

# FORUM



## FINANCIAL WARFARE

Curbing Counterfeiting,  
Money Laundering  
and Terror Finance

PLUS

Al-Qaida's Insolvency, Japan's New Defense Concept  
and Heroic Noncommissioned Officers



# features

## 10 Stop the Presses

Curbing counterfeiting in the Asia Pacific requires an international effort.

## 14 Targeting the Financial Underworld

Bangladesh's new restrictions will reduce the siphoning of money from the country's legitimate marketplace.

## 18 Without a Trace

Mobile money, digital dangers, avatars and anonymity, plus problems with prepaid cards.

## 28 A Group Effort

The Asia/Pacific Group on Money Laundering takes a regional approach to countering threat finance.

## 36 Cash-Hungry al-Qaida Loses Its Appeal

The financially struggling terror network may see its global allure to extremists further fade after Osama bin Laden's death.

## 40 After bin Laden

Transnational terrorism: decentralization, diffusion and the impact of the "Arab Spring."

## 46 Empowering the Enlisted

Asia-Pacific militaries push for more professional noncommissioned officer corps.

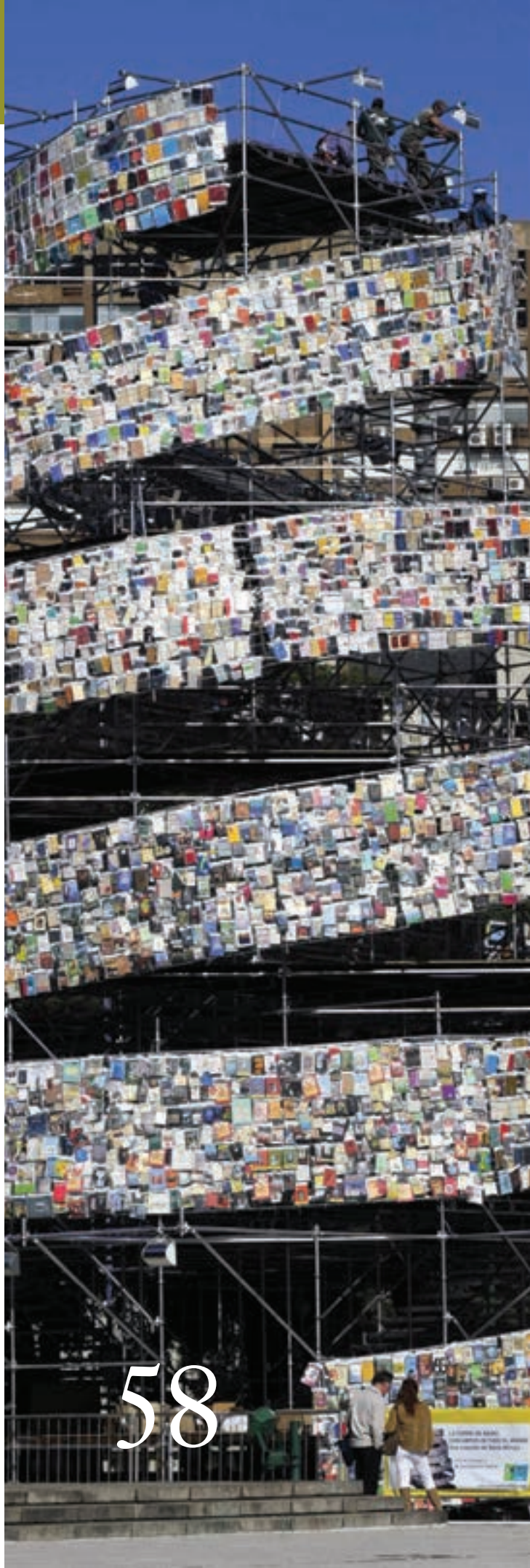
## 52 Dynamic Defense

Japan's proactive concept proves successful in the aftermath of a disaster and an exercise.

## 56 Cambodian Reunion

Khmer Rouge refugee returns a commander.





# departments

## 4 Pacific View

## 5 Across the Region

News from Asia and the Pacific.

