

U.S.-Southeast Asia Relations:

## A WMD Discovery in Malaysia and Counter-Terrorism Concerns in the Rest of Southeast Asia

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Despite Southeast Asia's treaty commitment to a nuclear weapons free zone, the interdiction of nuclear centrifuges bound for Libya manufactured by a Malaysian company reveals that the region is not immune to weapons of mass destruction (WMD) proliferation. Communal violence in southern Thailand and continued Muslim-based militance in Indonesia and the southern Philippines reinforced U.S. efforts to cooperate with these governments in tracking down militants and/or to help negotiate compromises to defuse militancy. However, America's continued presence in Iraq has complicated relations with Indonesia where forthcoming elections have led President Megawati Sukarnoputri to publicly distance herself from U.S. policy. Southeast Asian discontent with the United States is exacerbated by Washington's continued refusal to permit direct access by regional investigators to captured *Jemaah Islamiyah* (JI) leader Hambali who remains exclusively in U.S. custody.

### **Nuclear weapons proliferation in Southeast Asia?**

Among Asia's subregions, only the 10 Southeast Asian states have explicitly abjured the manufacture or possession of nuclear weapons through the declaration of a Southeast Asia Nuclear Weapons Free Zone (SEANWFZ). In 1995, this declaration became a treaty to which all ASEAN members have adhered. Hence, the discovery in October 2003 that a Malaysian company – Scomi Oil and Gas – had manufactured and shipped high-quality centrifuge components destined for Libya shocked the region. Centrifuges are a vital part of the process for creating highly enriched uranium – essential for nuclear weapons. These developments became public knowledge in February 2004.

The centrifuge parts were seized under the U.S.-led Proliferation Security Initiative (PSI) by which some 14 countries have agreed to interdict the illegal shipment of WMD. Both Scomi and Malaysian authorities claimed ignorance about the ultimate use of the centrifuge components, noting that they could be employed in a variety of ways having nothing to do with nuclear weapons. A senior Bush administration official disagreed with the Malaysian disclaimer, however, saying that it was unlikely that Scomi was unaware that they were parts of nuclear centrifuges since such a large number had been manufactured.

The discovery of a Malaysian connection constituted part of the unraveling of the black market nuclear proliferation network run by Pakistani scientist – and father of its nuclear weapons program – A.Q. Khan. While the Malaysian prime minister's son, Kammaludin Abdullah, currently holds a majority share in Scomi, it was acquired after the centrifuge contract was fulfilled and there is nothing to indicate he was aware of the transaction.

In a February speech at the U.S. National Defense University, President Bush cited the Malaysian link in Dr. Khan's nuclear network, an allegation immediately denied by Malaysia's new prime minister, Abdullah Badawi. Foreign Minister Syed Hamid Albar said Malaysia was being unfairly targeted because it was a Muslim country. However, Malaysian authorities promised to share information with the United States in its investigations of BSA Takir, a Sri Lankan resident of Malaysia, described by the U.S. president as A.Q. Khan's "chief financial officer and money launderer." Subsequently, in mid-February, Under Secretary of State John Bolton softened the U.S. position on Malaysia saying that it did not mean to implicate the Malaysian government in the nuclear black market scandal. Bolton also appeared to accept Scomi's explanation that it did not know the parts were destined for Libya and believed they were to be used in oil and gas industries. In early March, Assistant Secretary of State John Wolf met Malaysian officials and urged them to tighten export controls to which Foreign Minister Syed Hamid replied that he did not "see any necessity."

### **Renewed terrorist activities in southern Thailand**

In early January, a series of apparently coordinated terrorist raids and attacks in three Muslim-dominated southern Thai provinces led to the theft of large quantities of arms and the killing of army and police personnel, while at the same time, some 20 government schools were torched. Malaysia immediately denied any involvement and stepped up border coordination to prevent the stolen weapons from being smuggled out of Thailand. Although Thai Prime Minister Thaksin Shinawatra initially blamed the attacks on criminal elements, he later acknowledged that they probably were, in fact, acts of communal violence. Southern Thailand is a complicated region where organized crime is deeply entrenched and illegal trafficking in people and arms is ubiquitous. Separatist movements against the central government plagued the region in the 1970s and 1980s. Although much calmer in recent years, this history of violence has deterred foreign and domestic investors, thus exacerbating the region's poverty.

