

## **TRANSNATIONAL COOPERATION ON ANTI-TERRORISM: A COMPARATIVE CASE STUDY OF SAUDI ARABIA AND INDONESIA**

**A.S.M. Ali ASHRAF\***

### **Abstract**

*Most western security experts suggest that transnational cooperation on anti-terrorism, especially with predominantly Muslim countries, will significantly help control the violent groups, prone to using jihadi ideology against western targets in general and American targets in particular. Security cooperation with the oil rich Middle Eastern countries and the Muslim majority Southeast Asian nations are particularly important. In this backdrop, this paper investigates the policy actions of two Muslim majority countries—Saudi Arabia and Indonesia—in addressing the growing concerns about jihadi ideology and lax anti-terror regimes. It finds that the two countries (Saudi Arabia and Indonesia)—faced with the threats of international terrorism at home—are increasingly engaged in transnational anti-terrorism programs within bilateral and multilateral frameworks. In conclusion, the paper briefly discusses the theoretical and policy implications of such anti-terrorism cooperation, and stresses the need for sustained policy attention and resource allocation for building a robust counterterrorism regime.*

### **Key Words**

Anti-terrorism, Intelligence & Law enforcement, Security Regime, Transnational Cooperation

### **Introduction**

Most western security experts suggest that transnational cooperation on anti-terrorism, especially with the predominantly Muslim countries, will significantly help control the violent groups, prone to using *jihadi* ideology against western targets in general and American targets in particular.<sup>1</sup> Security

---

\* The author is a Ph.D. Candidate, Graduate School of Public and International Affairs, University of Pittsburgh, USA; and Lecturer (on leave), Department of International Relations, University of Dhaka, Bangladesh.

<sup>1</sup> Anthony Cordesman, "Saudi Arabia: Friend or Foe in the War on Terror?" *Middle East Policy*, Vol. # XIII, No. # 1, (2006), pp. # 28-41; Eric Rosand, *Global Terrorism: Multilateral Responses to an Extraordinary Threat: Coping With Crisis Series*, New York, NY: International Peace Academy, 2007; Jane Boulden and Thomas G. Weiss (ed.), *Terrorism and the UN*, Bloomington,

cooperation with the oil rich Middle Eastern countries and the Muslim majority Southeast Asian nations are particularly important in this context.<sup>2</sup> The existing weakness in the financial sector, lack of oversight of charitable donations, and the existence of religious schools as radical training centers in these regions are of particular concern in these countries.

In this backdrop, this paper reviews the policy actions of two Muslim majority countries—Saudi Arabia and Indonesia—in addressing the growing concerns about global *jihadi* ideology and lax anti-terror regimes. There are several reasons for choosing Saudi Arabia and Indonesia as the country cases. Saudi Arabia is the *de facto* leader of the Sunni Muslim world, where the Wahhabi ideology often turns violent against the secular-western targets. On the other hand, Indonesia is the world's largest Muslim country, where the recent terrorist attacks (in Bali in 2002 and 2005) have unveiled the deadliest power of Islamist terrorist groups.

Located in two different regions of the world, Indonesia and Saudi Arabia differ markedly in terms of their domestic politics, history, and foreign policy. However, one superficial similarity between the two countries is their predominantly Sunni Muslim population, which is distinctly different in their outlook, dress code, and religious practices.

The historical record of political violence and terrorism experienced by the political regimes in these countries are also strikingly different. The Saud dynasty has been ruling in Saudi Arabia for more than two centuries. During this period, various pro-reform political dissent, anti-Zionist sentiment, and anti-Americanism had often turned violent. On the other hand, formerly a Dutch colony, post-independent Indonesia, was long under the autocratic rule until the fall of Suharto in 1998. Communist insurgency, ethnic unrest, and radical Islamist movements have been the traditional domain of Indonesian internal security affairs.

Despite sharp differences in domestic politics, geography, history, and economy, the recent counterterrorism measures taken by Indonesia and Saudi Arabia demonstrate a remarkable parallel: an emphasis on reforming

---

IN: Indiana University of Press, 2004; John R. Wagley, "Transnational Organized Crime: Principal Threats and U.S. Responses," *CRS Report for Congress*, 2006; Nora Bensahel, "A Coalition of Coalitions: International Cooperation against Terrorism," *Studies in Conflict & Terrorism*, Vol. # 29, No. # 1 (2006), pp. # 35-49; Paul Pillar, *Terrorism and U.S. Foreign Policy*, Washington, DC: Brookings Institution Press, 2001, pp. 157-196.

<sup>2</sup> *Terrorist Financing: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, New York, Council on Foreign Relations, 2002

the anti-terror regulations, intelligence sharing with western security services, creation of financial intelligence units (FIU), and compliance with the Financial Action Task Force (FATF) recommendations on anti-money laundering and counterterrorist financing.

Questions arise: How do we explain these similar trends in anti-terror measures taken by the political regimes in Saudi Arabia and Indonesia? And, to what extent do they cooperate with the western partners (countries and institutions), where radical Islamist ideology has emerged as a major security threat? This paper seeks to investigate these questions by reviewing state ideology, history of terrorism, and recent anti-terror measures in Saudi Arabia and Indonesia.<sup>3</sup>

The scope of the paper is modest. It is analytical rather than judgmental. It does not endorse any position of the Saudi, Indonesian, or western political regimes, but aims to test the conventional wisdoms against available evidence. It uses the various secondary data, published articles, and web information from credible sources. Although the paper does not take the side of any particular position, it recognizes the fact that some of the available literature is, in many instances, self-interested.

### **Framing the Debate**

Transnational cooperation on antiterrorism is an important tool in the fight against organized crime and terrorism.<sup>4</sup> Such cooperation is premised on the idea that bilateral and multilateral initiatives in intelligence, law enforcement, legal-judicial, and political affairs can help combat the roots of terrorism. Cooperation is essential in fighting a spectrum of terrorist activities—recruitment, indoctrination, financing, transportation, communication, training, and execution.<sup>5</sup> In recent years, as the distinctions between organized crime and terrorism are getting blurred,<sup>6</sup> international

---

<sup>3</sup> It needs to be clarified that the aim of this paper is not to analyze anti-terror cooperation between the Saudi and Indonesian states. Rather, it explores the individual experiences of bilateral and multilateral cooperation of the Saudi and Indonesian states in dealing with terrorist threats.

<sup>4</sup> Wagley, "Transnational Organized Crime: Principal Threats and U.S. Responses," p. # 12-13; Karin von Hippel, "Improving the International Response to the Transnational Terrorist Threat," in Boulden and Weiss (ed.), *Terrorism and the UN: Before and After September 11*. Bloomington, IN: Indiana University of Press, 2004, pp. 102-119.

<sup>5</sup> Anthony Cordesman, "Saudi Arabia: Friend or Foe in the War on Terror?" pp. # 28-41; Bensahel, "A Coalition of Coalitions: International Cooperation against Terrorism," pp. # 35-49; Press Release: Combating Terrorism Financing, by Anthony Wayne, Assistant Secretary for Economic and Business Affairs, US Department of State, 6 December, 2005; Thomas J. Biersteker, and Sue E. Eckert (ed.), *Countering the Financing of Terrorism*. London and New York: Routledge, 2008.

<sup>6</sup> David Kaplan, "Paying for Terror: How Jihadist Groups are Using Organized Crime Tactics-and Its Profits-to Finance Attacks on Targets Around the Globe," *U.S. News and World Report*, 12 December 2005; Phil Williams, "Terrorist Financing and Organized Crime: Nexus, Appropriation, or Transformation?" in Thomas J. Biersteker and Sue E. Eckert (ed.), *Countering the Financing of Terrorism*, London and New York: Routledge, 2008, pp. 126-159.

anti-terror cooperation can also be used as a critical instrument in the fight against transnational criminal enterprises, such as, money laundering, illicit businesses, and counterfeit documents.<sup>7</sup>

The decision of particular states or institutions to collaborate with each other may vary over time and space, and over particular areas of concern. Cooperation may be the result of shared threat perception<sup>8</sup> and vulnerabilities, or international pressure.<sup>9</sup> It can also be the product of a well articulated state policy to assist resource poor countries in developing effective institutions and improving their legal-judicial frameworks.<sup>10</sup>

Joint anti-terror measures may be divided into two categories: tactical and strategic. For instance, tactical cooperation in curbing terror financing would aim to “disrupt individual nodes in the terrorist financial network.”<sup>11</sup> In contrast, strategic cooperation in dealing with terror financing would target to “change the environment within which terrorists (and other international criminals) raise and move their funds”.<sup>12</sup>

Aside from the tactical versus strategic differences in transnational security measures, effective support towards anti-terror cooperation may confront some inherent difficulties. Lack of political will and divergent threat perception are important among them. Weak institutions and resource constraints may also erode the process of law enforcement and thus negatively affect any measure to thwart transnational crime and terrorism.<sup>13</sup>

In sum, anti-terror cooperation is an important tool in the fight against the evolving and complex threats from transnational organized crime and terrorism. Several factors can shape the nature of anti-terror cooperation. The list includes security threat perceptions, the nature of political regime,

---

<sup>7</sup> Monica Serrano, “The Political Economy of Terrorism” in Boulden and Weiss (ed.), *Terrorism and the UN*, Bloomington, Indiana University of Press, 2004; Biersteker et al (ed.), *Countering the Financing of Terrorism*.

<sup>8</sup> For instance, Saudi anti-terror cooperation with the USA became stronger after the 2003 Riyadh bombings. Prior to this terrorist attack, it was hard for the US Government to get strong cooperation (intelligence with regard to terrorism) from the Saudi authority. See: Michael Scott Doran, “The Saudi Paradox,” *Foreign Affairs*, Vol. # 83, No. # 1, (2004), p. # 49-50.

<sup>9</sup> For instance, FATF-imposed NCCT list acts as a pressure for nation states which do not have effective anti-money laundering regimes.

<sup>10</sup> Since its inception in 1983, U.S. anti-terror assistance programs have trained more than 48,000 students from over 141 countries. U.S. ATA programs are not only designed to improve the operational and tactical capabilities of the partner nations, but also to advance U.S. foreign policy goals of by strengthening bilateral relations. See: U.S. Department of State, *The Antiterrorism Assistance Program: Report to Congress for Fiscal Year 2004*, Bureau of Diplomatic Security and Office of the Coordinator for Counterterrorism, 2005, p. # 1.

<sup>11</sup> *Terrorist Financing: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, New York: Council on Foreign Relations, 2002, p. # 12.

<sup>12</sup> *Ibid*.

