schools, in Southeast Asia that have been set up since the late 1980s, have advocated a stricter, more intolerant brand of Islam and condemn the secular nation-state. They are the core of a growing and powerful radical Islamic movement and have established networks within the region and with the Middle East. There is now a critical mass of students studying in Islamic universities and *madrasas* who are reinforced in their conviction that Malaysia, Indonesia, and Mindanao must become Islamic states in order to overcome the myriad socioeconomic and political woes that secularism has wrought. They believe that in Islam there is no separation between church and state, that Islam is a complete way of life, and that *sharia*, not man’s positive laws, can be the only ordering principle in society. This radical fringe will continue to grow, as modernization

leaves people more isolated and the political process leaves people more disenfranchised. The Islamists and their supporters will continue to gain in power unless the more secular Muslim community again provides a successful model of tolerant and modernist Islam that it has done fairly successfully for forty years.

The vast majority of Southeast Asian Muslims do not attend *madrasas* and *pesentren*; they are the products of secular education. Yet they are attending prayers at mosques in increasing numbers, more children are being educated in Islamic schools, and there has been a surge in interest in Arabic studies. Many parents lament that their children are unable to read the Quran in Arabic. *Pesentren* also provide room and board, in addition to education, which is not insignificant in the context of a prolonged economic downturn and declining public investment in public education in the region. But parents are increasingly sending their children to *pesentren* because of their discipline, the failure of states to provide adequate schooling, and the protection of their children from the vices of secular, urban education: the decline of Islamic values, drug use, and teenage pregnancy. In Malaysia's Kelantan State, for example, there are some 40,000 students enrolled in ninety-two *madrasas*; 50 percent of those come from other states. Moreover, since 1994, the passing rate for the government's secondary school examination for students in Kelantan's *pesentren* has been 90 percent, higher than the national average.<sup>40</sup> *Madrasas* in Pakistan and elsewhere in the Middle East are increasingly appealing to Malaysians, Moro Filipinos, and Indonesians for several reasons: They were a cheap source of education that gave the student and their family status in their communities; they were a hedge against the growing political clout of Islamic hardliners; and finally, in uncertain economic times, graduates of *madrasas* could always find work as clerks in mosques or *sharia* courts.

Although many of the recruits into the ranks of militant Islamic groups in Southeast Asia came from *madrasas*, one of the hallmarks of Al-Qaida is its ability to recruit and radicalize students from Western secular education, especially those with technical training. In Southeast Asia, many of the leading operatives in Jemaah Islamiya were trained or teachers in technical universities, notably the University of Technology Malaysia and Bandung Institute of Technology. Both have traditionally been hotbeds of radical Islamic activities.

In addition to prayers, which are shown on TV in Malaysia, Indonesia, Singapore, and the southern Philippines five times a day, there are Arabic language lessons on television focusing solely on the reading of the Quran across the region.

There is also the Yemeni connection. The traders who spread Islam to Indonesia and Southeast Asia from the Arabian Peninsula hailed in particular from what is now Yemen. Osama bin Laden, though formerly a Saudi national, is actually from a south Yemeni clan from Hadramaut. Hadramauts were seafaring traders who migrated en masse to Southeast Asia and were instrumental



in spreading Islam. The British actively encouraged Yemeni and Arab migration to their colonies in Singapore and Malaya. Even in the predominantly Muslim states of Malaysia and Indonesia, there were distinct Arab minorities who constituted a powerful economic and social force. The fact that they came from the land of the Prophet accorded them special status: "As nominal countrymen of the prophet, Arabs came to be respected as scholars of the writ and as judicial authorities in matters of the Islamic faith."<sup>41</sup> As Peter H. Riddell put it, "Their influence as traders and authorities in the religious sphere should be seen as inextricably interlinked; it is likely that the authority accorded to them in the religious domain at times seemed to provide them with preferential trading circumstances."<sup>42</sup> And there continued to be considerable flows between the communities throughout the twentieth century. Riddell notes considerable Malay Arab and Singaporean Arab communities in Hadramaut and Mecca. Both Indonesia and Malaysia have sizeable Arab minority communities. The vast network of Yemenis in the region is not a tangential point. Bin Laden, as with Al-Qaida, relies on personal networks, and Yemen's clan-based society transcends the oceans and has spread to Southeast Asia. The single largest Yemeni industrialist, Hail Saeed, had extensive investments throughout the region, as does the Binladen Group itself.<sup>43</sup> These corporate conglomerates have always relied on the vast network of Yemeni traders and businessmen in the region as business partners. And Yemen itself has become a key operational base for Al-Qaida agents as well as a site for attacks, such as the bombing of the USS *Cole* or the French oil tanker in October 2002. Yemenis are major investors in Southeast Asia, and they operate many joint ventures that we now know were fronts for Al-Qaida.