U.S. officials in Bangkok and Thai intelligence detect a trend toward more Islamic fundamentalism in the south where local Islamists had provided sanctuary and logistics for Hambali and other JI members when they passed through Thailand in early 2002. Some Thai analysts believe that Bangkok's decision to dispatch troops for the reconstruction effort in Iraq has led to the country's being targeted by *jihadists*. Senior Thai military officials believe that the long dormant Muslim separatist insurgency has been revived with financial and operational support from internationally linked terrorist groups. If so, this would fit plans by Southeast Asian Islamic extremist groups to build networks across Southeast Asia.

The U.S. and Thailand have a close counter-terrorism relationship with CIA and Thai intelligence working on a regular basis in a joint Counter-Terrorism Intelligence Center (CTIC) established even before the Sept. 11 attacks on the United States. The CTIC is now directing attention to southern Thailand, though no U.S. military assistance is contemplated. However, Thai forces have rented time on three U.S. spy satellites to search for the stolen army weapons.

Much of southern Thailand is currently under martial law and there is talk of building a security fence along the Malaysian border. Bangkok and Kuala Lumpur have commenced joint patrols and the two countries have agreed to tighten entry procedures for those having dual citizenship.

On other matters, positive and negative factors played into U.S.-Thai relations this quarter. On the positive side, with the new year, Thailand achieved “major non-NATO ally status” – the second Southeast Asian state after the Philippines. In recognition of Thailand’s support for Iraq’s reconstruction, the designation provides significant benefits in military assistance, including a U.S. loan guarantee arrangement for private banks to finance U.S. arms exports to Thailand. On the negative side, however, Bangkok protested the State Department’s lowering of Thailand’s ranking in human trafficking, which could lead to some withholding of foreign aid. For years, Thailand has been a prime destination for illegal immigrants from neighboring countries destined for the sex industry as well as back-breaking jobs generally shunned by Thai nationals. However, in all probability, the negative human rights report was generated more by U.S. concerns over Prime Minister Thaksin’s extra-judicial crackdown on drug traffickers that led to thousands of summary executions that ignored due process.

### **Islamic militancy and Indonesian politics**

At a January meeting of police officials from Asia and Europe in Bali, al-Qaeda was described more as an inspiration than a director of Southeast Asian Islamic extremist terror groups. The latter have their individual agendas as a reason to launch attacks against regional governments as well as U.S. interests. This has certainly been true for the Indonesia-based JI responsible for the October 2002 and August 2003 Bali and Jakarta Marriott bombings as well as the December 2000 Indonesian church bombings. JI may be currently training in the southern Philippines, according to counter-terrorism officials attending the conference. Moreover, in a report by the International Crisis Group written by Indonesian specialist Sidney Jones, an even more violence-oriented hardline group – *Mujahadeen Kompok* – has split off from JI. While JI has been weakened by a number of arrests in the wake of the Bali and Marriott bombings, the FBI has complained privately that it has not had much direct access to those arrested, some of whom have already been tried and convicted in Indonesian courts.

For its part, Indonesia is still anxious to obtain access to key JI and al-Qaeda leader Hambali, arrested last October in Thailand and considered al-Qaeda’s top Southeast Asian operative, as well as number four in its hierarchy. U.S. Attorney General John Ashcroft at the Bali meeting said only that the United States is “working towards” giving

foreign investigators access, but American investigators have provided Indonesians some interview transcripts. The problem is that information obtained indirectly may not be admissible in Indonesian courts.

Hambali has reportedly been forthcoming to his American interrogators with details about al-Qaeda and JI members, finances, and methods of operation, though the United States has shared little operational intelligence with Southeast Asian governments. The reports that have been made public reveal that al-Qaeda gave \$30,000 in seed money to the Bali bombers and another \$27,000 to the Moro Islamic Liberation Front (MILF) in the southern Philippines. Hambali's statements also strengthened the case against JI spiritual leader Abu Bakar Bashir who was present at Malaysian JI meetings where terrorist attacks were planned. Indonesian police want to verify these findings with their own direct access to Hambali, a request the Americans have yet to honor. Moreover, the absence of direct evidence linking Bashir to terrorist acts is at least partially responsible for the Indonesian Supreme Court decision in early March to reduce his three year sentence to time served – less than one year. The U.S. embassy expressed extreme disappointment with the Court's decision and indicated it was prepared to ask Indonesian authorities to reinstitute the charges against the cleric "using fully available evidence at their disposal" – apparently a reference to interrogation transcripts of al-Qaeda and JI members in U.S. custody.