<sup>13</sup> David Ochmanek, *Military Operations Against Terrorist Groups Abroad: Implications for the United States Air Force*. Santa Monica, CA: RAND Corporation, 2003, p. 2.

the strengths and weaknesses in the existing legal-judicial institutions, and the strategic versus tactical nature of counterterrorism cooperation.<sup>14</sup> Before setting the discussion on Saudi and Indonesian counterterrorism cooperation, it is pertinent to review the concepts and notions of organized crime and terrorism.

### **Organized Crime, Terrorism and Anti-Terrorism: Conceptual Understanding**

Illicit trade in arms, drugs, human trafficking, and counterfeit documents (e.g. credit card, bank card, passport, immigration documents etc) are the traditional domains of organized criminal activities. In contrast, terrorism refers to “premeditated, politically motivated violence perpetrated against noncombatant targets by sub-national groups or clandestine agents, usually intended to influence an audience”.<sup>15</sup>

Conventional wisdom suggests that terrorist groups (cells or networks) are ideologically (politically, religiously) motivated, while most criminal groups are mainly profit driven and economically motivated. However, the nature of organized crime and terrorism is changing over time and the distinctions between them are getting blurred. These blurring distinctions are evident in several well documented cases, in which terrorist groups relied on criminal activities to fund their operations, while organized criminal networks resorted to terrorist attacks to run their activities.<sup>16</sup>

For instance, the Madrid bombings in Spain (2004) were financed by the proceeds from drug dealing, and the Bali bombings in Indonesia (2002 and 2005) were funded by bank robbery, credit card fraud, and jewelry store robberies.<sup>17</sup> In contrast to these cases of terrorism-organized crime nexus, there is evidence of crime-terrorism nexus. The classic case is drug-mogul Pablo Escobar, who turned violent against the state of Colombia in the 1980s.<sup>18</sup> In addition to such changing patterns in the criminal-terrorist activities, a worrisome development concerns radical Islamist groups’ use of

---

<sup>14</sup> The terms anti-terrorism and counterterrorism are used interchangeably in this paper.

<sup>15</sup> *Patterns of Global Terrorism 2003*, US Department of State, 2004, p. # xii.

<sup>16</sup> David Kaplan, “Paying for Terror: How Jihadist Groups are Using Organized Crime Tactics-and Its Profits-to Finance Attacks on Targets Around the Globe;” CNN, “Madrid Bombings: 3 Moroccans Held,” 24 May, 2005.

<sup>17</sup> *Ibid.*

<sup>18</sup> Monica Serrano, “The Political Economy of Terrorism,” in Boulden and Weiss (ed.), *Terrorism and the UN*, Bloomington, IN: Indiana University of Press, p. 200.

charitable donations and *hawala* (alternative remittance system) to execute their plans and expand their networks.<sup>19</sup>

The September 11, 2001 terrorist attacks (widely known as 9/11) on the U.S. demonstrated the deadly power of Al Qaeda and radical Islamist groups. As global terrorist threats are becoming more diverse and terrorist cells/networks in different parts of the world are becoming loosely coordinated, international cooperation is critical to deterring, denying, and defeating the terrorists. Hence, promoting cooperation has emerged as an important aspect in U.S. counterterrorism policy. For instance, the four pillars in U.S. counterterrorism policy are: (a) making no concessions to terrorists; (b) bringing terrorists to justice; (c) isolating and applying pressure on state sponsors of terrorism; and (d) bolstering counterterrorist capabilities by offering anti-terror assistance to foreign governments.<sup>20</sup>

Promoting anti-terrorism cooperation or the fourth pillar in U.S. counterterrorism policy has evolved over the years. It now focuses on providing training and equipment, creating special anti-terror task forces, and improving professionalism in the intelligence and law enforcement agencies of partner countries. Broadly speaking, the U.S. anti-terror assistance programs have four major concentrations: crisis prevention, crisis management, crisis resolution, and investigation.<sup>21</sup>

One particular aspect of U.S. counterterrorism policy is combating the *jihadi* ideology of the Al Qaeda network and its affiliated cells throughout the world.<sup>22</sup> To what extent does the U.S. get the support of the Muslim majority states in combating the militant Islamic groups? What factors determine the nature of anti-terror cooperation between the U.S. and a Muslim majority state? How does this relationship change over time, and to what extent? This paper reviews these questions by exploring the cases of terrorism and counterterrorism in Saudi Arabia and Indonesia.

The topic is important and interesting for several reasons. First, it addresses the growing concern about Saudi linkages (private and state-

---

<sup>19</sup> *Terrorist Financing: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, New York: Council on Foreign Relations, 2002.

<sup>20</sup> See *Country Reports on Terrorism 2004*, US Department of State, Washington, DC, 2005.

<sup>21</sup> US Department of State, *The Antiterrorism Assistance Program: Report to Congress for Fiscal Year 2003*, The Bureau of Diplomatic Security and the Office for the Coordination of Counterterrorism, DOS, 2004; US Department of State, *The Antiterrorism Assistance Program: Report to Congress for Fiscal Year 2003*, The Bureau of Diplomatic Security and the Office for the Coordination of Counterterrorism, DOS, 2005.

<sup>22</sup> The White House, *The National Security Strategy of the United States of America*, Washington, DC: The White House, 2006.

affiliated support) to terror funding, and the Indonesian cases of terrorist bombings, where Jemaah Islamiyah (JI) is believed to emerge as a strategic ally of the global Al Qaeda network.<sup>23</sup> Second, it gives an opportunity to explore how the modern nation states respond to the non-statist security threats in a transnationalized world.

The paper is divided into four sections. The first section explores the emerging nature of global anti-terror regime. The next two sections review the experience of the Saudi Arabian and the Indonesian governments in dealing with terrorism. The concluding section summarizes the theoretical and policy implications of counterterrorism cooperation between the Muslim majority countries and their western partners.

### **Global Anti-Terror Regime: Some Emerging Patterns**

Currently, there are various bilateral, multilateral, and regional forums in which anti-terror cooperation is becoming a prominent agenda of international security. Among the international organizations, the United Nations (UN) is at the forefront in fighting the threat of terrorism.<sup>24</sup> There are some 13 international conventions and protocols on anti-terrorism, developed under the UN auspices. Most of these conventions, devised between 1963 and 1999, focus on specific aspects of terrorism, such as, civil aviation (aircraft hijacking), plastic explosives, maritime navigation, internationally protected person, and suppression of terrorist financing.<sup>25</sup>

At the UN, there are six major administrative structures in which member states and entities work for the eradication of terrorist threats. These are: the UN Security Council (UNSC), the UN Counter Terrorism Center (CTC) of the Security Council, the 1267 Sanctions Committee (also known as the Al Qaeda and Taliban sanctions committee), the UN General Assembly, the UN Secretary General, and various specialized UN agencies.<sup>26</sup>

As terrorist financing has become a critical issue in international security, there is growing attention, within and beyond the UN systems,

---

<sup>23</sup> Rohan Gunaratna, *Inside Al Qaeda: Global Network of Terror*, New York, Columbia University Press, 2002, pp. 198-203.

<sup>24</sup> Boulden and Weiss (eds), *Terrorism and the UN*.

<sup>25</sup> For a list of United Nations Conventions and Protocols on terrorism, see: UN Action to Counter Terrorism, International Instruments to Counter Terrorism, <http://www.un.org/terrorism/instruments.shtml>, accessed January 30, 2009.

<sup>26</sup> Boulden and Weiss (ed.), *Terrorism and the UN*; US Department of State, *International Narcotics Control Strategy Report 2005*, Washington, DC, 2005.

to dealing with money laundering and terrorist financing.<sup>27</sup> The Financial Action Task Force (FATF) and its associated regional financial institutions have emerged as the integral features of an evolving financial regime.<sup>28</sup> The Paris-based FATF is an intergovernmental body, which sets the international standards and policies to combat money laundering and terror financing. The forty nine recommendations<sup>29</sup> (forty on money laundering and nine on terror financing) issued by the FATF are internationally recognized standards on anti-money laundering (AML) and counter terror financing (CTF).<sup>30</sup>

The global financial regime on anti-money laundering and counterterror financing is further strengthened by the joint cooperation among various institutions—the FATF, the International Monetary Fund (IMF), the World Bank, and the Basel Committee on banking supervision.<sup>31</sup> In addition, there is a growing trend in the formation of FATF style regional bodies, which are designed to develop and improve financial collaboration among the member countries. The list includes the Asia Pacific Group on Money Laundering (APG), the European Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism (MONEYVAL), the Middle East & North Africa Financial Action Task Force (MENAFATF), the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), the South American Financial Action Task Force (GAFISUD), and the Anti-Money Laundering Group in West Africa (GIABA).<sup>32</sup>

These global financial instruments are focused on several critical areas of concern, such as *hawala* or alternative remittance system (ARS), and “shadow banking” or informal financial system. In addition, the lack of effective oversight on charitable donations and trade based money laundering has also emerged as important concerns for terror financing.<sup>33</sup> The operations of the global and regional financial institutions show that dealing with the

---

<sup>27</sup> Biersteker et al (ed.) *Countering the Financing of Terrorism*; Jeanne-K Giraldo, and Harold A. Trinkunas (ed.), *Terrorism Financing and State Responses: A Comparative Perspective*. Stanford, CA: Stanford University Press, 2007; *Terrorist Financing: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, New York: Council on Foreign Relations, 2002.

<sup>28</sup> Anne C. Richard, *Fighting Terrorist Financing: Transatlantic Cooperation and International Institutions*, Washington, DC: Center for Transatlantic Relations, The Johns Hopkins University, 2005; Roy Godson and Phil Williams, “Strengthening Cooperation Against Transnational Crime,” *Survival* Vol. # 40, No. # 3 (1998), p. # 72; William F. Wescher, “Follow the Money,” *Foreign Affairs*, Vol. # 80, No. # 4 (2001), p. # 50;

<sup>29</sup> Press Release: Combating Terrorism Financing, by Anthony Wayne, Assistant Secretary for Economic and Business Affairs, US Department of State, 6 December, 2005. <http://dhaka.usembassy.gov/utills/eprintpage.html>, accessed April 6, 2006.

<sup>30</sup> The last provision of FATF recommendations is concerned with cash couriers. See: US Department of State, *International Narcotics Control Strategy Report 2005*, Bureau for International Narcotics and Law Enforcement Affairs, USDOS, March 2005.

<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*

<sup>33</sup> Council on Foreign Relations (2002)

porous financial systems would require well-structured collaboration among international private and public institutions.

Beyond the regional and multilateral institutions, stated above, the security strategies of powerful states may also contribute to a transnational counterterrorism regime. The U.S. is an important example here. The United States has institutionalized assistance programs to combat transnational organized crime and terrorism. These programs are designed to complement the international counterterrorism frameworks.