The second reason that Al-Qaida has looked to Southeast Asia is that the Islamic resurgence in the region has occurred because of long-standing disputes with the secular governments. Many of the Islamic movements in Southeast Asia have legitimate grievances, whether they have been repressed or whether they clamor for autonomy or simply greater religious freedom. Economically speaking, in all Southeast Asian countries, the Muslim *pribumi* or *bumiputera* communities are less well off.<sup>44</sup> Indeed, Malaysia had to implement a reverse-affirmative action program in the early 1970s following race riots in 1969 to give the ethnic majority a greater share of the nation's wealth. The goal of the New Economic Policy (NEP), as it was titled, was to ensure that Malays (who make up two-thirds of the population) were able to account for one-third of economic assets. Now, more than thirty years later, the original goals of the NEP still have not been met, despite significant improvements in the socioeconomic position of Malays. There are considerable socioeconomic inequalities that exist across the region between the different religious communities that have only been exacerbated by the Asian economic crisis since 1997. In Indonesia, anti-Chinese riots in May 1998, though provoked by a faction within the military, were the clearest manifestation of popular griev-



ances toward the commercially advantaged Chinese community. In Indonesia, there is a stronger sense that the economy has still not recovered than in any other Southeast Asian state: 58 percent argued that it is harder to find work, 56 percent believed that working conditions are getting worse, 74 percent believed that the gap between the rich and poor is getting worse, and 44 percent attributed that to globalization.<sup>45</sup>

The growth of Islamic extremism around the world since the Iranian Revolution of 1979 has less to do with theology and a lot to do with the failure of the domestic political economies of their respective countries. Increasing gaps between the rich and poor, unemployment, corruption, a lack of economic diversity, and the lack of a viable political alternative have all given rise to Islamic extremism. People literally become so desperate that they have nowhere to turn but to extremist religious politics. The Iranian Revolution, which took place in the most secular state in the region, was clearly a catalyst. The most secular governments in the Muslim world were Malaysia and Indonesia, two of the fastest growing economies from the mid-1970s to the mid-1990s. Once their economies slowed and became mired in the Asian economic crisis, which saw the value of their currencies collapse and public and private debt soar, causing mass unemployment, Islamic extremism was able to take hold and enter the mainstream, whereas before it was on the fringes of society. Clerics were able to veil their political criticisms in Friday prayer sermons.

In some countries, notably Malaysia and Indonesia, rather than being aggrieved by minority status, Islam became more radical because authoritarian secular governments repressed it for so long. Secular leaders never gave political space to religious elites and religious-based political parties, even when they relied on them in their own ascension to power. Religious elites and parties felt that they had been, at best, ignored or marginalized, and, at worst, repressed by governments who feared the Islamization of politics.

The jailed former Malaysian deputy prime minister, Anwar Ibrahim, contends that the lack of democracy and civil society is the root cause of Islamic fundamentalism in the country. Without a free press and a truly democratic system where people can blow off steam, radical Islamists provide one of the only viable alternatives to the ruling coalition. In a well-publicized essay entitled "Who Hijacked Islam?" Anwar made a compelling, though implicit, argument that the government's authoritarian policies and the lack of democracy were only going to serve as a catalyst for Islamic fundamentalism:

Bin Laden and his protégés are the children of desperation; they come from countries where political struggle through peaceful means is futile. In many Muslim countries, political dissent is simply illegal. Yet, year by year, the size of the educated class and the number of young professionals continues to increase. These people need space to express their political and social concerns. . . .

The need for Muslim societies to address their internal social and political development has become more urgent than ever. Economic development alone is clearly insufficient: it creates its own tensions in the social and political spheres, which must be addressed.<sup>46</sup>

At the same time, these governments have often turned to religion as a legitimizing force for their rule. For example, the Malaysian and Indonesian governments began to actively facilitate the *haj*, the pilgrimage to Mecca. By the 1980s, more than 80,000 Indonesians and 15,000 Malays went to Mecca annually, all with the support of their governments.<sup>47</sup> In short, across the region, socioeconomic and political issues have created a large body of people who are turning to Islam to change the status quo, which they believe has kept them poor and disenfranchised. Governments often turn to religion in times of political and economic crisis to shore up their domestic legitimacy, as Indonesian president Suharto did in the early 1990s. Although governments try to keep religion in check, this is never easy to do. For example, the mosques are often the focal points of antigovernment resistance and propaganda, as the Iranian Revolution drove home in 1979.

The growth of radical groups in Southeast Asia must also be seen in the context of religious and political leaders who were kept out of an elite status and used Islam to manipulate sectarian issues for their own political purpose. As Michael Davis said in his study of the Laskar Jihad in Indonesia, radical groups must be militant and confrontational: “This derives from basic self-interest: No conflict, no Laskar Jihad—only the maintenance of hostilities legitimates the group’s position.”<sup>48</sup> In part, Islamic hardliners have been able to do this because of the spread of democracy in the region. This is the irony of the “illiberal democracy.” On the one hand, the lack of democratic institutions (political parties, freedom of assembly, and free speech) permitted Islamic extremism to spread. Only in the mosques in veiled language could there be political dissent. Yet the spread of democracy has now sanctioned the extremists, giving them political platforms to express their pent-up grievances. For example, in Indonesia, since the fall of Suharto in May 1998, nearly 25 percent of the political parties have an Islamic affiliation or identity. There is a crisis in the belief of democracy’s efficacy in Indonesia. The percentage of people who believed that Western-style democracy works in Indonesia fell from 64 percent in 2002 to 41 percent in 2003, a trend that favors the less democratic Islamic parties.<sup>49</sup> The fact is, we have to let this run its course.