The January Bali conference (mentioned above) also led to the creation of another regional antiterrorism center – the first was set up in July 2003 in Kuala Lumpur primarily for conferences and training. Plans for Indonesia's center seem to be more operationally oriented, involving the establishment of a central forensics laboratory. The center will operate 24-hour, seven days a week hotlines to provide an information repository on terrorist suspects. While the United States is a significant funder for the Malaysian center, Australia will be Jakarta's major external collaborator in its new center, apparently building on the close cooperation developed by Australian and Indonesian law enforcement after the Bali bombing.

Anti-American rhetoric has played into Indonesian politics with the upcoming parliamentary and presidential elections slated for April and July. In a speech before the International Conference of Islamic Scholars organized by the country's largest Muslim organization, *Nahdlatul Ulama* (NU) on Feb. 22, President Megawati castigated the U.S. occupation of Iraq as an example of unjust treatment of Muslims. Also distasteful to the United States is Gen. Wiranto's presidential candidacy in the July election. He is seeking Golkar's nomination – the second largest Indonesian political party. Wiranto has been charged with war crimes by the United Nations in connection with the violence attendant upon East Timor's 1999 independence referendum. American officials have made it known that Wiranto's nomination would not be helpful to Indonesia's relations with Washington; and the general is on a U.S. watch list that prevents him from obtaining a visa to visit the U.S.

## **Philippine-U.S. relations continue to center on counter-terror**

Responding to U.S. concerns about possible terrorism aboard commercial aircraft, President Gloria Macapagal-Arroyo in early January stated that the Philippines is prepared to put air marshals aboard Philippine Airline flights to the United States if the U.S. reciprocates on its flights to the islands. Manila also played down U.S. travel advisories about terror threats in the country, insisting – somewhat prematurely – that terror threats had been neutralized by the capture of top *Abu Sayyaf* leaders in recent months and the death of top JI bomb maker Fathur Rahman al-Ghozi last year. In refutation, the U.S. embassy stated: “The terrorist threat to Americans in the Philippines remains high, and the embassy continues to receive reports of ongoing activities by known terrorist groups.”

Washington appears to be following a “carrot-and-stick” policy toward the protracted MILF rebellion in Mindanao. In late February, the U.S. reiterated its offer to provide millions of dollars in development aid if the MILF engages in peace talks with Manila. The alternative is to risk being placed on America’s terrorist list. An American scholar, Zachary Abuza, meeting with MILF leaders in February, stated that the organization hoped the United States would pressure Manila authorities to compromise. If so, then, MILF might be willing to close its camps to JI recruits who currently train there.

Meanwhile, the other Philippine insurgency conducted by the Philippine Communist Party’s National Peoples Army (NPA) warned that peace talks in Norway will not succeed as long as the United States continues to label the CPP’s National Democratic Front (NDF) as terrorists. The terrorist tag has dried up the NDF’s foreign funding and has led the CPP-NPA to step up extortion in the Philippines to fuel their operations.

Once again, the Philippines and U.S. exercised together in *Balikatan-04* from Feb. 23-March 4 with approximately 2,500 forces from each country. This time instead of training in Mindanao, some of the exercises took place on the island of Palawan – adjacent to the Philippines’ Spratly Islands claim – and Batanes province. Conventional warfare and counterterrorism were emphasized; and U.S. troops also provided civil and humanitarian assistance programs in local villages as they did in Basilan in 2002. President Arroyo insisted that despite the Palawan venue, the exercises were not related to the Philippines Spratly claims and that the war game was a “command post” exercise with no actual “live fire.” The latter took place on Luzon. Nor was the war game concerned with protecting an off-shore gas platform from terrorist attacks, according to the *Balikatan* Information Bureau, though President Arroyo had stated on March 5 that protecting the gas platform was one purpose of the exercise. U.S. aid to the Philippines post-Sept. 11 has reached \$400 million by 2004.

## **Mixed U.S. relations with Indochina**

American frustration with the politics of murder in Cambodia was on display again this quarter as a top trade union leader, who was a founding member of the Sam Rainsy Party and outspoken critic of the Hun Sen government’s human rights abuses, was gunned

down Jan. 22. The State Department called on the Cambodian government “to undertake immediate and effective action” to solve the crime and stressed that a culture of intimidation and violence must not be tolerated. Human rights and opposition groups have accused Hun Sen’s Cambodian People’s Party (CPP) of being behind this killing and of other high-profile opposition leaders which have deepened the country’s political crisis. No new government has been formed since last July’s general election because neither the Sam Rainsy Party nor Prince Rannaridh’s FUNCINPEC party have agreed to join the CPP in a post-election coalition. Adding to U.S. ire with the Hun Sen government’s lawlessness was a March 8 petition by six prominent U.S. senators to FBI director Robert Mueller asking that he reopen the investigation of a 1997 grenade attack in Phnom Penh on a Sam Rainsy rally in which there were scores of casualties. Hun Sen failed to investigate the attack probably because of his party’s complicity. The senators stated in their letter that “[t]he absence of the rule of law in Cambodia has created an ideal environment for gangsters and terrorists...”