For instance, the U.S. Department of State's Bureau for International Narcotics and Law Enforcement (INL) and the Office of the Coordinator for Counterterrorism (SCT) are the lead agencies in streamlining logistics, training, and relevant support to allies and partner countries.<sup>34</sup> Other major government bodies involved in the field of internal security cooperation are: the departments of Justice, Homeland Security, Treasury, and the Internal Revenue Service. The Federal Bureau of Investigation (FBI) and the Financial Crime Enforcement Network (FINCEN) also play important roles in capacity building for foreign countries' financial intelligence units.<sup>35</sup>

Given the fact that violent Islamist groups have become a major security concern, it is worth exploring the extent of security cooperation between the United States and the Muslim majority countries. Among the Muslim countries, Saudi Arabia and Indonesia deserve special attention. Hence the next sections review the Saudi and Indonesian cases—their history of terrorism, and anti-terror cooperation with the western countries, and institutions.

### **Saudi Arabia: History of Terrorism, Anti-Terror Measures, and Recent International Cooperation**

#### *Religion and State: The Saudi Case*

The existing body of literature on terrorism and counterterrorism in the post-9/11 era suggests that American concerns over Saudi policy revolve around two major issues—the official state ideology and the issue

---

<sup>34</sup> US Department of State, *International Narcotics Control Strategy Report 2005*, Bureau for International Narcotics and Law Enforcement Affairs, USDOS, March 2005.

<sup>35</sup> Ibid

of terror financing. Most critics observe that the Saudi *Wahhabi* ideology is overtly “anti-American,”<sup>36</sup> and that Saudi private or state affiliated charitable donations are often diverted to funding violent Islamist groups and ideology around the world.<sup>37</sup>

The oil-rich Saudi Arabia enjoys a special position in the Islamic world as the vanguard of the two holy places of the Muslims—the Mecca and the Medina. The Al Saud dynasty in Saudi Arabia is an active sponsor of the Wahhabi creed of Islam, which stresses that all objects of worship other than God are false, and that those who worship such objects deserve death.<sup>38</sup>

The U.S. State Department has designated Saudi Arabia as a “country of particular concern” for its alleged violation of human rights and brutal suppression of political opponents.<sup>39</sup> There is also widespread concern that Saudi financiers and officials are responsible for spreading a fundamentalist interpretation of Islam through its petrodollars, charitable donations, and Islamic NGOs.<sup>40</sup>

### *Major Western Concerns over the Saudi Arabian Links with Terror Financing*

There are at least four major allegations about Saudi involvement in terror financing. These are:

- a. Financing the 9/11 terror perpetrators;
- b. Financing Iraqi insurgency;
- c. Funding Palestinian resistance group-Hamas; and
- d. Funding radical ideology through charitable societies and Madrassas.

---

<sup>36</sup> Michael Scott Doran, “The Saudi Paradox,” *Foreign Affairs*, Vol. # 83, No. # 1 (2004), p. # 35.

<sup>37</sup> *Terrorist Financing: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*. New York: Council on Foreign Relations. 2002. According to the Report, “Al Qaeda retains access to a vital financial network [which] is a lethal threat to the United States.”

<sup>38</sup> Angel M Rabasa et al (ed.) *The Muslim World after 9/11*, Santa Monica: RAND Corporation, 2004, p. 101.

<sup>39</sup> US Department of State, *Annual Report of the United States Commission on International Religious Freedom*, Washington, D.C., 2005, p. 113.

<sup>40</sup> In fact, 15 out of the 19 airplane hijackers of 9/11 terror attacks were of Saudi origin, which raises an important question about prevailing anti-Americanism in Saudi society. See: Rachel Bronson, “Rethinking Religion: The Legacy of the U.S.-Saudi Relationship,” *Washington Quarterly* Vol. # 28, No. # 4 (2005), pp. # 121-137.

The Saudi authority has discarded such allegations of terrorist financing as unsubstantiated and highly contradictory. Leaders in the Royal Saudi government insists that Saudi Arabia is fighting the threats of domestic and international terrorism with new legal, intelligence, and policy instruments. These issues are briefly discussed below in the sub-section on Saudi policy of dealing with terrorism.

Allegations of funding the 9/11 terror attacks: The *9/11 Commission Report* (2004) found no credible evidence that “the Saudi government or senior Saudi officials individually funded [Al Qaeda].<sup>41</sup> However, the Report indicated that charitable donations from the Saudi government-sponsored Al Haramain Foundation may have been used by the Al Qaeda to fund its terror plots. In contrast to the *9/11 Commission Report*, two independent task forces at the Council on Foreign Relations (CFR) expressed concerns over Saudi connections with terrorist financing, and pressed for effective Saudi actions in combating the sources of terrorist funding.

The CFR Task Forces, in two separate reports released in 2002, asserted that logical connections between Saudi financiers and Al Qaeda terrorist cells were well evident. The first report claims that Saudi Arabia is part of a regional financial center that works as a source and transit country for terror financing.<sup>42</sup> The second report questions the commitments of the Saudi authority to combating terrorism.<sup>43</sup> The Saudi government charged that the CFR reports were based on “false and inconclusive information.”<sup>44</sup>

Saudi spokesperson Adel Al Jubeir condemned the CFR Reports as politically motivated and propaganda. Jubeir also claimed that Saudi authority had prosecuted five persons for alleged involvement in terror financing.<sup>45</sup>

Allegations of funding the Iraqi insurgents: The issue of Saudi support for Iraqi insurgency constitutes a second major concern. In the backdrop

---

<sup>41</sup> See: National Commission on Terrorist Attacks upon the United States (9/11 Commission), *The 9/11 Commission Report: Final Report of the Commission to Investigate Terrorist Attacks upon the United States*, Washington, DC, 2004; Alfred B Pardos and Christopher M. Blanchard, “Saudi Arabia: Terrorist Financing Issues,” *CRS Report for Congress*, 1 March 2005, p. # 2.

<sup>42</sup> See: *Terrorist Financing: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, Task Force Report No. 40, New York: Council on Foreign Relations, 2002.

<sup>43</sup> See: *America—Still Unprepared, Still in Danger: Report of an Independent Task Force Sponsored by the Council of Foreign Relations*, Task Force Report No. 41, New York: Council of Foreign Relations, 2002.

<sup>44</sup> See Royal Embassy of Saudi Arabia, Washington D.C., “Press Release: Response to CFR Report,” 17 October, 2002, <http://www.saudiembassy.net/2002News/Press/PressDetail.asp?cYear=2002&cIndex=54>, accessed August 5, 2006; Also see: Pardos and Blanchard, *Saudi Arabia: Terrorist Financing Issues*, p.# 4.

<sup>45</sup> See Royal Embassy of Saudi Arabia, Washington D.C., “Press Release: Saudi Arabia Blasts CFR Task Force Report,” 15 June, 2004. <http://www.saudiembassy.net/2004News/Press/PressDetail.asp?cIndex=223%20>, accessed August 5, 2006.

of the November 2004 Falluja assault in Iraq, there were press reports and allegations that Syria-based Iraqi Baathists (Baath party followers) had collected money from private sources in Saudi Arabia and Europe.<sup>46</sup> Saudi officials denied such allegations and argued that Saudi Arabia is a major contributor to the Iraq Relief efforts. The Saudi Committee for the Relief of the Iraqi People and the Saudi Red Crescent Society are the lead agencies for raising funding support for reconstruction efforts in Iraq. There are allegations that Iraqi insurgents have received funding from Saudi sources.

Allegations of funding for Palestinian resistance groups: Saudi financial and humanitarian support for the Palestinian people has also been the subject of greater scrutiny. According to the Saudi official sources, annual Saudi (government) aid commitment to the Palestinian authority amounts to about US\$ 80 million to US\$ 100 million. In contrast, there are two major official Saudi relief committees for the Palestinian people. These are the Saudi Popular Committee for the Assisting of the Palestinian Mujahideen and the Saudi Committee for the Support of the Al Quds Intifada. According to the Saudi relief sources, Saudi assistance to the Palestinian people goes in the form of food, blankets, medicine, ambulances, and other aid.

Contrary to the Saudi claim that its relief and supports to the Palestinian people are purely of humanitarian nature, the Israeli officials allege that Saudi financial aid supports the Palestinian suicide bombers. Accordingly, it was found that the names of at least 60 Palestinians (and suspected suicide bombers) matched closely with the list of Saudi aid beneficiaries. The Saudi authorities stress that one of the target groups of Saudi relief is the Palestinian victims of Israeli attacks, and that Saudi aid does not encourage suicide terrorism.

The U.S. is the strongest supporter of Israel, and American perspective is skeptical about Saudi assistance for the Palestinians. In 2002, the US State Department terrorism report noted that the Palestinian resistance group Hamas (Islamic Resistance)—which is designated as a foreign terrorist organization by the US State Department—received funding support from Saudi Arabia. Another report indicated that about US\$ 5 million aid was channeled from the Saudi sources, and this constituted almost half of the Hamas' operational

---

<sup>46</sup> Thomas E Ricks, "Rebels Aided by Allies in Syria US Says," *Washington Post*, 8 December, 2004.

budget.<sup>47</sup> Like other U.S. and western allegations, Saudi Arabia rejects any allegations of terrorist sponsorship.

Allegations of funding radical Ideology: The fourth concern over Saudi linkage to terrorist financing involves Saudi policy of exporting a fundamentalist version of Islam through funding and madrassa education. However, there is no well-documented data on Saudi charitable donations distributed for funding the Islamic schools and madrassas, which mainly preach the fundamentalist *Wahhabi* creeds of Islam. Most security experts argue that the Saudi government needs to rethink its aid policy, which should encourage madrassa curriculum reform to include modern science and moderate interpretations of Islamic belief.

In sum, the foregoing discussion suggests that western concerns about terrorist financing is primarily focused on alleged Saudi connections with the al Qaeda financing prior to the 9/11 terror attacks, the Iraqi insurgency, and the Palestinian group Hamas. An additional concern involves the promotion of radical Islamist ideology through charities and madrassa education. Saudi authorities blatantly reject any allegations of terrorist financing and charge them as false accusations. Despite such outright rejection of western allegations, Saudi Arabia has gradually modernized its financial institutions, and partnered with the U.S. and other international actors in combating transnational terrorism.

