

# RESPONSE TO BALI: AN INTERNATIONAL SUCCESS STORY

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*After the terrorist bombings in Bali, the international community came together to help Indonesia rapidly develop the capacity it needs to fight further terrorist activity. The United States, Japan, and Australia led a multilateral effort to provide law-enforcement training and bolster Indonesia's ability to combat terrorist financing. The response by Indonesia and the donor countries provides an example of how capacity building should work.*



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The October 2002 Bali bombings and the response by the Indonesian government and the international community to the attacks offer a potent case study of counterterrorism financing strategy. This strategy has been transformed into action through comprehensive law enforcement, public designation, and capacity building operations. On October 12, 2002, Indonesia experienced what was then the largest terrorist attack since 9/11 the year before. The Bali bombings abruptly woke Indonesia to the reality of international terrorism. In the aftermath of the bombings, Indonesia worked tirelessly with its international partners to strengthen its defenses against the threats of terror, including its efforts to stem the flow of funds to terrorists.

## ARRESTING THOSE RESPONSIBLE

The Bali bombings began at 11:05 p.m. October 12, 2002, when an explosive device was electronically detonated inside a crowded bar in the heart of the island resort's entertainment district. Seconds later, as victims ran from the site of the first explosion, a minivan packed with explosives detonated nearby. Terrorists had strategically targeted young tourists at popular nightspots, leaving 202 people killed, including 88 Australians, 38 Indonesians, and seven Americans. The devastating attack on innocent civilians was compounded by dramatic economic consequences for Indonesia. The terrorist operation, which cost about \$35,000, shattered Bali's tourist industry, leading to losses estimated in the millions of dollars. Indonesia, unprepared to counter the growing dangers posed by terrorist groups, eagerly met a coalition of countries willing and able to provide extensive guidance and assistance on counterterrorism.

With the aid of its international allies, Indonesia quickly launched a credible and professional law enforcement campaign to investigate and capture the terrorists

responsible for the attack. Australian and U.S. law-enforcement experts were deployed to Indonesia to assist with the various aspects of the Bali bombing investigation, from identifying the victims to following the money trail. To date, 80 Jemaah Islamiya members have been arrested in conjunction with the Bali operation. As a result of coordinated law enforcement efforts to prepare sound evidentiary packages, Indonesian judicial authorities have successfully prosecuted the Bali bombing perpetrators and delivered 33 convictions, including three death and numerous life sentences as of June 2004.

### **JEMAAH ISLAMIYA PUBLIC DESIGNATION**

Jemaah Islamiya (JI), an al-Qaida-linked terrorist network based in Southeast Asia, was initially connected to the attack. JI is committed to the creation of an Islamic caliphate in Southeast Asia. Though little is known about the number of JI numbers, they receive substantial contributions from Middle Eastern and Southeast Asian supporters, including al-Qaida. JI recruited and trained extremists throughout the 1990s, resulting in a series of attacks that began in 2000.

In the wake of the bombings, international outrage resulted in an immediate response. On October 23, 2002, a partnership of 52 countries requested or supported the United Nations terrorist designation of Jemaah Islamiya. More than 150 jurisdictions have agreed to block the assets of JI-related targets. This designation represented the broadest and most conspicuous alliance against a terror group since the designation of al-Qaida and the Taliban after the 9/11 attacks. U.N. members were mandated to freeze and capture assets linked to JI. International public designations serve as an effective tool of the “name and shame” strategy to limit JI’s maneuverability.

To underscore the importance of international cooperation to combat terrorism and revive the local economy, Indonesia and Australia co-hosted a Conference on Combating Money Laundering and Terrorist Financing December 17-18, 2002, with participants from 33 countries and 14 international organizations. The conference applauded international action through the United Nations to designate Jemaah Islamiya and called for increased international cooperation through law

enforcement, intelligence, and capacity building operations in Southeast Asia and the Pacific.

### **COUNTERTERRORISM CAPACITY BUILDING**

**Law Enforcement Training.** Immediately following the Bali bombings, the United States, Japan, and Australia led a multilateral effort to assist Indonesia in countering terror. Faced with a very real threat, Indonesia has worked hard to build the capacity to prevent future terrorist attacks. In 2003, the State Department Office of the Coordinator for Counterterrorism planned and budgeted for the State Department Bureau of Diplomatic Security to implement an \$8 million anti-terrorism assistance program to train, equip, and organize a counter-terrorism unit within the Indonesian National Police. The specialized unit is known as Special Detachment 88 (SD-88). Sixty-nine police officers have already been trained by the United States, with additional programs expected to instruct 279 officers by 2005. SD-88 has begun to integrate with Indonesia’s Jemaah Islamiya Task Force, fortifying Indonesia’s defenses against Southeast Asia’s primary terrorist threat. Furthermore, the Department of Defense’s Regional Defense Counter-terrorism Fellowship Program has spent \$2.3 million training 78 Indonesian intelligence officers in English language, military professionalism, and counterterrorism-related courses.