On a more positive note, Cambodia has agreed to destroy all its man-portable surface-to-air missiles in a program funded by the United States. The program arose out of U.S. concerns that Cambodian SAMs could be purchased by terrorists through black market channels.

Vietnam-U.S. relations experienced an upswing this quarter as former South Vietnamese Prime Minister Nguyen Cao Ky was invited back by Hanoi in January as a gesture of forgiveness. Mr. Ky said it was time for reconciliation between the survivors of the former South Vietnam government and its communist successor. His visit was promoted by the Bush administration, which convinced Hanoi it would be a way to improve its image in the United States.

In another effort to put the legacy of the Second Indochina War (1965-1975) to rest, U.S. Deputy Assistant Secretary of State Matthew Daly met with 73-year old Vang Pao, the leader of the Hmong resistance in Laos who resides in the United States. Rejecting an offer of humanitarian aid if he would urge his Hmong supporters to abandon their struggle, the former commander instead urged the U.S. to back a plan whereby he would be included as part of a new coalition government in Vientiane. Separately, the United States announced it would accept for resettlement as many as 14,000 Hmong refugees who have been in northern Thailand for decades.

## **Conclusion**

The Scomi company centrifuge interdiction illustrates the effectiveness of the U.S. led Proliferation Security Initiative in stopping contraband trade in WMD components. Nevertheless, the involvement of a Southeast Asian company is a blow to the region’s nuclear weapons free zone treaty and reveals another vulnerability in global efforts to prevent the proliferation of highly lethal materials to outlaw regimes and terrorists. Malaysia’s rather blasé attitude toward the discovery and continued terrorist activities in Thailand, Indonesia, and the Philippines indicate that countering terrorism will remain at the top of America’s Southeast Asia agenda for the indefinite future.

## **Chronology of U.S.-Southeast Asia Relations January-March 2004**

**Jan. 2, 2004:** Manila announces it's ready to deploy air marshals on Philippine Airline flights to the U.S. if the U.S. reciprocates on U.S. flights to the Philippines.

**Jan. 7, 2004:** U.S. Congressman Gelbans in talks with Malaysian Foreign Minister Syed Hamid agree that Malaysia and the U.S. must work together closely to combat terrorism.

**Jan. 16, 2004:** Indonesia criticizes Australian decision to join the U.S. plan to build a regional missile defense, calling it "offensive" and fearing it may push China into a harsh response.

**Jan. 16, 2004:** U.S. puts a half dozen leading current and former Indonesian military officers on a watch list of indicted war criminals, including a leading presidential candidate, Gen. Wiranto, effectively barring them from entering the U.S. This comes as the Bush administration increases its antiterrorism ties to Indonesia's military.

**Jan. 18, 2004:** Indonesian VP Hamzah Haz complains that the U.S. is requiring Indonesian banks to repay loans when the banks had not yet recovered from the 1997-98 financial crisis.

**Jan. 19, 2004:** Philippine President Arroyo says its 96 soldiers on humanitarian missions will remain in Iraq despite insecurity in the country.

**Jan. 19, 2004:** Philippine President's Office takes issue with a U.S. travel advisory to the Philippines by claiming that local terrorist groups had been "neutralized."

**Jan. 20, 2004:** U.S. police officers attend a 22 nation Asia-Pacific conference in Bali on the global campaign against terror.

**Jan. 21, 2004:** U.S. Ambassador to Indonesia Ralph Boyce says that Washington is considering giving Indonesian investigators direct access to captured *Jemaah Islamiyah* terrorist leader Hambali.

**Jan. 21, 2004:** President Bush, in his State of the Union Address, commends the Philippines and Thailand for committing troops for Iraqi reconstruction.

**Jan. 22, 2004:** U.S. State Department condemns assassination of Cambodian trade union leader Chea Vichea on Jan. 22 and calls upon the Cambodian government to solve the crime.

**Jan. 30, 2004:** Indonesian government hires former Republican senator and U.S. presidential candidate Robert Dole as its lobbyist in Washington, the first time Jakarta has retained a prominent U.S. politician to promote its interests.