#### *Major Terrorist Groups and Terrorist Incidents in Saudi Arabia*

Like the issue of terrorist financing, the spate of several high profile terrorist incidents in recent years has emerged as a major security concern for Saudi Arabia and its international partners. Between 1995 and 2006, there were at least twelve major terrorist incidents in Saudi Arabia, which killed more than 110 people and injured approximately 800 others. Some of the terrorist attacks deliberately targeted U.S. servicemen and military facilities. For instance, the bombings of the Riyadh National Guard Building (1995) and the Khobar Tower Building (1996) received widespread media attention due to overwhelming American casualties. The Saudi Hezbollah group and the Iranian government are the prime suspects in the Khobar attack. Friction between the U.S. and the Saudi authority grew as the latter showed reluctance to share intelligence regarding the Khobar attack.

---

<sup>47</sup> Jr, Don Van Natta and Timothy L O'Brien, "Flow of Saudi Cash to Hamas Is Scrutinized," *New York Times*, 17 September, 2003, pp. # A1-A10.

Intelligence and law enforcement cooperation between the U.S. and Saudi Arabia appeared to improve significantly after the May 2003 Riyadh compound bombings, which killed some 26 people, including 9 Americans. The attack appeared to be a clear indication of Al Qaeda presence in the

Table 1

Profile of Major Terrorist Incidents in Saudi Arabia

| Date              | Location of Terrorist Attack  | Key Target   | Total Casualty & Major Victims   | Key Suspect   | Significance of the terrorist incident   |
|-------------------|---|--|--|---|--|
| November 1995     | Central Riyadh, Saudi National Guard Building   | American military advisors   | Death: 5 Americans and 2 Indians   | "Afghan Arabs"  | The terrorist incident indicates that radical Islamist militants oppose the U.S. presence in Saudi Arabia  |
| June 1996         | Dahran, Khobar Tower Building   | U.S. servicemen  | Death: 19 US service men; Injury: 500 other people   | Saudi Hezbollah   | The Khobar Tower is host to U.S. military personnel. The attack indicates the militants' dedicated efforts to remove the U.S. presence in Saudi Arabia |
| August 2000       | Saudi Royal Air Force checkpoint  | British and U.S. nationals   | Death: 1 Saudi; Injury: 5 Saudi guards   | An unidentified gunman  | Western nationals (British and Americans) continued to be the target   |
| March 16, 2001    | Medina Airport, Hijacking of a Russian plane bound for Moscow   | Foreign airliner hijacking   | Death: a hijacker, a flight attendant, and a Turkish passenger   | Chechen gunmen  | The Chechen rebels want the end of Russian occupation in Chechnya  |
| May 12, 2003      | Riyadh compound bombings  | American and Saudi people  | Total death: 26; including 9 Americans,  | Al Qaeda  | The Saudi Royal family and its ties to the U.S. have become a target for Al Qaeda  |
| November 8, 2003  | Riyadh, Muhaya Complex  | Workers from Muslim countries  | Death: 18 people were killed; Injury: 122 injured  | Al Qaeda  | This was one of the deadliest terrorist incidents; almost all the victims were Muslims   |
| April 21, 2004    | Riyadh, a car bomb detonated  | Gates of a building belonging to traffic police and emergency services | Death: 5 people were killed; Injury: 148 were injured  | Al Qaeda  | After Riyadh bombings in 2003, this attack shows the continuing threats from terrorist groups  |
| May 2004          | An oil company in Yanbu   | Offices/Employees of the Texas based ABB Lummus                        | Death: 6 westerners and one Saudi were killed  | Al Qaeda  | Western oil workers have become the new terrorist targets; the terrorists were wearing military uniforms   |
| May 29, 2004      | Khobar City, attack on a housing complex  | Foreign workers' housing complex                                       | Death: 22 hostages (out of 50) were killed; 19 of the murdered were foreigners                               | Jerusalem Squad-a Saudi based Al Qaeda friction   | This is perceived to be an attack perpetrated by Al Qaeda affiliate in Saudi Arabia  |
| December 6, 2004  | U.S. Consulate in Jeddah  | U.S. diplomatic facility   | Death: 5 foreign nationals   | Al Qaeda  | U.S. diplomatic facility continues to be a target for terrorist attack   |
| December 29, 2004 | Suicide bombing at the Saudi Ministry of Interior and Emergency Special Forces Headquarters                           | Unclear  | Death: 1 passerby; Injury:   | Al Qaeda-linked militants   | Top counterterror agency becomes the target of terrorism   |
| February 2006     | Two Vehicle-borne improvised explosive attack on Saudi Aramco's oil stabilization and processing facility near Dammam | Saudi Aramco oil company   | Death: terror suspects inside their vehicle were killed; Injury: Two security guards were critically injured | Two terror suspect who died in the attack were Muhammed Al-Gaith and Abdullah Al-Tuwajri. | This was the first terrorist attack on a Saudi oil facility, which is also the world's largest oil processing facility                                 |

Sources: Alfred B. Prados and Christopher M. Blanchard, "Saudi Arabia: Terrorist Financing Issues," *CRS Report for Congress*, Updated March 1, 2005; Alfred B. Prados, "Saudi Arabia: Current Issues and U.S. Relations," *CRS Report for Congress*, Updated February 24, 2006; CNN, "Saudi Forces Storm Hijacked Jet," 16 March 2001; International Herald Tribune, "Bombers attempt attack on Saudi Oil Facility," 24 February, . 2006; *Khaleej Times*, various issues; Michael Scott Doran, "The Saudi Paradox," *Foreign Affairs*, Vol. # 83, No. # 1, pp. #35-51; US Department of State, *Country Reports on Terrorism 2004*, Office of the Coordinator for Counterterrorism, DOS.

country. Later, the November 2003 bombings in a Riyadh complex killed 18 people and left more than 122 injured. Most of the victims in the terrorist attacks were Saudi and foreign workers. This terrorist incident prompted Saudi commitment to share intelligence with U.S. officials. In the words of the 9/11 Commission, “[a]s in Pakistan, Yemen, and other countries [Saudi] attitudes changed when the terrorism came home”.<sup>48</sup> The following table shows some of the major terrorist attacks in Saudi Arabia.

*Dealing with Terror Financing and Money Laundering: Major Policy Actions taken by Saudi Arabia*

The government of Saudi Arabia has taken several counterterrorism measures in the aftermath of the 9/11 terrorist attacks on the U.S., and several high profile attacks on Saudi targets.<sup>49</sup> The Saudi authority declared its intention to implement the U.N. Security Council Resolution 1373 on freezing terrorist financing. The Saudi Arabian Monetary Agency (SAMA) has become very much proactive in curbing terrorist-related funds.<sup>50</sup> The various initiatives taken by the Saudi authority to combat terror financing include, but are not limited to, stringent legislation, implementation of regulations and resolutions, and cooperation with the United States.<sup>51</sup>

At least two factors can explain the pattern of increasing Saudi commitment toward fighting terrorism. First, after the 9/11 terrorist attacks on the U.S., there was a wave of criticisms against the Saudi authority for its weak financial regime. Second, the deadly terrorist bombings in Saudi capital of Riyadh in 2003 and subsequent terrorist attacks in the country in 2004 revealed that the kingdom itself was vulnerable to terrorist threats. Both the western allegations and the terrorist attacks in Saudi Arabia created urgency for robust counterterrorist strategies.

Unilateral measures: Saudi Arabia has launched the Saudi Anti-Financial Crime Unit (SAFCU) to investigate terrorism-related financing and to share intelligence with the international community. The Saudi government

---

<sup>48</sup> Cited in Alfred B Prados, “Saudi Arabia: Current Issues and U.S. Relations,” *CRS Report for Congress*, 2006, p. # 5.

<sup>49</sup> See Anthony Cordesman, *Saudi Arabia Enters the Twenty-First Century: The Political, Foreign Policy, Economic, and Energy Dimensions*, Westport, CT: Praeger, 2003, pp. 215-223; Saudi Arabian Monetary Agency, *A Report on Initiatives and Actions taken by Saudi Arabia to combat Terrorist Financing and Money Laundering*, 2004, Released in April 2004. See: <http://www.saudiembassy.net/ReportLink/SAMA%INITIATIVES%20BY%20KSA%20UP%20DATED%20APRIL%202004.pdf>, accessed April 17, 2006.

<sup>50</sup> See SAMA website: <http://www.sama.gov.sa/indexe.htm>

<sup>51</sup> Prados and Blanchard, “Saudi Arabia: Terrorist Financing Issues”; US State Department, *Country Reports on Terrorism 2004*, Washington, DC, 2005, pp. # 67-68.

has also created a Permanent Committee on Combating the Financing of Terrorism as a high level policy making body in dealing with terror financing. Other counterterrorist financing measures include enacting new anti-money laundering law (2003); authorizing a ban on cash collections at mosques, outlawing unauthorized fund transfers from Saudi Arabia; and putting restrictions on cash withdrawal from the charitable institution's account. The Saudi government also emphasized on putting strict regulations on the collection and disbursement of charitable funds, monitoring of charitable organizations, the closure of unregistered money exchange agencies, and increasing control over informal money exchange (*hawala*) systems.<sup>52</sup>

An important aspect of Saudi anti-terrorism measures focused on establishing control over the religious clerics. The Saudi authority suspended more than 1900 Islamic clerics in 2003 and 2004.<sup>53</sup> In addition to outlawing a huge number of clerics, the Saudi government killed several known (or suspected) Al Qaeda operatives and financiers.

Control over charitable organizations: Charitable giving (*fitra* or *zakat*) has a special position in Islam. It is a religious obligation for a practicing and able Muslim to donate 2.5% of his/her annual income to charitable and welfare causes, such as, religious education, orphanages, hospitals, poverty alleviation, and other projects to create social harmony by removing rich-poor gaps. There are widespread concerns that Al Qaeda terrorist networks and their global cohorts take advantage of these Islamic financial resources (charities) to fund and operate their clandestine activities, and recruit and indoctrinate people to wage "jihadi" attacks.

Saudi Arabia is one of the major sources of charitable donations worldwide. According to Jonathan Winer, former U.S. State Department official, the annual size of Saudi charitable donations is estimated to be \$3 to \$4 billion, of which 10%-20% is disbursed abroad.<sup>54</sup> Another estimate suggests that about \$100 million from Saudi charities were donated in the United States in the last decade. However, there is no credible data on how much Saudi charity were used for terror financing.

---

<sup>52</sup> Saudi Arab Monetary Agency (SAMA), "A Report on Initiatives and Actions taken by Saudi Arabia to combat Terrorist Financing and Money Laundering", 2004, p. # 7.

<sup>53</sup> "Show of Force," *Middle East Economic Digest*, 26 March – 1 April, 2004, cited in Prados and Blanchard (2005: 22-23).

<sup>54</sup> Jonathan Winer was Deputy Assistant Secretary for US DOS from 1994 to 1999. See: Jonathan M. Winer, Congressional Testimony before the Committee on Senate Government Affairs, 31 July, 2003. <http://www.senate.gov/~govt-aff/index.cfm?Fuseaction=Hearings.Testimony&HearingID=106&WitnessID=370>, accessed April 17, 2006.