The breakdown of secular institutions, especially the educational and legal systems in the wake of the Asian economic crisis, has created a vacuum in which nonsecular institutions emerge to fill the void. Increasingly parents are turning to *pesentren* and *madrasas* to educate their children as state funding for the educational sector collapses. Likewise, in a recent column, the

Malaysian intellectual Farish Noor contended that *sharia* courts were becoming more prominent because of the absolute failure of the secular court system in adapting itself to changes in the political-economy of a “globalized” world.<sup>50</sup>

Finally, we cannot underestimate the influence of the ongoing conflict in the Middle East, which has a surprisingly large impact on popular opinion in the region. While the Palestinian issue is primarily a national struggle cloaked in religion, it strikes a chord in Southeast Asia. The injustices suffered by the Palestinians become a metaphor for the injustices of all Muslims, while the Americans, already scapegoats for the region’s economic woes, are implicated again. It does not help matters that Singapore, whose Chinese population is mistrusted and maligned by the larger populations of Indonesia and Malaysia, is a very close ally of Israel.

What is so evident is that radical Islam is spreading very quickly across the region, and the once secular states are becoming more Islamic as a result. Moderate Muslims who embrace tolerance and cohabitation with ethnic and religious minorities are still the majority of the population, but they are being overshadowed by a more radical and outspoken group that is bent on establishing Islamic states. The radical right is dictating the national agendas and forcing the governments to adopt policies to protect themselves against the accusation of not protecting the rights and interests of the Muslim communities. What is more, secular politicians in the region are increasingly unwilling to confront the Islamic parties; to do so now is becoming a political liability.

### ■ Countries of Convenience

In addition to having a receptive population and being a large source of recruits, many of the countries in Southeast Asia are “countries of convenience” that make them attractive to terrorist cells. Terrorism differs from transnational crime in that there is no profit motive driving terrorism. Yet if one takes away the terrorist act itself, one sees that terrorist groups rely on the same infrastructure upon which transnational criminals rely.

Al-Qaida first came to Southeast Asia not as a theater of operations but as a back office for its terrorist infrastructure. Each country in Southeast Asia has its own comparative advantage, in the terrorists’ eyes. First, while some states are strong, such as Malaysia and Singapore, with strong political institutions and legal infrastructures, most states in the region are weak, characterized by weak political institutions, decentralized politics, poor resources, and plagued by endemic corruption. Indonesian central authority broke down, especially in the outer islands, following the collapse of the new order regime in 1998. This has been compounded by abolishing the *dwi fungsi* principle of the Indonesian armed forces (TNI), which gave them a civil-administrative function in the provinces. The lack of strong central government control has

always attracted Al-Qaida. That Jakarta was unaware of seven terrorist camps in Sulawesi is indicative of the tenuous control they have over the provinces.

Thus, terrorists are able to operate and plan attacks with little concern for their own security. Terrorists need to plan attacks meticulously because their acts must have a large impact. Often the terrorists have more resources at their disposal than the governments that they confront. "We lack the infrastructure," one Philippine police intelligence official complained to me. "We have no computerized immigration or tax data bases. It is easy for foreigners to marry Filipinas and change their names." He said that to break up the Ramzi Yousef cell, which was planning spectacular crimes, he only had two teams of twenty men. They simply could not keep up with the terrorists, not to mention all the other domestic insurgent groups: the Moro Islamic Liberation Front (MILF), the Moro National Liberation Front (MNLF), the Abu Sayyaf Group (ASG), the New People's Army (NPA), and all the factions thereof. There has been some training of Philippine intelligence and security personnel with U.S. intelligence agencies that seem more determined to upgrade the technical capabilities of their Philippine counterparts.

Moreover, despite large intelligence and internal security apparati in the region, in general Southeast Asian nations were not focused on the threat of international terrorism. Even Singapore, which has the region's most well-funded and robust security services, was caught completely by surprise by the network of Islamic militants because it has always focused its attention on other threats. Further, the intelligence services in Southeast Asia are often overly politicized and engaged in fierce bureaucratic infighting. Security forces in the region, when looking beyond their own borders, were confronting a host of other transnational threats: organized crime, people smuggling, drug smuggling and money laundering.<sup>51</sup>

So often, security services in weak states are plagued by endemic corruption. For example, in the Philippines, in the summer of 2000 and again on June 2, 2001, Abu Sayyaf forces were surrounded but escaped amid allegations that field commanders were on the take. Abu Sayyaf hostages recounted hearing rebel leaders conferring with local military commanders about the time and direction of attacks, while the governor of Basilan, himself a former guerilla, Wahab Akbar, was seen meeting an Abu Sayyaf leader and sending truckloads of supplies to their camp.<sup>52</sup> In both Indonesia and Thailand there is significant rivalry between the army and police forces over turf and illegal business empires, as most police and militaries in Southeast Asia rely on extra-budgetary sources of income to finance their operations. In September 2002 in Indonesia, a fire fight broke out between army and police forces over a drug-smuggling venture that left eight police dead. Even if they are not corrupt, these forces are underequipped and confronted by well-armed rebels.