**Feb. 2, 2004:** U.S. intelligence contributes to the arrest of a Filipino in Northern Ireland who allegedly provided financial aid to JI organizations in Southeast Asia.

**Feb. 5, 2004:** Attorney General Ashcroft attends Asia-Pacific Counter-Terrorism conference in Bali, co-hosted by Indonesia and Australia. He is pressed by Indonesian officials for access to Hambali, currently held by the Americans at an undisclosed location.

**Feb. 9, 2004:** Cofer Black, U.S. ambassador at large for counter-terrorism, talks with Indonesian officials in Jakarta about prospects for interviewing Hambali.

**Feb. 10-11, 2004:** U.S. Pacific Commander Adm. Thomas Fargo visits Vietnamese naval base at Danang in central Vietnam. Analysts believe the visit is a sign that Hanoi is interested in improving military relations with the United States.

**Feb. 12, 2004:** President Arroyo assures the country's neighbors that the Philippine-U.S. joint exercises, *Balikatan-04*, are unrelated to Philippine sovereignty claims over the Spratly Islands.

**Feb. 12, 2004:** USTR Robert Zoellick submits to Congress a formal "Intent to Initiate Free Trade Agreement Negotiations with Thailand."

**Feb. 13, 2004:** Burmese government web site denies a U.S. Senate aide's claim that North Korea has provided nuclear technology to Rangoon.

**Feb. 13, 2004:** USTR Zoellick visit Singapore meets with Singapore's Trade Minister George Yong-boon Yeo and meets ASEAN representatives.

**Feb. 15, 2004:** Malaysian FM Syed Hamid Albar protests President Bush's allegation of Malaysian involvement in shipping centrifuges used for nuclear weapons to Libya. Albar said Malaysia was unfairly targeted because it was a Muslim country.

**Feb. 16, 2004:** USTR Zoellick visits New Delhi for talks about increasing market access for goods, services, and agriculture.

**Feb. 16-27, 2004:** Flying phase of Exercise *Cope Tiger* among the U.S., Thai, and Singapore air forces and the U.S. Marine Corps takes place at Korat Air Force Base in Thailand.

**Feb. 19, 2004:** U.S. Under Secretary of State John Bolton in Beijing absolves Malaysia of any official involvement in the manufacture of nuclear centrifuge parts for export to Libya under a rogue Pakistani nuclear weapon proliferation program.

**Feb. 20, 2004:** Indonesia and the U.S. sign an agreement on the peaceful exploitation of nuclear energy designed to protect Indonesian facilities from terrorist attacks.



**Feb. 23, 2004:** U.S. Navy Secretary Gordon England at the Singapore Asia-Pacific Security Conference says the U.S. will likely increase its Asian military presence after discussions with America's partners.

**Feb. 23, 2004:** Thirty U.S. House of Representative lawmakers write a letter to Cambodian leader Hun Sen asking that he complete an investigation into the Jan. 22 murder of labor union leader Chea Vichea and to "insure the future safety of other political and labor leaders..."

**Feb. 23, 2004:** In a speech to the International Islamic Scholars Conference in Jakarta, President Megawati castigates the U.S. occupation of Iraq as unjust to Muslims.

**Feb. 25, 2004:** *The Philippine Daily Inquirer* recalls U.S. Democratic presidential aspirant John Kerry's role as a 1986 election monitor in the Philippines which called for an invalidation of the election because of voting fraud committed by the late President Marcos.

**Feb. 29, 2004:** Thai House of Representatives Committee on Foreign Affairs passes resolution urging Thailand to withdraw its contingent of 400 soldiers from Iraq to help quell violence in the Thai south where anti-U.S. Muslim sentiment is high.

**March 8, 2004:** *Balikatan-04* ends. The focus of this year's joint exercise was on Palawan island and included civic action, involving school construction, medial assistance, and road repairs by U.S. forces.

**March 8, 2004:** Sixteen prominent U.S. senators ask FBI director Robert Mueller to reopen an investigation of a 1997 grenade attack in Phnom Penh.

**March 10, 2004:** U.S. State Department spokesman Richard Boucher and visiting U.S. Homeland Security Secretary Tom Ridge express "extreme disappointment" in the Indonesian Supreme Court's decision to reduce convicted JI spiritual leader Abu Bakar Bashir's three-year prison sentence to time-served.

**March 16, 2004:** Singapore formally joins the U.S. Joint Strike Fighter development program, making it the first Asian nation to contribute to the world's most advanced combat jet.