As stated above, the Saudi authority has taken a number of initiatives to control the charitable societies. Charitable institutions are currently required to maintain one main account, and may have subsidiary accounts. They are not allowed to use cash transactions. Identification of donors is also a mandatory requirement. Charitable institutions cannot get any ATM card or credit card. Opening a bank account for a charitable organization requires two basic identifications (ID)—a license from the Ministry of Labor or Social Affairs, or the Ministry of Islamic Affairs; and a letter from the chairperson of the charitable society.<sup>55</sup>

*International Cooperation on Anti-terrorism and Counterterrorism: The Saudi Case*

As the data in Table 1 suggest, transnational terrorism has emerged as a critical security concern for Saudi Arabia. This section reviews how the recent Saudi security strategies have focused on international cooperation to combat terrorism.

Bilateral cooperation with the U.S.: Although the 1995 and 1996 bombings in Riyadh and Dahrhan received widespread media attention, the Saudi policy on counterterrorism cooperation became more vigorous in the aftermath of the Riyadh terrorist bombings of May 2003. The Saudi authority came closer to the U.S. government in combating terrorism. Soon after the Riyadh bombing, a joint Intelligence Task Force of the two countries began investigating the perpetrators. The Task Force dealt with two prime missions— intelligence and financing. The first one focused on criminal threat to the U.S. originating in Saudi Arabia, while the latter focused on information sharing on terrorist financing.

In addition to the joint task force, the U.S. Federal Bureau of Intelligence (FBI) officials and Internal Revenue Service (IRS) launched a program to assist the Saudi government to form a counterterrorism financing center. The core objective of the financial center would be tracking down bank accounts, computer records, and financial data.<sup>56</sup> Members of the U.S. FBI and IRS organized special training programs on terror financing for Saudi officials.<sup>57</sup>

---

<sup>55</sup> Saudi Arab Monetary Agency (SAMA), "A Report on Initiatives and Actions taken by Saudi Arabia to combat Terrorist Financing and Money Laundering," 2004, pp. # 7-8.

<sup>56</sup> Prados and Blanchard, "Saudi Arabia: Terrorist Financing Issues," pp. # 20-21.

<sup>57</sup> Testimony of Mr. Thomas Harrington, Deputy Assistant Director of the FBI Counterterrorism Operational Support Branch, cited in Prados and Blanchard (2005), p.# 23.

Table 2

**Counterterrorism in Saudi Arabia: Domestic Efforts and International Linkages**

| <b>Lead Agency and Policy Initiative</b>  | <b>Function/Role</b>  |
|---|---|
| <b>Leading Saudi Agencies</b>   |   |
| Ministry of Interior  | Internal Security   |
| Saudi Arabian Monetary Agency (SAMA)  | Monetary and financial sector regulation  |
| <b>Unilateral Measures against Money Laundering and terror financing</b>  |   |
| Financial Intelligence Unit (2003) (under the Ministry of Interior)   | Deal with economic and financial crimes, coordinate money laundering cases with SAMA's Anti-Money Laundering Unit |
| High Commission for Oversight of Charities (2002)   | Provide assistance to Saudi charities in reforming their operations and improving transparency                    |
| New Banking Regulations (2003)  | Prohibitions on private charities   |
| Anti-Money Laundering Law (2003)  | Criminalize money laundering, terrorist financing, terrorist acts and organizations                               |
| Submission to FATF of self-assessment Questionnaire on 8 Recommendations  | Ensure compliance with FATF   |
| Royal Decree (2004) on creating the Saudi Nongovernmental Commission on Relief and Charity Work Abroad                    | Monitor all private Saudi donations marked for international distribution   |
| Banning Al Haramain Islamic Foundation, Joint designation of 11 overseas branches of Al Haramain for terrorist activities | A former Al Haramain employee was suspected to be involved in the 1998 U.S. embassy bombing in Tanzania           |
| <b>Bilateral cooperation with the UK. And U.S.</b>  |   |
| Joint Task Force on Intelligence and Finance  | Track the perpetrators of the 2003 Riyadh bombings  |
| FBI and IRS cooperation   | Create a strong financial intelligence unit   |
| <b>Multilateral Cooperation</b>   |   |
| Arab League   | Party to a multilateral agreement on fighting terrorism   |
| GCC FATF  | Exchange information on relevant issues   |
| MENAFATF  | Coordination with Middle Eastern and North African countries on financial issues                                  |
| FATF  | Compliance with FATF recommendations  |
| IMF sponsored Financial Sector Assessment Program (FSAP)  | Reform financial sector   |

Sources: Alfred B. Prados, and Christopher M. Blanchard, "Saudi Arabia: Terrorist Financing Issues," *CRS Report for Congress*, Updated March 1, 2005; Alfred B. Prados, "Saudi Arabia: Current Issues and U.S. Relations," *CRS Report for Congress*, Updated February 24, 2006; Anthony Cordesman, "Saudi Arabia: Friend or Foe in the War on Terror?" *Middle East Policy*, Vol. # XIII, No. # 1, (2006), pp. # 28-41; Anthony Cordesman, *Saudi Arabia Enters the Twenty-First Century: The Political, Foreign Policy, Economic, and Energy Dimensions*, Westport, CT: Praeger, 2003, pp. 215-223; Saudi Arabian Monetary Agency, *A Report on Initiatives and Actions taken by Saudi Arabia to combat Terrorist Financing and Money Laundering*, 2004; U.S. Department of State, *The Antiterrorism Assistance Program: Report to Congress for Fiscal Year 2003*, The Bureau of Diplomatic Security and the Office for the Coordination of Counterterrorism, DOS, 2005; U.S. Department of State, *International Narcotics Control Strategy Report 2005*. Bureau for International Narcotics and Law Enforcement Affairs, DOS, Released March 2005.

**Multilateral efforts:** According to the Financial Action Task Force (FATF), Saudi Arabian legal and regulatory mechanisms are consistent with “most of the FATF 40+9 Recommendations.”<sup>58</sup> The government of Saudi Arabia has given access to the FATF and the Gulf Cooperation Council (GCC) to investigate its financial practices. Saudi membership in the Middle East and North Africa Financial Action Task Force (MENAFATF) would significantly improve the multilateral initiatives in combating money laundering and terrorist financing.

The following table presents a brief overview of Saudi domestic and foreign policy measures in fighting terrorism.

To sum up, several conclusions can be drawn from the Saudi Arabian case of terrorism and counterterrorism. First, the victims of terrorist incidents in Saudi Arabia not only include Americans but also Saudi nationals, and innocent civilians from foreign countries. Second, the 2003 Riyadh bombings and subsequent terror attacks in Saudi Arabia revealed the serious vulnerability of the Saudi regime to terrorist networks.<sup>59</sup> Third, given the special security relationships between Saudi Arabia and the U.S., recent Saudi foreign policy has predominantly focused on partnering with the U.S. in combating terrorism. Fourth, an increasing international pressure for transparency in the Saudi financial sector and the allegation of Saudi funding support for terrorist attacks might have had some positive effects on Saudi counterterrorism policy.<sup>60</sup> This is evident in Saudi efforts to ensuring compliance with international financial regulations, and joint Saudi counterterrorism and intelligence operations with the U.S. Despite such changes in the Saudi security postures, critics argue that much needs to be done in the Saudi education sector to create more human capital.

## **Indonesia: History of Terrorism, Anti-Terror Measures and Recent International Cooperation**

### *Religion and State: The Indonesian Case*

Like Saudi Arabia, Indonesia is a predominantly Muslim nation. The Bali Bombings of 2002 and subsequent terrorist attacks in Jakarta and other international targets have brought Indonesia into the forefront

---

<sup>58</sup> The FATF recommendations are internationally accepted criteria on curbing money laundering and terrorist financing.

<sup>59</sup> Bronson, “Rethinking Religion: The Legacy of the U.S.-Saudi Relationship,” pp. # 125-16

<sup>60</sup> Council on Foreign Relations (2002)

of transnational terrorism.<sup>61</sup> Indonesia is the largest Muslim country with more than 210 million people.<sup>62</sup> There is a wide range of Islamic parties and political associations in Indonesia. The list includes traditionalist, modernist, and fundamentalist parties.<sup>63</sup>

Among the major Islamist political parties, the *Nahdlatul Ulama* (the Awakening of the Religious Scholars, NU), represents a traditional version of Islam. It emphasizes the interpretation of Islam contained in the Quran and Sunnah, the study of secular issues in academic curricula, and inter-faith dialogue. In contrast, the *Muhammadiyah* and the Prosperous Justice Party represent a modernist posture, which emphasize the individual interpretation of Islam, and opposes the inclusion of any animist or Hindu-Buddhist practices in Islam. Despite this traditionalist versus modernist difference, the *Nadlatul Ulama*, the *Muhammadiyah*, and the Prosperous Justice Party share some common characteristics. The most important is their overtly political nature and commitment to a democratic process. In contrast, the *Tablighi Jamaat*, a global pan-Islamic movement with a local chapter in Indonesia, is overtly apolitical. It is primarily focused on religious practices (especially the *salaat* or five times prayer a day), and does not encourage any active involvement in domestic politics.<sup>64</sup>

Critics warn that the rise of radical fundamentalist groups demanding the institution of an Islamic state is an alarming development in Indonesia. The *Jemaah Islamiyah* (the Islamic Congregation) and the *Majlis Mujahidin* (the Assembly of Holy Warriors) are two such groups.<sup>65</sup> In addition to these two groups, there are four major splinter Islamist groups in the country: *Laskar Jihad* (the Warriors of Holy War), *Laskar Mujahidin* (the Holy Warriors), *Laskar Jundullah* (the Soldiers and Warriors of Allah), and *Laskar Pembela Islam* (the Defender and Warrior of Islam).<sup>66</sup>

---

<sup>61</sup> In the words of Southeast Asian security expert, Michael Malley, the Bali bombings of 2002 (in Indonesia) were the “deadliest terrorist attacks” in the world after 9/11 terrorist attacks in the U.S. See: Michael S Malley, “Indonesia in 2002: The Rising Cost of Inaction.” *Asian Survey* Vol. # 43, No. # 1 (2003), p. # 135.

<sup>62</sup> Despite having significant Muslim population, Indonesia does not declare itself an Islamic state. There is no constitutional provision claiming it an Islamic state. Instead, the national ideology of *pancasila* (five principles) “acknowledges belief in one God. But it does not discriminate among the recognized religions-Islam, Catholic Christianity, Protestant Christianity, Hinduism, and Confucianism.” See: Rabassa et al, *The Muslim World after 9/11*, p. 370.