**Counterterrorism Finance Assistance.** In addition to capacity building in the law enforcement arena, multilateral assistance to Indonesia has included a broad effort to help defend the financial system against abuses by terrorists. More than \$820,000 has been obligated to U.S. agencies for counterterrorist financing/anti-money laundering (CTF/AML) technical assistance and training to Indonesia. In September 2002, a month before the Bali bombings, the United States took initial steps towards CTF/AML capacity building with a rough assessment of Indonesia’s financial counterterrorism regime. A second team of experts was sent onsite to further evaluate Indonesia’s capabilities in September 2003. Indonesia has made significant progress in reinforcing its ability to combat terrorist financing in the five key elements for an effective counterterrorist financing regime.

**1. Legal Framework:** Successful prosecution of terrorists relies on a strong legal framework, and the United States and its partners have assisted Indonesia in developing



AP/Wide World Photos

Aftermath of October 2002 terrorist bombing in Bali that killed 202.

strong AML/CT laws. Since July 2002, the United States has been training Indonesian and other Southeast Asian judicial authorities in drafting and amending legislation that would enable them to adopt the U.N. conventions related to terrorism and comply with U.N. Security Council Resolution 1373 to criminalize terrorist financing and money laundering. The U.S. Agency for International Development (USAID) and its Australian counterpart have been delivering legal drafting assistance to the Indonesian Central Bank and its Financial Intelligence Unit to promote economic and financial reforms. Indonesia had a weak track record in countering financial crimes and was added to the Financial Action Task Force (FATF) list of Non-Cooperating Countries and Territories in 2001. However, in September 2003, technical assistance from a U.S. interagency team helped Indonesia adequately amend its anti-money laundering legislation to meet international standards and avoid further FATF countermeasures. As a result of this legislative progress, FATF is now monitoring the implementation of the AML law.

**2. Financial/Regulatory:** Central banks are instrumental in monitoring and suspending money flows to terrorist groups. Indonesia has been working with the Asian Development Bank and other international donors to

modernize its financial sector. In October 2003, Indonesian central bankers participated in a financial regulatory course provided by the State Department's Bureau for International Narcotics and Law Enforcement Affairs and the U.S. Office of the Comptroller of the Currency. This workshop for Southeast Asian central bankers provided technical assistance to bank regulators on how to combat terrorist financing and money laundering and how to detect suspicious activities in private banks. This training led to Bank Indonesia devising a compliance audit program for

AML/CTF and plans to conduct full onsite supervision and examination of banks beginning later this year.

**3. Financial Intelligence Unit (FIU):** Bali's remote location and inadequate preparedness for a large-scale attack meant that national and international law enforcement agents could not rely solely on crime scene evidence to track and catch the responsible terrorists. One of the most powerful investigative tools in the Bali bombings was the analysis of communication and financial transactions between JI members. In an effort to strengthen this critical component of Indonesia's war on terror, we have worked closely with our partners from Australia's financial intelligence unit to develop the Indonesian FIU. The United States invited the Indonesian FIU to participate in a one-week training seminar entitled "Basic Analysis and Suspicious Transaction Reporting" for FIU personnel and other government officials responsible for combating money laundering and terrorist financing. Sponsored by Malaysia's Southeast Asian Regional Centre for Counterterrorism in August 2003, the conference was part of an ongoing regional effort to cooperate and coordinate with neighboring governments on counterterrorism. Through a grant from the USAID to procure essential information technology equipment, the United States directly assisted Indonesia's FIU in October 2003 to bring its electronic reporting system online to

collect suspicious transaction reports from the private sector. With this assistance from the United States and Australia, Indonesia's FIU hit a major milestone in June 2004 when it officially became a member of the Egmont Group of FIUs.

**4. Law Enforcement:** In January 2004, the FBI Terrorist Financing Operations Section conducted training courses on terrorist financing and money laundering investigations for 69 Indonesian National Police and other officials responsible for combating money laundering and terrorist financing. In an attempt to foster interagency cooperation in terrorist financing cases, participants included personnel from the Indonesian National Police SD-88 counterterrorism unit, financial crimes unit, and financial intelligence unit. As a result of this training, Indonesian law enforcement authorities have initiated 30 money laundering investigations, two-thirds of which have been referred to the Attorney General's Office.

**5. Prosecutorial/Judicial Process:** The Department of Justice's Overseas Prosecutorial Development, Assistance and Training division will assign a resident legal advisor in Jakarta to work with the host government in applying

the new counterterrorism and anti-money laundering legislation. The resident legal advisor would assist with the future passage and application of new mutual legal assistance legislation.

## CONCLUSION

In the face of continued threat of attack by Southeast Asian terror networks like Jemaah Islamiya, Indonesia has worked with the United States, Australia, and Japan, among other allies, to reinforce its counterterrorism regime. Through law enforcement operations and public designations, Indonesia responded quickly to the Bali bombings and made significant strides in rooting out the JI cell responsible for those attacks. Training and capacity building provided by the U.S. government and other international donors has had a significant impact on Indonesia's ability to prevent and respond to terrorist financing and international terrorism in general. From law enforcement programs to a comprehensive overhaul of financial and legal structures, Indonesia has benefited significantly from the continuing assistance of its allies and serves as a positive example of international capacity building efforts. ■