## 8 Terrorist Update

Bali bomb suspect arrested in Pakistan.

## 58 World Horizons

News from around the globe.

## 60 Voice

U.S.-India defense cooperation: President Obama Delivers On Promise.

## 63 Culture & Custom

A Nepalese notion to tap biogas from bovine waste.

## 64 Media & Tech

Pakistan TV drama features soldiers and sacrifice.

## 65 Sports

News highlights of athletics.

## 66 This & That

News of the interesting, unusual and entertaining.

## 67 Contemplations

Harnessing the sun from space.



### ABOUT THE COVER:

Moving money around the globe can be as simple as sending a text message. To finance nefarious activities, terrorists are increasingly using new tools, such as the cell phone transfer depicted in this illustration. International cooperation is required to counter these evolving channels of threat finance. FORUM ILLUSTRATION



U.S. PACIFIC COMMAND

Dear Readers,

The Asia-Pacific region is home to a wide variety of threats. Some are caused by nature, but others are man-made. Threats that involve illegal or illicit activities require funding for perpetrators to organize, execute and export their illegitimate acts. U.S. Pacific Command is committed to partnering with all willing nations in the region to combat transnational threats.

An effective way to counter many of these man-made threats is to obstruct the funding mechanisms — commonly termed threat finance — that underpin such activities.

After the 9/11 attacks in 2001, the United States and global community recognized the critical role that combating terrorist financing must play in the overall global effort against terrorism. Violent extremism is an enterprise that involves planning, scouting, recruiting, transporting, training, arming, targeting, concealing, executing and escaping — functions that all require some degree of funding. As a result, the United Nations passed multiple resolutions that oblige member states to identify and freeze terrorist assets and to institute blocking actions against their financial resources and abilities to travel and to obtain arms. These measures are intended to deprive terrorists access to the international financial system.

Threat finance includes both legal and illegal methods. Criminals and terrorists may engage in extortion, counterfeiting and fraud, but they can also prey on witting or unwitting contributors to legitimate charitable or religious organizations. The disparate and complex nature of threat finance demands that we not only work together as nations but also recognize the importance of integrating military capabilities with diplomatic, economic, financial, intelligence and law enforcement fronts. Enhancing our mutual capacities to combat illicit financing through cooperative training and assistance efforts is critical to regional security. Indeed, capacity building is the linchpin to combat threat financing.

Regardless of source, the ultimate purpose of threat finance — whether it is terrorism, human and drug trafficking or weapons proliferation — poses a security risk to all Asia-Pacific nations. This issue of *Asia Pacific Defense FORUM* provides insight into the many aspects of threat finance and the ways it affects individual lives and greater security in the region. For additional information or to provide comments, please contact us at [contact-apdf@apdforum.com](mailto:contact-apdf@apdforum.com).

All the best,

ROBERT F. WILLARD  
Admiral, USN  
Commander, U.S. Pacific Command

## APD FORUM

### Threat Finance

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#### USPACOM LEADERSHIP

ROBERT F. WILLARD  
*Admiral, USN*  
*Commander*

DANIEL J. DARNELL  
*Lieutenant General, USAF*  
*Deputy Commander*

ROBIN M. WATTERS  
*Rear Admiral, USN*  
*Chief of Staff*

ROBERT P. GIRRIER  
*Rear Admiral, USN*  
*Director of Operations*

#### PROGRAM OFFICERS

ROBERT E. KJELDEN  
*Lieutenant Colonel, USA*

EDSEL H. GUM  
*APD Forum Manager*

#### CONTACT US

## APD FORUM

*Asia Pacific Defense FORUM*  
Program Manager, HQ USPACOM  
Box 64013  
Camp H.M. Smith, HI 96861 U.S.A.

<http://apdforum.com>

email:

[contact-apdf@apdforum.com](mailto:contact-apdf@apdforum.com)

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TIMOR-LESTE

AGENCE FRANCE-PRESSE

## Police Take Over from U.N. Force

United Nations police returned full control of Timor-Leste to the national force in late March 2011, more than four years after bloody clashes threatened to push the country into civil war.