Second, Southeast Asia is convenient for terrorists because the importance of tourism on Southeast Asian economies resulted in lax immigration

procedures and easy access visas. And there are huge exchanges of people between Southeast Asia and the Middle East. Malaysia and Indonesia are attractive destinations for people from the Middle East, exotic and liberal, yet still Muslim. Until recently Malaysia did not have any visa requirements for citizens of other Muslim states, while the Philippines had no computerized immigration database, thus facilitating the laundering of identities. No alarms were raised when people departing the country used a passport that was not used to enter the country. Thailand has some of the laxest visa requirements of any nation, although no visa requirements exist for more than 100 countries around the world. Moreover, the borders in Southeast Asia, especially the archipelagic states of Indonesia and the Philippines, are incredibly porous. It is simply not possible to police the maritime borders of these states.

Two other immigration issues are pervasive in Southeast Asia: document theft and forgery, and human smuggling networks. Thailand has always been the regional hub of people smuggling and document forging, whereas Malaysian passports repeatedly turn up in cases of alleged terrorist associates of Osama bin Laden. In February 1999, a man wanted for the killing of fifty-eight tourists in Egypt in 1997, Said Hazan al Mohammed, and two other Al-Qaida operatives were detained in Uruguay for using a forged Malaysian passport.<sup>53</sup> Several of the operatives in the above-mentioned plot either used Malaysian travel documents or Malaysia as a transit point to the region. Indonesia has been at the center of smuggling rings transporting migrants from Afghanistan and Pakistan to Australia.<sup>54</sup>

Third, there are considerable financial links between the region and the Middle East to facilitate the thriving trade between the two regions. Southeast Asia is a business-friendly environment, where the establishment of shell or front companies is simple to accomplish. Malaysia is one of the world's pre-eminent Islamic banking centers,<sup>55</sup> with strong and deep financial ties to Middle Eastern businesses, banks, charities, and other financial institutions. Al-Fadl, a former member of the Al-Qaida network who turned himself in to the Americans and testified against Ramzi Yousef in the U.S. Embassy bombings case, said Osama bin Laden frequently used Islamic banks in Malaysia.<sup>56</sup> As the Binladen Group has had extensive dealings and investments in Malaysia,<sup>57</sup> it is apparent that Osama bin Laden, himself a former financier (though no longer a member of the Binladen Group), was cognizant of Malaysian financial institutions and banking regulations and entered into many joint ventures with Malaysian and Yemeni businessmen.

Thailand has grown into a major international banking center. Islamic banking is also taking hold in Indonesia, whose banking system is already ruinously underregulated. In 1992, there was only one Islamic bank in Indonesia; there are now five and roughly eighty local *sharia* banks. Beginning in the late 1990s, Brunei emerged as a center for Islamic banking, though without any legal and regulatory framework. Islamic banks, themselves, are not con-

spiratorial funders of terrorist acts. It is that many Islamic banks happen to be in countries with weak financial oversight and lax supervision. Their religious nature also accords them a greater degree of autonomy. As Islamic banks were established to circumvent the practice of paying and charging interest, they often commingle funds to create investment vehicles, “creating ready opportunities for anonymous money transfers and settlements.”<sup>58</sup>

Across the region, with the exception of Singapore, the banking and financial sectors are poorly regulated, which makes transfers and money laundering easier. Three states—the Philippines, Indonesia, and Myanmar—are on the Office for Economic Cooperation and Development’s (OECD’s) Financial Action Task Force’s blacklist for money laundering states. However, most terrorists do not transfer large amounts of funds through the banking sector, preferring smaller transfers through the unregulated remittance system. The Chinese have had a system known as *fei qian*, literally “flying money,” in place to facilitate commerce for thousands of years. In the Middle East, this informal banking system is known as the *hawala*, or “trust” system, in which no money is ever wired, no names or accounts of senders or receivers are used, and no records are kept.<sup>59</sup> With commissions of only 1 to 2 percent, compared to average bank transfer fees of up to 15 percent, they are the transfer system of choice. In Pakistan, for example, of the \$6 billion in foreign exchange that is remitted to the country annually, only \$1.2 billion arrives through the banking system.<sup>60</sup> This type of system is common throughout Southeast Asia and used extensively in Malaysia, Singapore, and the Philippines, which has considerable financial exchanges due to the 1.4 million guest workers in the Middle East. In downtown Manila’s Ermita District, there are blocks upon blocks of *hawala* shops. Over \$6 billion is remitted annually to the Philippines, mainly through the *hawala* system, and there are some 1.35 million Filipino laborers in the Middle East alone. Overseas workers, who represent 10 percent of the labor force, have literally kept the Philippine economy afloat since the early 1980s. In 2000, they remitted some \$6 billion, and in 2001, \$5.4 billion.<sup>61</sup> Although overall remittances from overseas foreign workers dropped by 13 percent in the first half of 2001, compared to the first half of 2000, from \$3.1 billion to \$2.7 billion, receipts from the Middle East actually rose in that period, from \$270 million to \$352 million, up 30.3 percent.<sup>62</sup> The Philippines has a weak banking sector, with little regulatory oversight, especially over the flow of remittances, so it is easy to make fund transfers. Money wired from the Middle East, even to small post office accounts in the villages, do not raise eyebrows. As one Singaporean *hawala* said, “My company does not question the amount or the purpose of sending the money. They trust us, and I don’t ask questions. Why would I, when I have a license to operate?”<sup>63</sup>