<sup>63</sup> Rizal Sukma, *Islam in Indonesian Foreign Policy*, London and New York: RoutledgeCurzon, 2003.

<sup>64</sup> For a detailed discussion on the Islamist politics in Indonesia, see: Rabassa et al, *The Muslim World after 9/11*, pp. 370-377.

<sup>65</sup> Rohan Gunaratna, “The Ideology of Al Jama’ah Al-Islamiya,” in Hillel Fradkin, Husain Haqqani, and Eric Brown, *Current Trends in Islamist Ideology*, Vol. 1, Washington, DC: Hudson Institute, 2005, pp. 68-81.

<sup>66</sup> Rohan Gunaratna, *Inside Al Qaeda*, pp. 199-203.

Are the concerns over radical Islamist groups well justified, or are they false alarms? How does the Indonesian government respond to these security concerns? The following sub-sections on terrorism and anti-terrorism in Indonesia address these questions.

### *Major Terrorist Groups and Terrorist Incidents in Indonesia*

Compared to the Saudi Arabia case, Indonesia has experienced fewer but deadlier terrorist attacks. Between 2000 and 2005, Indonesia was the victim of at least six high profile terrorist incidents, which killed some 269 people and injured another 700. The Bali bombings of October 12, 2002 significantly altered the Indonesian counterterrorism policy. This was the deadliest terrorist attack in Indonesia's history, in which some 202 people were killed (of which 88 were Australian tourists), and another 209 people were injured. Indonesian Defense Minister Matori remarked that the Bali bombing was an act of Al Qaeda terrorist group.<sup>67</sup> The *Jemaah Islamiyah* was held responsible for the Bali bombings. Accordingly, Indonesian law enforcement agencies showed utmost resolve in arresting *Jemaah Islamiyah* leader Bashir and the court sentenced him to prison on charges of rebellion and forgery of immigration documents.

According to an International Crisis Group report, the Bali bombing suspect *Jemaah Islamiyah* (JI) is the most active and dangerous terrorist group in Southeast Asia.<sup>68</sup> However, the JI group leadership was broken in the aftermath of the 2003 J.W. Marriot Hotel bombing in Jakarta. An expert on Southeast Asian security, Sidney Jones observes that *Jemaah Islamiyah* is gradually adapting its leadership and operational structure in the light of changing security atmosphere in the Southeast Asia. Jones stresses that security forces in the region need to understand how and why JI adapts to its internal needs, external attacks, and demographic changes.<sup>69</sup>

Like the Crisis Group and expert opinions, government reports in Southeast Asia also warn about the dangers posed by *Jemaah Islamiyah* (JI). According to a White Paper on JI, released by the Singapore government in 2003, JI has four operational areas (or *Mantiqi*). Malaysia and Singapore

---

<sup>67</sup> Rabasa et al., *The Muslim World after 9/11*, pp. 397-398.

<sup>68</sup> International Crisis Group, *Jemaah Islamiyah in Southeast Asia: Damaged but Still Dangerous*. Asia Report No. 63, Jakarta/Brussels, 26 August, 2003.

<sup>69</sup> Sidney Jones, "The Changing Nature of *Jemaah Islamiyah*," *Australian Journal of International Affairs*, Vol. # 59, No. # 2 (2005), p. # 169.

Table 3

## Profile of Major Terrorist Incidents in Indonesia

| Date          | Location of Terrorist Attack  | Key Target                                 | Total Casualty & Major victims  | Key Suspect                                     | Significance of the terrorist incident   |
|---------------|---|--|---|---|--|
| Dec. 22, 2000 | Church bombings, Jakarta and five other cities and towns                    | Christian churches                         | Death: 19<br>Injury: 49   | Jemaah Islamiyah                                | The attacks coincided with Christmas and end of Ramadan  |
| Oct. 12, 2002 | Bali Bombing (Kuta Town of Bali Island)                                     | Australian and foreign tourists            | Death: 202 (164 foreign tourists, including 88 Australians)<br>Injury: 209  | Jemaah Islamiyah                                | Suicide terrorist attack; Worst terror attacks in the country's history  |
| Dec. 2002     | A McDonalds outlet and a car showroom in Sulawesi island, eastern Indonesia | Western food outlet                        | Death: 3 (all Indonesians)<br>Injury: 11                                    | Islamist militants linked with Jemaah Islamiyah | One of the targets, McDonalds, is a multinational company franchise  |
| Aug. 5, 2003  | Bombing of Marriot Hotel, Jakarta   | J.W. Western hotel                         | Death: 12 (mostly foreigners)<br>Injury: 150                                | Jemaah Islamiyah                                | The car bomb attack created internal dissent within the JI about the target of terrorist attacks; the bombings coincided with the trial of JI leader Bashir, who was a prime suspect behind the 2002 Bali bombings |
| Sept. 2004    | Bombing outside Australian Embassy  | Western diplomatic facility                | Death: 10 (Indonesian security guard, police, and civilians)<br>Injury: 160 | Jemaah Islamiyah                                | The attack shows the vulnerability of western diplomatic facilities; the terrorist incident took place just a month before general election in Australia, where terrorism was a top political agenda               |
| Oct. 1, 2005  | Bali Bombing  | Tourist spots popular among the westerners | Death: 23 (mostly Indonesian and 4 Aussralians)<br>Injury: 129              | Jemaah Islamiyah                                | Top suspect Azhari Hussein was killed  |

Sources: International Crisis Group, "Jemaah Islamiyah in Southeast Asia: Damaged but Still Dangerous," *Asia Report No 63*, Jakarta/Brussels, 26 August, 2003; *Jakarta Post*, various issues; Rohan Gunaratna, *Inside Al Qaeda: Global Network of Terror*, New York, Columbia University Press, 2002; U.S. Department of State, *Patterns of Global Terrorism 2003*, Office of the Coordinator for Counterterrorism, DOS, 2004; William Liddle and Saiful Mujani, "Indonesia in 2005: A New Multiparty Presidential Democracy," *Asian Survey* Vol. # 46, No. # 1, (2006), pp. # 132-139.

belong to Mantiqi I, while Java, Sumatra, and most of Indonesia, except for Sulawesi, belong to Mantiqi II.<sup>70</sup> The Philippines, eastern Malaysia, Sulawesi, and eastern Kalimantan are part of Mantiqi III, and Australia is part of Mantiqi IV. Intelligence collected from interrogations of JI operatives

<sup>70</sup> Republic of Singapore, *White Paper: The Jemaah Islamiyah Arrests and the Threat of Terrorism*, Singapore Ministry of Home Affairs, 7 January, 2003.

suggest that Mantiqi I and IV were the major targets of terrorist financing, while Mantiqi III was used for terrorist training and Mantiqi II for violent jihad.

The following table on terrorism data shows how the Jemaah Islamiyah has emerged as the prime suspects of the most high profile terrorist incidents in Indonesia.

*Terrorist Financing and Money Laundering issues for Indonesia: Major Concerns & Policy Actions*

According to the U.S. *International Narcotics Control Strategy Report (INCSR) 2005*, Indonesia is not a strategically important actor in the world financial system. It is “neither regional financial center nor an offshore financial haven”. Despite that, several factors make Indonesian financial system vulnerable to money laundering and terrorist financing. Poor regulations, corruption, and lack of effective law enforcement are the main problems.

NCCT List: In 2001 Indonesia was included on the FATF-list of Non-Cooperating Countries and Territories (NCCT). This was due to the loopholes in the Indonesian financial regime, such as, an absence of basic anti-money laundering provisions, no reporting of suspicious transactions, and an absence of any financial intelligence unit (FIU).<sup>71</sup>

Emerging Anti-Money Laundering Regime: In the backdrop of FATF actions and subsequent domestic-international pressures, Indonesia took several measures to improve its financial system. In April 2002, it passed the new Anti-Money Laundering Law (Law No. 15 on Criminal Acts of Money Laundering) and created the financial intelligence unit PPATK (Center for Reporting and Analysis of Financial Transactions). The Indonesian financial intelligence center, operational since late 2003, “receives, maintains, analyzes, and evaluates currency and suspicious financial transactions”.<sup>72</sup>

The 2002 Anti-Money Laundering Law (AML) in Indonesia made 15 predicated offenses related to money laundering. Although the AML included narco-trafficking and most major crimes, it was not fully consistence with all

---

<sup>71</sup> US Department of State, *International Narcotics Control Strategy Report (INCSR) 2005*.

<sup>72</sup> See the *INCSR 2005*.

the FATF regulations. As such, the 2002 AML was amended and upgraded in 2003. The new amendment broadened the definition, scope, and nature of money laundering proceeds and suspicious transactions.<sup>73</sup>

Under the new provisions, suspicious transaction reporting (STR) would include any attempted or unfinished transactions, and failure to file STR within a period of three days would result in administrative sanctions. The new law also made it mandatory for the Indonesian financial intelligence unit to monitor and implement the provisions of international conventions or recommendations on the prevention of money laundering.

In order to facilitate the reporting and analyzing of the financial transactions, banks, financial services, and the financial intelligence unit are exempt from the bank secrecy law. However, it is a predicated offense to disclose information about any reported transaction to any third party.

Central Bank Regulations (on KYC Policy, STR Reporting and Capital Control): In 2001 the central bank of Indonesia (Bank Indonesia, BI) issued a regulation that required commercial or state banks to obtain information on prospective customers and their potential third party beneficiaries. The BI regulations also provided for a personal interview if necessary to verify the KYC provisions. The banking institutions were also required to promptly report to the central bank of any information on STR. In addition to these regulations, the central bank brought the money exchangers under the purview of its rules and regulations.

It is important to note that most BI regulations were not devised after the 9/11 terrorist attacks and the subsequent drive around the world in dealing with money laundering or terrorist financing. Instead, many changes in the Indonesian banking regulations (especially with regard to the KYC) became more stringent after the 1997-98 Asian financial crisis, which is widely perceived to be a result of uncontrolled capital flight. As such, all foreign exchange transactions are to be reported to the BI. And, any foreign transactions with an amount of US\$ 5,500 or more would be reported to the Indonesian customs department.

Indonesian law enforcement agencies or judges can order the seizure of any assets of individuals or entities used for criminal or terrorist purposes.

---

<sup>73</sup> See the *INCSR 2005*.

However, the central bank's permission is required to obtain any such information from the banks or financial services.