The National Police of Timor-Leste, or PNTL, will be responsible for the whole country, with the U.N. police in a supporting role. "We will continue to work side by side," U.N. special representative for Timor-Leste Ameerah Haq said. "However, PNTL will be squarely in the driver's seat, and the U.N. will focus on providing the training and support Timor-Leste's police service needs to further strengthen its capabilities over the long term."

The U.N. will maintain a presence of up to 1,280 police to support the PNTL until after the presidential election in 2012, when the U.N. peacekeeping mission plans to withdraw from the tiny Southeast Asian state, the statement said. Agence France-Presse

SOUTH KOREA

## Renewed Vigilance

South Korean rescue personnel carry a mock victim during an anti-terror drill in Seoul in May 2011. South Korean Prime Minister Kim Hwang-sik asked for extra government efforts to ensure the safety of Korean nationals staying abroad, as the world faces broader terrorist threats after the death of al-Qaida leader Osama bin Laden.

Agence France-Presse



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PHILIPPINES

Phnom Penh,  
Cambodia

AGENCE FRANCE-PRESSE

## Food Prices Threaten Asia

Soaring global food prices threaten to push tens of millions of Asians into extreme poverty and cut the region's economic growth, the Philippines-based Asian Development Bank, or ADB, warned in an April 2011 report.

Coupled with skyrocketing oil prices, the spike poses a serious setback for a developing Asia after having rebounded rapidly and strongly from the 2008 global economic crisis, said chief ADB economist Changyong Rhee.

"Left unchecked, the food crisis will badly undermine recent gains in poverty reduction made in Asia," Rhee said.

Domestic food inflation in developing Asian nations hit 10 percent at the start of this year, a rate the ADB said could push 64 million people into extreme poverty. Agence France-Presse

INDIA

## Indian Navy SAVES Chinese Sailors



THE ASSOCIATED PRESS

Twenty-four Chinese Sailors were rescued in May 2011 after the Indian Navy warned off pirates who hijacked the cargo ship a day earlier in the Arabian Sea, according to China and India.

An Indian Navy maritime reconnaissance plane was dispatched based on a distress call, and the plane crew used communication channels to tell the pirates that Indian warships were on the way, said M. Nambiar, an Indian Navy spokesman. The crew also alerted NATO ships nearby.

After the warning, the pirates used their skiff to return to their mother ship. "The pirates fled from the merchant vessel," Nambiar said.

The Chinese crew was safe and in good

condition, China's Ministry of Transport said on its website. The incident occurred nearly 720 kilometers off India's southwestern coast of Lakshadweep — an island archipelago.

China, India, Russia and NATO countries have navy ships in the region to escort commercial vessels and make anti-piracy patrols. The Indian Navy seized about 120 suspected Somali pirates between March and May 2011, including the one pictured. Other nations have also detained suspects for prosecution.

Confrontations with pirates turned increasingly violent in the first few months of 2011. Pirates typically demand about U.S. \$5 million to release a ship and crew. The Associated Press

INDONESIA

## ASEAN Welcomes First U.S. Ambassador

The United States' first ambassador to the Association of Southeast Asian Nations, or ASEAN, presented his credentials to the bloc's secretariat in Jakarta, Indonesia, in late April 2011.

Former attorney David Lee Carden told reporters the 10-nation group was "full of big ideas" as he formally introduced himself to ASEAN Secretary-General Surin Pitsuwan.

"The United States is committed at all levels to supporting a robust ASEAN role in realizing the vision of an integrated, secure, prosperous and democratic Southeast Asia," he said.

The U.S. is the second non-ASEAN country after Japan to permanently base an ambassador at the group's Jakarta headquarters. Agence France-Presse



U.S. DEPARTMENT OF STATE





## Insects May Be Answer to World Nutrition

Serge Verniau is a man with a mission: to persuade the world to swap the chicken wings and steaks on their plates for crickets, palm weevils and other insects rich in protein and vitamins.

Verniau, the Laos representative of the U.N. Food and Agriculture Organization, is only half-joking when he says his dream is “to feed the big metropolises from Tokyo to Los Angeles, via Paris” with the small arthropods.