*Hawala* become even more important in countries that have currency controls. For example, in the fall of 1998, when the Malaysian government imposed capital controls and stopped the conversion of the ringgit in order to pre-

vent capital flight, the *hawala* system was one of the few sources of foreign exchange.<sup>64</sup> Likewise, after the Philippines abolished exchange controls in 1992, remittances through the legal and regulated banking sector quadrupled.<sup>65</sup>

Much of Al-Qaida's funding is thought to come from charities, either unwittingly or intentionally siphoned off, because Al-Qaida inserted top operatives in Southeast Asia into leadership positions in several charities. Indonesian intelligence officials have estimated that 15 to 20 percent of Islamic charity funds are diverted to politically motivated groups and terrorists. In the Philippines, estimates range from 50 to 60 percent, according to regional intelligence officials.

In Islamic culture, Muslims are expected to donate 2.5 percent of their net revenue to charity, known as *zakat*.<sup>66</sup> "In many communities, the *zakat* is often provided in cash to prominent, trusted community leaders or institutions, who then commingle and disperse the donated moneys to persons and charities they determine to be worthy."<sup>67</sup> This practice is unregulated, unaudited, and thus leads to terrible abuse by groups such as Al-Qaida. There are some 200 private charities in Saudi Arabia alone, including 20 established by Saudi intelligence to fund the mujahidin who send \$250 million a year to Islamic causes abroad. It is estimated that \$1.6 million per day is donated by wealthy Saudis alone.<sup>68</sup> More disturbing, a Canadian intelligence report concluded that Saudi charities alone were funneling between \$1 million to \$2 million annually to Al-Qaida's coffers.<sup>69</sup> The Council on Foreign Relations, which published one of the most authoritative accounts of the problems facing the war against terrorist funding, concluded that Saudi individuals and charities are "the most important source of funds for Al Qaida."<sup>70</sup>

The four most important of these charities are the Islamic International Relief Organization (IIRO), which is part of the Muslim World League, a fully Saudi state-funded organization whose assets were frozen by the U.S. Treasury; the Al-Haramain Islamic Foundation, also based in Saudi Arabia; Medical Emergency Relief Charity (MER-C); and the World Assembly of Muslim Youth.<sup>71</sup> Although most of the money goes to legitimate charitable work, albeit to win political support, such as mosque construction, charities, cultural centers, and NGOs, a significant amount is diverted to terrorist and paramilitary activities.

*Zakat* taxes are common throughout Southeast Asia; indeed in late 2001, the Indonesian government agreed to make *zakat* tax deductible in order to encourage charitable donations. In addition to the obligatory *zakat* donations, there are also nonobligatory *infaq* and *shadaqah* donations (voluntary and made depending on the circumstance). Yet unlike the West, where NGOs and charities are closely regulated and audited, they are almost completely unregulated in Southeast Asia, allowing for egregious financial mismanagement and the diversion of funds to terrorist cells. For this reason, Osama bin



Laden's initial foray into the region came in the form of charities run by his brother-in-law in the Philippines, including a branch of the IIRO.

Fourth, Al-Qaida is interesting in one other respect: its use of Western technology to defeat the West. Al-Qaida operatives are very techno-savvy, and this meshes well with Southeast Asia, which comprises very wired societies. Southeast Asia is home to a large percentage of the world's hardware and software manufacturing. Its workers are high tech, well educated, and sophisticated computer users. Al-Qaida-linked websites have operated out of Malaysia and are currently under investigation.<sup>72</sup> Al-Qaida recruited extensively from the technical universities that have proliferated in the region.