Provision of penalty for terror convicts: In the wake of the Bali bombings (2002), the government of Indonesia issued an emergency counter-terror regulation that provides for harsh penalties for persons or entities involved (and convicted) in any terrorist acts. According to the new law (Perpu No. 1 on Eradication of Terrorism), any person responsible for intentionally providing funding in part or in whole for any knowingly used terror acts, would be imprisoned for a minimum of three years and a maximum of fifteen years.<sup>74</sup> In 2004, one Indonesian citizen was sentenced to four years in prison, after an Indonesian court convicted him on charges related to terror financing of the Jakarta Marriot Hotel Bombing in 2003.<sup>75</sup>

### *International Cooperation on Anti-terrorism Counterterrorism: The Indonesian Case*

Bilateral Cooperation: Indonesia maintains extensive bilateral internal security cooperation with the western partners. Australia, UK, and U.S. are the major donors in counter-terrorism assistance. Australia offers some US\$ 7-8 million in annual aid. With an estimated US\$ 27 million Australian aid over five years, Indonesia is establishing the Jakarta Center for Law Enforcement Cooperation (JCLEC).<sup>76</sup> Besides, the UK provides assistance in training and governance sector reform in Indonesia. The U.S. anti-terror assistance to Indonesia mainly focuses on the training of special anti-terror personnel (Detachment 88), criminal investigation, and intelligence collection, analysis, and sharing.<sup>77</sup>

Multilateral cooperation (Information sharing and legal assistance): Indonesia is party to various international anti-crime and anti-terror conventions, including the 1998 UN Drug convention. As previously discussed, Indonesia's emerging counterterrorism regime has focused on modernizing the domestic financial and law enforcement institutions, with an emphasis on international cooperation. This is evident in the following cases.

---

<sup>74</sup> Hikmahanto Juwana, "Indonesia's Anti-Terrorism Law," in Victor V. Ramraj et al, *Global Anti-Terrorism Law and Policy*, Cambridge; New York: Cambridge University Press, 2005, pp.295-306.

<sup>75</sup> See: U.S. Department of State, *Country Report on Terrorism*, Chapter 5 A: Indonesia, Washington, DC: Department of State.

<sup>76</sup> See: International Crisis Group, *Indonesia: Rethinking Internal Security Strategy*. Asia Report No 90, Jakarta/Brussels, 20 December 2004, p. 21.

<sup>77</sup> See: U.S. Department of State, *The Antiterrorism Assistance Program: Report to the Congress for Fiscal Year 2003*. Bureau of Diplomatic Security and the Office of the Coordinator for Counterterrorism, 2004. p. 4.

**Table 4**  
**Counterterrorism in Indonesia: Domestic Efforts and International Linkages**

| <b>Lead Agency and Policy Initiative</b>  | <b>Function/Role</b>   |
|---|--|
| <b>Leading Indonesian Internal Security Agencies</b>  |  |
| Coordinating Ministry for Political, Legal and Security Affairs (Menkopolhukam)   | Coordinating Ministry  |
| Bakorstanas   | National Stability and Coordinating Agency   |
| Ministry of Justice and Human Rights  |  |
| TNI (Tentara Nasional Indonesia) (347,000 personnel)  | Indonesian Military (mainly responsible for counter-insurgency in Aceh and West Papua)   |
| Indonesian Police (280,000 police and 33,000 paramilitary troops)   | Lead agency in Counter-terrorism   |
| Detachment 88   | New US-assisted Anti-Terror Agency   |
| BIN (Badan KKoordinasi Intelijen Negara, BAKIN)   | National Intelligence Coordinating Agency  |
| Police Intelligence   | Law Enforcement, Domestic intelligence, crime investigations   |
| <ul style="list-style-type: none"> <li>• Task Force for Bali investigations</li> <li>• Intelligence Unit under "Detachment 88"</li> </ul> |  |
| BAIS (Badan Intelijen Strategis-military intelligence)  | Strategic Intelligence Agency of TNI   |
| <b>Anti-Terror/Anti-Money Laundering Laws, Regulations, and Institutions</b>  |  |
| <b>Domestic and International Lead Agencies</b>   |  |
| Bank Indonesia (BI)   | Role of Central Bank   |
| PPATK   | Financial Intelligence Unit  |
| Multilateral AML/CTF forums to which Indonesia is member  |  |
| Asia Pacific Group on Anti-Money Laundering (APG)   | Intelligence sharing on money laundering, suspicious transactions  |
| Egmont Group  | Intelligence Sharing (multilateral)  |
| Memorandum of Understanding   | Mutual cooperation with MoU Countries  |
| <b>Unilateral Legal Measures against Money Laundering and Terror Financing</b>  |  |
| Law No 15 on Criminal Acts of Money Laundering (AML Law) (2002)   | Anti Money Laundering Law  |
| Center for Reporting and Analysis of Financial Transactions (PPATK) [FIU]   | Financial Intelligence Unit  |
| Amending Law to the 2002 AML (2003)   | Address FATF standards   |
| Bank Indonesia Regulation No. 3/10/PBI/2001   | Know Your Customer (KYC) policy  |
| Internal Circular Letter No. 6/50/INTERN  | Guidelines for Implementation of KYC and AML   |
| Regulation no 1 of 2002 (Perpu)   | Emergency Counter-terrorism Regulation   |
| <b>Bilateral/International Cooperation</b>  |  |
| U.S assistance (about US\$ 9 million, annually)   | Anti-terrorism assistance (ATA), international criminal investigative training assistance program (ICITAP), International Narcotics Control and Law Enforcement (INCLE)                      |
| Australian Assistance (about US\$ 7-8 million, annually)  | Support establishment of Jakarta Center for Law Enforcement Cooperation (JCLEC), assistance to Detachment 88, and operation of the Transnational Crime Coordination Center in Sentul (Bogor) |
| UK Assistance (US\$ 4 million, over three years)  | Education, training, and study tour for police, promote community policing   |

Sources: Hikmahanto Juwana, "Indonesia's Anti-Terrorism Law," in Victor V. Ramraj et al, *Global Anti-Terrorism Law and Policy*, Cambridge; New York: Cambridge University Press, 2005, pp.295-306; *Jakarta Post*, various issues; International Crisis Group (ICG), "Indonesia: Rethinking Internal Security Strategy," *Asia Report No 90*, Jakarta/Brussels, 20 December, 2004, US Department of State, *Country Reports on Terrorism 2004*, Washington, DC, 2005; U.S. Department of State, *International Narcotics Control Strategy Report (INCSR) 2005*.

Indonesia is a member of the Asia Pacific Group on Money Laundering (APG) and the Egmont Group. The central bank in Jakarta—The Bank of Indonesia—claims that it voluntarily follows the Basel Committee’s Core Principles on Banking Supervision. The Indonesian financial intelligence unit PPAIK has memorandums of understanding (MoU) with Asia Pacific countries (Australia, Korea, Malaysia, and Thailand) and Romania. Indonesia is pursuing an attempt for mutual legal assistance treaty (MLAT) among the ASEAN members.<sup>78</sup> The following table presents a snapshot of domestic and foreign policy measures in Indonesian counterterrorism regime.

In sum, several conclusions can be drawn from the Indonesian case of terrorism and counterterrorism. First, the Bali bombing of 2002 was a watershed in the history of terrorism in Indonesia. The incidence of suicide attack rocked the nation and prompted the Indonesian government to extend its anti-terror cooperation, and intelligence sharing with western partners.<sup>79</sup> Second, Australia’s strategic location in the region, and the incidence of Australian casualty in the 2002 Bali bombing, including the 2004 bombing near Australian embassy in Jakarta, made the two countries closer to each other and paved the way for joint work on building a law enforcement center in Jakarta.<sup>80</sup> Third, the FATF pressure for financial reform and subsequent changes in Indonesian anti-money laundering law demonstrated the effect of international institutions on domestic policy.<sup>81</sup> Fourth, building a strong anti-money laundering and counterterrorism financing regime would depend on the effective functioning of the central bank (Bank Indonesia) regulations, as well as the timely cooperation of the financial intelligence units in maintaining suspicious transaction records (STR) and the vigilance of the central bank.<sup>82</sup> Finally, the changing nature of JI suggests that violent groups may change their format, and be more flexible with the changing security measures. Hence, citizen participation and ideological combat with the radical groups need to be integrated with the national counterterrorism strategies.

---

<sup>78</sup> Financial Action Task Force, *Money Laundering & Terrorist Financing Typologies 2004-2005*, Paris, France, 2006; U.S. Department of State, *International Narcotics Control Strategy Report 2005: Indonesia*, Washington, DC, 2006.

<sup>79</sup> Michael S. Malley, “Indonesia in 2002: The Rising Cost of Inaction,” *Asian Survey*, Vol. # 43, No. #1 (2003), pp. # 135-146.

<sup>80</sup> Liddle and Mujani, “Indonesia in 2004: The Rise of Susilo Bambang Yudhoyono,” p. 126.

<sup>81</sup> *International Narcotics Control Strategy Report (INCSR) 2005*.

<sup>82</sup> *Ibid*

## Theoretical & Policy implications

The cases of Indonesia and Saudi Arabia illustrate that “terrorism at home” can change the existing pattern of (Muslim countries’) security cooperation with the western partners. For instance, Saudi Arabia has allegedly refused to share intelligence about the terrorist attack on Khobar Tower (June 1996), in which 19 U.S. servicemen were killed. However, such reluctance changed sharply when homegrown terrorists attacked the housing complex in Riyadh (May 2003) and killed 26 people, mostly Saudi and foreign workers. This was regarded as the “9/11” for the Saudis, and the Saudi authority crafted robust security cooperation with the U.S. to dissuade and deter future terrorist threats.<sup>83</sup>

Saudi cooperation with the FATF has also resulted in the modernization of the anti-money laundering regime of the country. According to U.S. *Country Reports on Terrorism 2004*, FATF report in July 2003 concluded that Saudi financial regime met global standards.<sup>84</sup> In addition, Saudi media reported in 2004 that the Saudi government had frozen 250,000 accounts for noncompliance with anti-money laundering and terrorist financing laws.<sup>85</sup>

Despite such improvement in the Saudi anti-terror and anti-crime measures, lack of political will is considered to be a major obstacle to drastic reform in the political and security affairs in the country. Prominent Middle East expert Michael Scott Doran points to the internal rifts within the Saudi dynasty that affects the decision making process on anti-terrorism and political reform. In Doran’s view, Prince Nayef, the head of Saudi interior ministry, “sides with the clerics and takes direction from an anti-American religious establishment that shares many goals with Al Qaeda”.<sup>86</sup> On the other hand, the then-crown Prince Abdullah “tilts towards the liberal reformers and seeks a rapprochement with the United States”.