He plans to present the lessons drawn from a pilot project in Vientiane to the world at a conference on edible insects, probably in 2012. “Most of the world’s population will live in urban areas. Trying to feed the whole planet enough protein from cows won’t work,” Verniau said.

It is not by chance that the dream was born in landlocked Laos. Almost one-quarter of its population of 6 million people, and nearly 40 percent of children younger than age 5, suffer from malnutrition, according to figures from the Laos government.

Proponents believe insects, rich in protein and vitamins, could fill such nutritional deficits. Plus insect farming requires little space or natural resources. Such advantages could be beneficial beyond Laos, particularly in other developing countries where people are used to eating cicadas and grasshoppers.

Agence France-Presse



## FREE OF MINEFIELDS

Nepal cleared the country’s last remaining minefield in June 2011, nearly five years after the end of the decade-long civil war with Maoist insurgents.

Prime Minister Jhulanath Khanal pressed a button in a ceremony at the top of Phulchoki hill, blowing up the deadly explosive devices to fulfill one of the main terms of the peace accord signed in November 2006. The Nepalese Army laid minefields in 53 places across the country, most of them around key military facilities, hydroelectric power stations and telecom towers.



“Removing these devices is an important part of the peace process,” Khanal said after the controlled explosion, which echoed around the 2,700-meter peak near the capital, Kathmandu. According to the United Nations, 78 people have been killed and 395 others injured by mines in Nepal since the peace accord. Most of the victims were children.

The clearance makes Nepal only the second Asian country after China to declare itself mine-free. Khanal said that although the minefields have been removed, unexploded ordnance still poses a hazard, particularly in remote areas of the mountainous nation. Agence France-Presse

# Bali Bomb Suspect ARRESTED IN PAKISTAN

STORY BY REUTERS

Photos By The Associated Press

**A**n Indonesian man wanted for alleged involvement in the 2002 Bali nightclub bombings was captured in Pakistan with members of a local militant group, a senior government official said in March 2011. Umar Patek was arrested in January 2011 in Abbottabad, the same town where U.S. Navy SEALs killed Osama bin Laden in May 2011. Like bin Laden, Patek had been evading authorities for nearly a decade.

The arrest of Patek is significant, security analysts say, because he is one of the few Indonesian militants who could explain to authorities the connections and extent of cooperation between Islamist militant groups in Asia.

"We received a report he has been arrested in Pakistan with some members of a local terrorist group," the security source told Reuters, adding that Patek was injured during the January 2011 arrest.

Patek had entered Pakistan a few months earlier using a fake visa, CNN reported. He and his wife were arrested at the Abbottabad home of Abdul Hameed Sohail, a retired insurance executive. Sohail told *The Independent* newspaper that his family had given the terror suspect refuge after his son found the couple starving and begging. "My son had gone out to the mosque, and when he returned he said there were two people in a

very bad condition, near to dying, and in need of help," Sohail said. The family took Patek and his wife in "on humanitarian grounds." Sohail told *The Independent* that the couple had been at his home for eight to 10 days and never ventured outside.

Indonesian Defense Minister Purnomo Yusgiantoro said in a statement that Patek had traveled to Pakistan "trying to meet with Osama bin Laden." A U.S. counterterrorism official told The Associated Press that he did not succeed.

Bombings at nightclubs in Bali killed 202 people in 2002. However, the government has had success in recent years in combating militant groups, killing or capturing several key figures in the Southeast Asian network Jemaah Islamiyah, which was blamed for the Bali attack and of which Patek allegedly was a member.