Fifth, the region is awash in weapons, and there is not a terrorist organization or insurgent army that has not availed itself of the Southeast Asian arms markets. The Tamil Tigers, for example, had an office in Thailand for years just to purchase weapons. Every state within the Association of Southeast Asian Nations (ASEAN), with the exception of Laos and Brunei, produces small arms and ammunition.<sup>73</sup> Singapore, Thailand, and Hong Kong are also home to several leading arms brokers who exploit legal loopholes, negligent government supervision, official corruption, or even government complicity in the sale of weapons from legal sources (government-owned or -contracted firms). There are huge stockpiles of weapons in the region—both legal and illegal. For instance, in 1998, Philippine police identified almost 330,000 weapons outside of government control.<sup>74</sup> Likewise, Indonesian security forces were under pressure to conduct an audit of their arsenal in 2002, following revelations of TNI weapons being used by Acehnese guerrillas and robbers.<sup>75</sup> Weapons are either cascaded—that is, when new weapons enter service, the replacements are sold off—or they can be sold by corrupt officials. Thailand has been surrounded by civil wars and insurgencies and has a reputation for being one of the world's hottest black markets for weapons. In the summer of 2002 alone, there were discoveries of M-60s bound for Burma and M-16s, AK-47s, and ammunition bound for Aceh and the Tamil Tigers. Three countries in the region, the Philippines, Thailand, and Singapore, have also come under international scrutiny for disturbing arms transfers of weapons imported from abroad, mainly the United States, Canada, and Germany, and South Africa in the case of Singapore.<sup>76</sup> The breakdown of law and order and incipient corruption led to a loss of control over state arsenals—particularly in Thailand, the Philippines, and Indonesia. Indonesia, which has only five naval vessels to patrol the Malacca Straits and the Acehnese coastline, for example, simply cannot match the resources of the smugglers. One senior Indonesian intelligence official complained to me that smugglers and militants use speedboats that are manufactured in a state-subsidized shipyard, while the Indonesian police and navy did not have the budget to purchase the same boats.



Finally, there is a more hospitable environment in the region for terrorists and radicals to operate. The sheer number of radical groups operating with impunity outside of the legal political system is cause enough for alarm, even without having ties to Al-Qaida. These groups have conducted sweeps and threatened to attack U.S. interests. One group, the Indonesian Islamic Youth Movement (GPI), registered youths for a jihad after the United States began its war in Afghanistan.<sup>77</sup> Although the Youth Movement claims to have no ties to bin Laden or his organization, some youths have already gone to Afghanistan out of “Muslim solidarity.” More than 300 went to fight in Afghanistan in the two weeks after the United States began its bombing campaign.<sup>78</sup> The Defenders of Islam (FPI) likewise recruited for a jihad to fight the Americans in Afghanistan and then to fight in Iraq in early 2003. The FPI’s chairman, Habib Rizieq Shihab, told *Tempo*, “The FPI has held a *jihad* account filled by donors from all over Indonesia. Several Islamic businessmen are also ready to give large sums of money to send forces to Afghanistan.”<sup>79</sup> The FPI organized massive demonstrations of up to 10,000 people to demonstrate against U.S. actions in Afghanistan in mid-October 2001; Habib himself went to Iraq. Although many analysts disregard him, he is one of the most inflammatory and anti-Western orators in Indonesia with a growing following. In Malaysia, the *Kumpulan Mujahidin* is only one of many radical organizations; others include the *Al-Ma’unah*, *Kampung Medan*, and older groups such as the *Islamic Revolution Cooperative Brigade (Koperasi Angkatan Revolusi Islam)*.<sup>80</sup>

One especially alarming trend was reflected in an online survey conducted by the daily newspaper *Media Indonesia*: A majority of the 2,400 respondents believed that bin Laden was a “justice fighter,” and fewer than 35 percent considered him a terrorist. Nearly half of the respondents were university graduates, so clearly bin Laden is able to tap into a growing sentiment across the Muslim world. Indonesians surveyed in the Pew poll ranked Osama bin Laden third in a list of world leaders who could be trusted to do the right thing.<sup>81</sup> What is particularly troubling is that secular middle-class Indonesians are also turning against the United States, which they feel is unilateral, arrogant, and aggressive. As Harold Crouch warns, the “outrage expressed by the radicals against the United States is widely shared by the moderate Muslim majority, as well as by secular groups.”<sup>82</sup> What happens when we no longer have to confront Al-Qaida as an organization but as an ideology?

In short, most Southeast Asian states have terrorist cells working in them. Although they are for the most part independent and focused on political and social issues within their own states, increasingly they are forming networks and engaging in transnational actions. We now know the importance that Al-Qaida placed on the role of sleeper agents, and Southeast Asia has been used extensively as a base since the early 1990s.

## ■ The War on Terrorism

The Taliban's collapse in Afghanistan was a serious blow for Al-Qaida. But now, instead of having one place to plan and train, Al-Qaida has diversified. Today, there are nodes of Al-Qaida cells that can conduct operations around the world, of which Southeast Asia is one. Were bin Laden and other senior members of Al-Qaida to be captured or killed, the organization would suffer a blow. However, it is dangerous to believe that either will end terrorism. Bin Laden's capture or death will only make a martyr out of him, and in his own words, he will be replaced by a 1,000 new martyrs. Despite nearly one year of investigations around the world, only some 3,000 Al-Qaida members and suspects have been detained, meaning that some 50 to 60 percent of Al-Qaida operatives remain at large around the world, and more than likely many are in Southeast Asia. As CIA director George Tenet warned, despite "disrupting terrorist operations, I repeat, Al-Qaida has not yet been destroyed. It and like-minded groups remain willing and able to strike at us. Al-Qaida's leaders are still at large, working to reconstitute the organization and resume its terrorist organizations." The October 2002 bombing in Bali, like the May 2003 bombings in Riyadh Saudi Arabia and Morocco, is evidence of a more dispersed Al-Qaida that is focusing on attacking softer economic targets in order to maximize economic and political instability. As Osama bin Laden warned in an October 2002 audio-tape, the "young men of Islam are preparing for you something which will fill your hearts with terror and will target the nodes of your economy until either you cease your injustice and aggression or the quicker of us dies."