There is no comparable data on internal rifts in the Indonesian politics. However, the Indonesian security strategy demonstrates a striking

---

<sup>83</sup> “Saudi-U.S. Cooperation in War on Terror Sharply Up: Official,” Reuters, October 25, 2003. See: Saudi-U.S. Relations Information Service, “Crisis and Opportunities in U.S.-Saudi Relations: Ambassador Robert Jordan Interview,” September 7, 22004. <http://www.saudi-us-relations.org/newsletter2004/saudi-relations-interest-09-07.pdf>, Hussein Shobokhsi, “Our September 11,” *Arab News*, 20 May 2003.

<sup>84</sup> *Country Reports on Terrorism 2004*, p. # 68.

<sup>85</sup> *Ibid.*

<sup>86</sup> Doran, “The Saudi Paradox,” pp. # 35-51.

similarity with Saudi attitude toward terrorism. “Terrorism at home”—in Bali (in 2002 and 2005) and Jakarta (in 2000 and 2004)—significantly changed the resolve of the Indonesian authority in tackling the roots of terrorists and violent criminals.<sup>87</sup> In addition to this changing threat perception, the Financial Action Task Force (FATF) strategy of black listing Indonesia as a non-cooperating country acted as a pressure on the Indonesian government, resulting in Jakarta’s policy reforms in counterterrorist financing. This provides important evidence that the FATF strategy of naming and shaming can act as an effective measure in building a transparent and strong financial sector.

Indonesia’s fight against the *Jemaah Islamiyah* (JI) network requires sustained policy attention at the highest level, as well as joint terrorism assessment with neighboring countries—Australia, Malaysia, the Philippines and Singapore—where the JI has been able to group and regroup in recent years. Among the countries in the Asia-Pacific region, JI has chosen Malaysia, Singapore, and Australia for fundraising and Indonesia for terrorist attacks. Hence, any effective action against the JI network must require inter-governmental cooperation among these countries.<sup>88</sup> In this regard, it is worth noting that the Australian assistance for the Jakarta Center for Law Enforcement Cooperation (JCLEC) aims to develop a regional counterterrorism training center in Indonesia. Such cooperation can also be harmonized at the regional level, where the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum, and the Asia Pacific Group on Money Laundering (APG) can share critical information on multiple issues of interest.

To sum up, this paper discussed some core areas of counterterrorism cooperation-intelligence, law enforcement, legal reforms, and counterterrorist financing. It found that both Indonesia and Saudi Arabia demonstrated their ability and willingness to partner with the Western countries and institutions in promoting anti-terrorism cooperation. Although most of the counterterrorist strategies in Indonesia and Saudi Arabia appear to be ad hoc or tactical in nature, they are likely to have long term or strategic implications in developing a global counterterrorism regime.

---

<sup>87</sup> Liddle and Mujani, “Indonesia in 2004: The Rise of Susilo Bambang Yudhoyono”; *Country Reports on Terrorism 2004*, p. # 38.

<sup>88</sup> Sidney Jones, “The Changing Nature of Jemaah Islamiyah,” p. # 169; Republic of Singapore, *White Paper: The Jemaah Islamiyah Arrests and the Threat of Terrorism*, pp. # 6-18.

In addition to the counterterrorism policies discussed in this paper, there are other areas of cooperation in the fight against terrorism. The list would include judicial cooperation on extradition, extrajudicial cooperation on rendition, military cooperation by troop contribution or providing logistics support to international military forces fighting terrorist suspects (e.g. NATO-led International Security Assistance Forces in Afghanistan), participation in the post-war reconstruction, and engaging in the battle of ideas against radical Islamist ideology.<sup>89</sup> Further research on Saudi Arabia and Indonesia will require exploring counterterrorism cooperation in these areas, not discussed in this paper.

This paper was highly focused. It reviewed Saudi and Indonesian anti-terrorism cooperation in core operation areas—law enforcement, intelligence, and financial control. The research findings reported in this paper have important theoretical implications. To be more specific, this paper took a Statist perspective to demonstrate that modern nation states can strike back in the fight against non-Statist terrorist threats in a transnationalized world. It showed that various sub-statist organizations, such as, intelligence, police and paramilitary forces, as well as the central banks can modernize their tactics and strategies—at the central command of the states. The research findings discussed in this paper also contributes to the theory of security regime.<sup>90</sup> The interaction between various national and international institutions is likely to create a robust international counterterrorism regime.

In conclusion, terrorism is a global threat today, but this threat can be addressed with sustained cooperation among nation states. Threats from non-state terrorist actors, which apparently operate as “sovereign-free” entities,<sup>91</sup> may be tracked down and thwarted before executing any violent attacks. Combating terrorism would, thus, obviously require understanding the nature of a terrorist *network* and the potential vertical or hierarchical relations between the critical nodes in the network.<sup>92</sup> Marshalling international cooperation in locating these critical nodes will be a critical challenge in

---

<sup>89</sup> For a thematic discussion on various components of counterterrorism cooperation, see: Nora Bensahel, “A Coalition of Coalitions: International Cooperation against Terrorism,” pp.# 35-49.

<sup>90</sup> For a discussion on security regimes, see: Robert Jervis, “Security Regimes,” *International Organization*, Vol. # 36, No. # 2 (1982), pp. # 357-378; Stephen Krasner, “Structural Causes and Regime Consequences: Regimes as Intervening Variables,” *International Organization* Vol. # 36, No. # 2 (1982), pp.# 185-205.

<sup>91</sup> Prominent International Relations scholar James Rosenau coined the term “sovereign-free.” See: James N. Rosenau, *Turbulence in World Politics*, Princeton, NJ: Princeton University Press, 1989.

<sup>92</sup> For a scholarly discussion on network analysis in international security in general and transnational organized crime in particular, see: Phil Williams, “Transnational Criminal Networks,” in John Arquilla and David Ronfeldt (ed.), *Networks and Netwars*, Santa Monica, CA: RAND Publications, 2001.

the near future and Muslim-majority states need to re-evaluate their policy in dealing with terrorist threats. As discussed in this paper, the *jihadi* interpretation of Islamic creed has become as much a threat to the secular/ western world as to the Muslim world. A well-crafted strategy in dealing with this threat is necessary. Such a strategy will obviously depend on the success of sustained attention and resource allocation in building a transnational counterterrorism regime.



## NOTES FOR CONTRIBUTORS

Articles submitted to the journal should be original contributions. If another version of the article is under consideration by another publication, or has been or will be published elsewhere, authors should clearly indicate this at the time of submission. Manuscripts should be submitted in hardcopy duplicate (on plain, A4 size paper) and on floppy disk (manuscript saved in Word or Rich Text Format) to Editors, Center for Strategic Research, Kircicegi Sok. 8/3, 06700 GOP/Ankara, Turkey; fax: +90-312-445 0584, e-mail: strategy@mfa.gov.tr, We would like you to sign and return through internet and/or surface mail the “Declaration Form” stating that the article in question is authentic and has not been published in any publication. (The signed declaration form can be scanned and returned via internet; in this case surface mail is will not be necessary.)

The final decision on whether the manuscript is accepted for publication in the Journal or not is made by the Editorial Board which is responsible to being dependent on two anonymous referees’ review reports.

A standard length for PERCEPTIONS articles is 6,000 to 8,000 words including footnotes. The manuscript should begin with an indented and italicised summary up to 150 words, which should describe the main arguments and conclusions, and 5-7 keywords, indicating to main themes of the manuscript. A title page should be attached to the manuscript, including the title of the manuscript, full name (s) of the authors, academic and/or other professional affiliations if any, complete mailing address, fax and phone numbers of the author to whom proofs and correspondence should be sent.” The author is also expected to give a brief biography in a footnote at the beginning of the article.

Manuscripts should be single-spaced written by Times New Roman regular font, 11 point throughout. Justified margins; top and bottom 3 cm, left and right 2.4 cm are required. Manuscripts should be numbered consecutively throughout the paper. Only the first letters of title words should be ‘upper case’. Quotations should be placed within double quotation marks (“.....”). Quotations larger than four lines should be indented at left margin and single-spaced. Use footnotes (not endnotes) and avoid bibliography. British punctuation and spelling should be used throughout. Dates should be in the form 3 November 1996; 1995-1998; and 1990s.

All diagrams, charts and graphs should be referred to as figures and consecutively numbered. Tables should be kept to a minimum and contain only essential data. Each figure and table must be given an Arabic numeral, followed by a heading, and be referred to in the text. Appropriate places of tables should be indicated in the text and tables should be submitted in a separate file. Any diagrams or maps should be copied to separate files individually in uncompressed .TIF or .JPG formats. These should be prepared in black and white. Tints should be avoided, use open patterns instead. If maps and diagrams cannot be prepared electronically, they should be presented on good quality white paper. If mathematics is included  $\frac{1}{2}$  is preferred over  $\frac{1}{2}$ . If copyrighted material is used in the article, it is the author’s responsibility to obtain permission from the copyright holder. Confirmation on this should be provided on a separate sheet included with the diskette or CD.

Names of the authors, places and the publishing houses are required to be written in their original forms. The styles of the references in footnotes should conform the following examples:

**Books:**

John Smith, *The Book Title*, New York, New York Publishing Co., 1999, p. 100.

John E. Smith (ed.), *The Book Title*, New York, New York Publishing Co., 1999, pp. 100-102.

John Smith and Mary Jones, *The Book Title*, New York, New York Publishing Co., 1999, p. 100.

Subsequent references should appear as: Smith, *The Book Title*, p. 100.

**Articles in Journals:**

John Smith, "Article Title", *Journal Name*, Vol. #, No. # (Month Year), p. #.

Subsequent references should appear as: Smith, "Article Title," p. #.

**Articles in Edited Books:**

John Smith, "Article Title," in Mary Jones, *Book Title*, New York, New York Publishing Co., 1999, p. 100.

**Manuscript References:**

PRO King's Remembrancer's Memoranda Roll, E159/69, m. 78.

BM Add. MS 36042, fo.2 (plural fos.). Four-figure numerals without comma or space: 2572. Titles of other record repositories, and names of collections of papers, in full in first reference:

Scottish Record Office (hereafter SRO), Airlie Papers, GD 16, section 38/82, April 5, 1844.

Compton Papers, kept at the estate office of the Marquess of Northampton, Castle Ashby (hereafter CA), bdle. 1011, no.29.

**Official Papers:**

Parliamentary Papers: Select Committee on Manufacturers (Parl. Papers, 1833, VI), 0.456. Subsequent references as:

SC on ... (PP, 1839, VII), 00.2347.

Hansard (Commons), 4th ser. XXXVI, 641-2, 22 Aug. 1895.

**Theses:**

For titles of published and unpublished theses use italics:

John E. Smith, *Title of Thesis*, unpublished Ph.D. thesis, Name of the University, Year, Chapter #, p.

# In footnotes 'ibid.' should be used where possible, but it should not be used where the previous note contains more than one source.