**Umar Patek, pictured at an Abu Sayyaf camp in the southern Philippines in 2007, was extradited in August 2011 to Indonesia to stand trial after his January arrest in Pakistan.**



**Pakistani retiree Abdul Hameed Sohail, left, told reporters that his family had taken in Umar Patek and his wife after finding the couple begging at a local mosque. Authorities arrested the couple at Sohail's home in Abbottabad, right.**





**In front of a Bali bomb memorial in Legian, Indonesia, an Australian couple prays for their friends who were among the 202 people killed in the 2002 attack.**

“Law enforcement, globally, has really gouged out the top and middle-rank leadership of terror networks in the region,” Maria Ressa, an expert on radical Islam in Southeast Asia, told *Time* magazine in May 2011. “In Indonesia alone there have been 600 members of Jemaah Islamiyah and its affiliated groups arrested since 2002 and the Bali bombing. Five hundred have already been prosecuted.”

In August 2011, Patek was extradited to Indonesia to stand trial. Patek, also believed to have joined the Philippines-based militant group Abu Sayyaf, could pose a renewed threat from prison in Indonesia if he were able to spread his bomb-making skills, a source told Reuters.

However, he could also provide valuable insight. “He, more than anyone else, will have information about the nature and extent of linkages between the Philippines and Indonesia,” Sidney Jones, of the International Crisis Group, told Reuters. “He will be able to give detailed info on the Indonesians and Malaysians still operating in Mindanao, and where their financing comes from and who supports them.”

“He will be able to explain what the nature of linkages is between Pakistan, and South Asian groups more generally, with their Southeast Asian counterparts,” Jones added, “and that’s a vital piece of the puzzle that nobody has been able to understand thus far.”

Commodore Jose Miguel Rodriguez, deputy chief of staff of the Armed Forces of the Philippines, or AFP, told the Philippine Inquirer Online in May that the arrest of Patek was “a very substantial victory in our regional battle against terrorism. It will greatly reduce foreign support to the local terrorists and derail any future acts of terror they may have been planning within the region.”

Authorities believe Patek was among a group of Indonesians, Malaysians and Filipinos who traveled to Afghanistan and Pakistan during the 1980s and 1990s for training and fighting and then returned to form terror groups in the Asia Pacific. This time, Patek reportedly reached Pakistan from Sulu in the Philippines, where he fled immediately after the Bali bombings. His recent arrest in Pakistan “proves that Mindanao is not a safe haven for foreign terrorists,” Lt. Gen. Juancho Sabban, head of the AFP Western Command, told the Philippine Inquirer Online.

Despite the capture of Patek — and the death of bin Laden — experts warn that terrorist cells remain a threat to the region. “Now that they are cells that are operating without central leadership or any kind of central coordination,” Ressa told *Time* magazine, “it also becomes much harder for authorities to track them down, and they can evade authorities for a longer time.”

# Curbing **counterfeiting** in the Asia Pacific requires an international effort

IN A NEPALESE BORDER TOWN NEAR INDIA'S RAXAUL CUSTOMS POST, A MAN RECEIVES A DELIVERY OF 2 MILLION FAKE INDIAN RUPEES (ABOUT U.S. \$44,600). HE DOESN'T QUESTION THE PACKAGE; HE WRAPS IT IN A BUNDLE AND SETS OFF WITH HIS BIKE ACROSS THE BORDER TO INDIA.







# R

eporting for the *Nepali Times* newspaper, journalist V.K.

Shashikumar keeps an eye on the man and interviews him when he reaches India. The deliveryman tells Shashikumar there are many more couriers like him, forming a steady stream of counterfeit currency flowing into India.

This influx of fake currency has serious ramifications, Indian officials say. The counterfeit racket — valued at up to 2.3 trillion rupees (U.S. \$51 billion) — is considered “economic terrorism” because it dilutes the value of legitimate currency, funds India’s black market and makes victims of those caught unknowingly spending it, experts say. In addition, authorities have tied counterfeit currency to four major terrorist attacks in India, including the deadly Mumbai bombings of 2008, according to *The Pioneer* newspaper.

Officials have followed the trail of fake notes back to Dawood Ibrahim’s D Company, the infamous criminal organization tied to the 1993 terrorist bombings in Mumbai. “The underworld is funding subversive and sabotage activities against India with these ill-gotten gains,” intelligence official B. Srinivasulu warned in a police report.