If we are truly going to fight a "war on terrorism," then we have to understand both its global reach and its root causes. We have to learn how terrorists plot against the secular states by operating across their borders; how they recruit, plan, and operate in different countries; and how they are able to find local communities to support their operations, or as pools of recruitment. To that end, this book has four main goals.

The first goal is to analyze the emergence of radical Islamic groups in the region and provide a brief historical context to understand why extremism was able to grow and take hold. Al-Qaida did not simply arrive in the region and establish a network from scratch, but rather it found groups, who had already been established and had legitimate grievances, that had been fighting their respective states for a prolonged period of time. They were brought into Al-Qaida or co-opted. The historical roots of militant Islam are not new in the region, but the links to international terrorist groups are. Al-Qaida was able to graft onto existing movements as well as establish independent cells. More important, it was able to link these organizations to create a complex network throughout the region. What were government policies in the region until September 10, 2001? Did they have a role in creating the conditions for terror-

ism? The September 11 attacks and the ensuing war on terrorism allows us to go back and examine the growth of Islamic fundamentalism in the region, to understand the underlying root causes. Only by taking a broader, more long-term historical and political-economic look can we understand the penetration of Al-Qaida into the region. This is the subject of Chapter 2.

This raises a larger question about how local radicals were brought into the Al-Qaida organization. How did individuals go from being parochial jihadis, concerned with narrow political agendas in their own state, to “internationalists”? What caused that transformation? Thus, the second goal of this book is to examine some of the linkages between Al-Qaida and Islamic extremists in Southeast Asia and, perhaps more important, the growing relationship among these groups themselves. To what degree has Al-Qaida penetrated the region? To what degree did it set up cells or graft on or form alliances with preexisting groups? Although these groups have been covered in the national presses, they are relatively unknown in the United States, and their ties to each other have been woefully unreported. Increasingly these groups are working together, operating across borders in pursuit of their own domestic political agendas, training together, providing intelligence and safe havens. A pan-Islamic movement in Southeast Asia is unlikely, but in the process, it has the capacity to wreak economic and political havoc. To this end, there are two chapters dedicated to the development of Al-Qaida in Southeast Asia. Chapter 3 analyzes the period from 1991 to 1995, when Al-Qaida’s base of operations was in the Philippines, both to support terrorist acts against the United States, but also to liaise with Muslim militants in the southern island of Mindanao. Chapter 4 studies the development of the Jemaah Islamiya, Al-Qaida’s regional arm that was founded between 1993 and 1994 and established a network of cells throughout the region.

The third goal of this book is to analyze the reactions of the regional governments to the September 11 attacks and the U.S. war on terrorism. The reactions and policies have been diverse and largely driven by each country’s political and foreign policy goals. Chapter 5 seeks to understand (1) what the states are doing to confront Al-Qaida and prevent their territories from being penetrated by international terrorists, and (2) what the policy responses are to rising fundamentalism and addressing the legitimate grievances of the Muslim communities. Are states ready to confront Al-Qaida not as an organization but as an ideology? These are very different objectives, and it is yet to be seen how well the various governments respond to both of them. These governments are constrained politically as to how much they can and are willing to do, at the risk of alienating constituencies or galvanizing political opposition against them. How they respond to the war on terrorism has much more to do with domestic political considerations, and we must be aware of the domestic pressures that these regimes face.

The focus of Chapter 6, and the fourth goal of the book, is to analyze the six pitfalls (listed below) in defeating terrorism in Southeast Asia.

1. Despite considerable success in dismantling the Al-Qaida organization, it is still far from defeated. It is a fluid organization with an uncanny ability to recruit, indoctrinate, and reconstitute itself. It is a more diffuse organization, and Southeast Asia will be an important theater of operation for it in the coming years.

2. Despite the ongoing threat posed by terrorism in the region, there are uni-, bi-, and multilateral obstacles to effectively fighting terrorist groups. In addition to resource issues and bureaucratic competition, states will continue to react and cooperate only in their immediate short-term political, economic, and diplomatic interests.

3. Whereas ASEAN is the appropriate venue for a multilateral effort to fight terrorism, it is a much weakened organization and its efficacy in combating terrorism will be limited.

4. The war on terror is important in that it has reengaged the United States in the region. However, U.S. and regional governments' agendas will not always converge.

5. The war on terror cannot come at the expense of human rights in the region.

6. The threat posed to human rights could alienate secular nationalists and moderates who can project a viable alternative to the radical Islamists and whose cooperation is essential to their state's counterterrorism goals, by projecting a viable alternative to the radical Islamists. Can one be an Islamist without becoming a jihadist?

In the future, the United States will have to pay far more attention to the region because there is a growing awareness that "there has been a concerted effort by bin Laden and his people to expand their activities in East Asia, not only in the Philippines, but in Malaysia and Indonesia."<sup>83</sup> The United States can no longer distance itself from the region much less abandon it as it was accused of doing during the Asian economic crisis. There is a growing realization that the region's continued economic slide will have dire national security implications for the United States. As Michael Armacost put it, "Now no one in Washington can ignore Southeast Asia because there are large Muslim populations in Indonesia and the Philippines, and these countries are taking a real hit in the global downturn."<sup>84</sup>

Terrorism and the spread of radical Islam are global issues. If we are really intent on fighting terrorism, we have to understand its reach and its roots. The war in Afghanistan is important in denying Al-Qaida a base of operations, yet how many have already returned from the training camps

ready to wage a jihad in Southeast Asia? The devastating impact of the attack on a Balinese nightclub, in which 202 people were killed, will have repercussions for the region. And governments, such as Indonesia's, which denied the presence of terrorist cells or Al-Qaida's presence for over a year, are now confronted with the reality that terrorists have set up large networks within their borders, able to conduct small-scale attacks that will have devastating impacts on their political and economic situations.

## ■ Notes

1. Sheldon W. Simon, "Southeast Asia and the US War on Terrorism," *NBR Analysis*, 13, no. 4 (July 2002): 37.

2. Michael Richardson, "Attacks Seen Stalling Asia's Recovery," *International Herald Tribune (IHT)*, October 18, 2001, 11.

3. Chinese manufacturing employees earn, on average, \$90 a month, compared with \$117 in the Philippines and \$137 in Thailand. Moreover, with an unemployment rate in China of 10 to 15 percent, there is little upward pressure on wages.

4. Estimates of the bombing's impact were that tourism revenue would drop from over \$5 billion in 2001 to \$3.4 billion in 2002 and between \$2.7 billion and \$3.2 billion in 2003. The number of foreigners expected to visit Indonesia in 2003 is approximately 4 million, down from 5.15 million in 2001.

5. See Robert W. Heffner, *Civil Islam* (Princeton: Princeton University Press, 2000); Robert W. Heffner and Patricia Horvatic, eds., *Islam in the Era of Nation States* (Manoa: University of Hawaii Press, 1997); and Mitsuo Nakamura, Siddique and Bajunid, *Islam and Civil Society in Southeast Asia* (Singapore: Institute of Southeast Asian Studies, 2001).

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7. Phil Hirschorn, Rohan Gunaratna, Ed Blanche, and Stefan Leader, "Blowback: The Origins of Al-Qaida," *Janes Intelligence Review* 13, no. 8 (August 2001).

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11. Arquilla, "Networks, Netwar, and Information-Age Terrorism," 61.

12. *Ibid.*, 51.

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15. *Ibid.*

16. Richard Engel, "Inside Al-Qaida: A Window into the World of Militant Islam and the Afghani Alumni," *Janes Online*, September 28, 2001.

17. Ford, "Al Qaeda's Veil Begins to Lift."

18. Yonah Alexander and Michael S. Swetnam, *Usama bin Laden's al-Qaida: Profile of a Terrorist Network* (Ardsley, N.Y.: Transnational Publishers, 2001), 20.
19. Hirschhorn et al., "Blowback."
20. Gunaratna, *Inside Al Qaeda*, 194.
21. Reuel Marc Gerecht, "The Gospel According to Osama bin Laden," *The Atlantic Monthly* (January 2002): 46.
22. This policy was supported by the CIA from the start. See Ahmed Rashid, *Taliban: Militant Islam, Oil, and Fundamentalism in Central Asia* (New Haven: Yale University Press, 2000), 129. According to Rashid, for Pakistan this policy cemented Islamic unity and turned Pakistan into a leader of the Islamic world. For the United States it served as propaganda to demonstrate that the entire Muslim world was against the Soviet Union.
23. Mark Adkin and Muhammed Yousaf, *Afghanistan—The Bear Trap: Defeat of a Superpower* (London: Casemate Publishers, 2001).
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27. Lira Lalangin, "Bin Laden Seen Recruiting Ex-MILF," *PDI*, October 24, 2001.
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40. Leslie Lopez, "Islamic Schools Flourish in Malaysia," *Asian Wall Street Journal (AWSJ)*, October 23, 2001.

41. J. M. van der Kroef, "The Indonesian Arabs," *Civilisations* 5, no. 13 (1955): 15–23, esp. 16.
42. Peter R. Riddell, "Arab Migrants and Islamization in the Malay World During the Colonial Period," *Indonesia and the Malay World* 29, no. 84 (July 2001): 117.
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