D Company uses its criminal connections around the region to funnel counterfeit notes into India, officials say. The money is produced in Pakistan and routed through the United Arab Emirates, Srinivasulu’s report indicated. Police have also uncovered smuggling routes

through Nepal and Bangladesh and directly from Pakistan. The criminal syndicate has begun producing fake notes out of Thailand as well, Indian Intelligence Bureau officials told the news website rediff.com in October 2010.

Those who run the racket try to take advantage of border crossings and airports where security is lax, authorities say. In Dubai, Indian workers are recruited to ferry fake money to their homeland in suitcases filled with perfume and clothes, Srinivasulu reported. Police have also busted smugglers carrying money in bags of produce from Pakistan, and one woman was caught with fake notes hidden in the soles of her shoes, according to news reports.

Once in the country, the currency makes its way into circulation in bulk through corrupt bank employees or slowly but surely through individual transactions, officials say. The notes are primarily printed in increments of 500 or 1,000 rupees, and they are sold for half the value of real currency, Srinivasulu said.

## A global issue

India isn’t the only country that has battled counterfeiting. In 1988, eerily perfect replicas of \$100 bills infiltrated the U.S. currency pool. Dubbed “supernotes,” the bills at first were only seen circulating outside the United States but eventually made their way into the hands of U.S. consumers. An employee at the Central Bank of the Philippines tipped off authorities

# TOP

## THE PRESSES

FORUM STAFF

# STOP THE PRESSES

to the scam in 1989 by noting that a particular \$100 bill felt different, despite having all the standard security features. An investigation eventually traced the fake currency to North Korea, the U.S. government said.

To prevent additional counterfeiting, the U.S. redesigned the bills in 1996, adding new security features such as optically variable ink, which changes color depending on the angle of the viewer. Eventually, new versions of counterfeit bills appeared. From 2003 to 2005, the FBI led an intense undercover operation that ended with the bust of a criminal ring trying to smuggle millions of dollars' worth of counterfeit currency and goods from North Korea, through China and into the United States, *The New York Times* newspaper reported.

In December 2008, Thailand saw a rash of fake 1,000-baht notes enter circulation. The country launched an aggressive campaign against counterfeiting, enlisting the help of the public by airing TV spots to show consumers how to identify fake money. In addition, workers from the central bank took their training on the road, visiting vendors in markets throughout

Bangkok and border zones, the *Bangkok Post* newspaper reported. "Violators of the law must be prosecuted, and authorities must have clear guidelines on how to examine notes," then-Prime Minister Abhisit Vejjajiva said in a news conference at the time.

## India tackles the problem

India has undertaken a range of measures to combat counterfeit currency. Within its borders, government officials have launched counterfeit education campaigns and encouraged citizens to use electronic banking rather than cash transactions. The government has also installed note-sorting machines to detect fake currency at all outlets distributing money on behalf of the Reserve Bank of India.

To shore up border security, India has embarked on a project to build 13 high-tech Integrated Check Posts along its borders with Nepal, Bangladesh, Pakistan and Burma, according to the Ministry of Home Affairs. In January 2010, Indian External Affairs Minister S.M. Krishna met with government officials in Nepal to discuss crime-fighting cooperation

Source: Reserve Bank of India  
FORUM ILLUSTRATION

## SPOTTING Real Rupees

### Floral design:

Printed on the front and back of the bill, it should look like one design when held up to the light.



**Intaglio printing:** The portrait, the seal, the guarantee and promise clause, the pillar emblem on the left and the bank governor's signature are all slightly raised.

**Color-shifting ink:** Newer 1,000- and 500-rupee notes include denomination markings that shift from green to blue, depending on the viewing angle.



### Identification mark:

This slightly raised mark is a different shape on each denomination.

### Security thread:

This appears to the left of the portrait and can be seen when held to the light.

**Microlettering:** In the portrait's background, the word "RBI" and the denomination can be seen with a magnifying glass.

### Latent image:

When the note is held horizontally at eye level, the denomination appears on the right side.



**Indian paramilitary troopers show off fake currency and ammunition seized in Kashmir. Counterfeit currency benefits criminal networks and terrorist organizations that pose a threat to the international community, experts warn.**

along the border. “They have assured me that Nepalese territory will not be allowed to be used for anti-Indian activities, and that they will be vigilant,” Krishna said at a news conference after his visit. “We look forward to their cooperation.”

This type of partnership will benefit both sides because counterfeit money doesn’t just hurt the country for which it’s intended, experts say. It can leave a trail of victims along smuggling routes and in neighboring countries, as the fake currency makes its way into the global economy. For example, China was hit hardest by the fake U.S. \$100 bills because North Korean forgers often exchanged money there, one expert told *The Independent* newspaper. A 2011 report from policy promoter Global Financial Integrity gave a broader picture: “The profits of counterfeiting are known to bolster organized crime and terrorist groups who pose a real threat to security in developed and developing countries alike.”

Given the transnational reach of criminal networks, communication and cooperation prove key to shutting down counterfeiters. In 2006, for example, Australian, Colombian and U.S. authorities joined together to crush an operation in Colombia that aimed to print counterfeit versions of Australia’s polymer notes. During a raid on two homes in the capital city of Bogota, authorities seized a printing machine, electronics and thousands of polymer sheets — a criminal undertaking valued at \$5 million. In a news release, Mike Phelan of the Australian Federal Police credited the “the excellent investigation undertaken by Colombian authorities, in conjunction with the AFP and other international law enforcement agencies.”

India also reaped the rewards of international cooperation in 2008 when counterfeit crime boss Nasim Ansari and two accomplices were arrested by Nepalese police. Ansari — whose fake rupees made their way through Bangladesh, Nepal, Pakistan and the United Arab Emirates — had also been linked to the terror groups Hizbul Mujahideen and Lashkar-y-Tayyiba, a Delhi police source told *The Times of India* newspaper. “We welcome the government of Nepal’s action,” the Indian Embassy in Kathmandu said in a news



release after the arrests. “Both the countries have been cooperating to solve this problem.”

### **Evolving approaches**

As criminal syndicates such as D Company continue to route fake currency through South and Southeast Asia, all nations must remain vigilant, experts warn.

“The aim is very clearly to weaken the economy and expose certain vulnerabilities. There is no greater vulnerability than currency because all of us handle currency on a day-to-day basis,” analyst Kapil Kak told ChannelNewsAsia.com. “The problem is a live one, and we will have to evolve mechanisms [to counter it] both at the global, regional and national level.” □



# *Targeting the financial* **UNDERWORLD**

Bangladesh's new  
restrictions will reduce  
the siphoning of money  
from the country's  
legitimate marketplace

FORUM STAFF





FORUM ILLUSTRATION

It's known in Bangladesh as “an economy within an economy” — a financial underworld with bad intentions that mirrors the publicly sanctioned financial institution in place. Islamist militant groups use the money flowing through this parallel universe to further their causes. They also appear to be quite successful at securing money, earning up to U.S. \$300 million a year in net profits, according to Abdul Barkat, an economic analyst and Dhaka University professor.

Bangladeshi government officials announced in April 2011 that they had a new plan of attack against this dark world. They are fighting the problem with improved policies to stop criminals from siphoning money from the legitimate marketplace and with new penalties for those who support militant causes.

“It is imperative to stop terrorism financing in order to contain their activities,” Bangladeshi Prime Minister Sheikh Hasina said at an October 2010 Asia/Pacific Group workshop, according to her posts on the Awami League’s website. “Terrorism and militancy know no territorial borders. I always assert that terrorists have neither border nor race or creed. Hence, it is not possible for any country to combat this menace alone. It requires a united effort.”

Her statements came after recommendations from the Financial Action Task Force, an international anti-money laundering organization, for Bangladesh to improve its financial standards. So the country started outlining what it calls the draft of a National Strategy for Preventing Money Laundering and Combating Financing of Terrorism. The plan includes a timeline for implementing new procedures and designating new responsibilities to agencies, according to an April 2011 report by *The Financial Express* newspaper.

### *Assessing the threats*

Bangladesh faces threats from an estimated two to three dozen Islamist terrorist groups, according to Paul Cochrane in his May 2009 analysis titled “The Funding Methods of Bangladeshi Terrorist Groups.” (Other analysts, groups or governments place the number of Islamist militant groups in Bangladesh as low as 29 and as high as 50.)

“These organizations are resurgent — internally and externally — with financing coming from numerous sources, most notably nongovernmental organizations,” wrote Cochrane, a freelance journalist based in Beirut who writes about the Middle East and Central Asia.

Barkat, the Dhaka University professor, told Cochrane that Islamist political parties operating in Bangladesh have invested money in nearly every segment of the economy, including finance, insurance, retail, education, real estate, media and health care. The nation’s more than 60,000 registered societies, clubs and nongovernmental organizations also find themselves vulnerable, and with good reason.

Bangladesh serves as a critical hub to transnational extremist groups, according to a March 2011 article by the *Weekly Blitz* newspaper about the rise of Islamism in Bangladesh. Terrorist groups based in Pakistan and Kashmir have camps in Bangladesh, and attacks in Delhi have shown Bangladesh as a central link in the Islamic terrorist network thriving across South Asia, according to the anti-jihadist tabloid based in Dhaka.

“While its short history has been full of military coup d’états, it has always returned to its roots as a secular democratic state,” the *Weekly Blitz* wrote of Bangladesh. “There are, however, troubling new signs of a shift toward a growing Islamism that could



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jeopardize the sanctity of secularism in the country.”

Those are the kinds of threats the Bangladeshi government hopes to eliminate with its refined restrictions.

### *Plotting a new course*

Among the changes, the Bangladesh Bank persuaded the government to impose restrictions on cash transactions for companies and individuals suspected of money laundering, *The Financial Express* reported. This recommendation is in line with those presented by the Financial Action Task Force.

Bangladesh’s amended Anti-Money Laundering Act, passed in June 2011, requires an increased number of groups and individuals to be more closely watched and reported to authorities if their financial transactions appear suspicious. The targeted group now includes stock dealers and brokers, portfolio managers, security custodians, and real estate agents, *The Daily Star* newspaper reported in May 2011.

The amended law also increased the maximum prison sentence for money laundering from seven years to 12 years, *The Financial Times* newspaper reported in June 2011. The minimum prison time was also increased from six months to four years, according to the newspaper.

## COOPERATION *key to countering terrorism*

### FORUM STAFF

Countering terrorism requires regional and international cooperation. The Combating Terrorism Fellowship Program, or CTFP, exists to aid in forging necessary relationships to address this global problem.

CTFP is a U.S. Department of Defense security cooperation program aimed at growing “an international network of military and civilian combating terrorism officials who share a common understanding of the security challenges we all face, hold a common vision on how to counter and respond to terrorism, and work together to defeat terrorism and extremism,” according to a CTFP brochure.

Partner countries share best practices in combating terrorism and reinforce continued efforts to address the problem.

CTFP also funds the annual Pacific Area Security Sector Working Group (PASSWG), which met in Hua Hin, Thailand, in June 2011. Seventy representatives from

11 countries exchanged ideas on maritime security domain awareness and counter-terrorism strategies.

With a focus on Southeast Asia, the delegates aligned the 2012 conference goals with those of the Association of Southeast Asian Nations (ASEAN) Defense Ministers Meeting. Co-hosted by the Royal Thai Armed Forces, the 2011 PASSWG program featured real world exercises conducted by subject matter experts from U.S. military and law enforcement agencies.

The delegates represented a cross-section of the security sector, with military officers joining police and civil affairs representatives from Australia, Cambodia, Indonesia, Japan, Laos, Malaysia, New Zealand, the Philippines, Thailand, Vietnam and the U.S. Additionally, ASEAN Secretariat officials joined the program and exercises. The 2012 meeting is slated for May in the Philippines.

With these new laws in place, Bangladesh also increases its ability to receive help from the international financial community. Because of the lack of certain monetary safeguards, the country has been unable to rely on international cooperation to reclaim money illegally skimmed from Bangladesh’s economy, *The Daily Star* reported.

With a new course plotted to curb money laundering and the financial support of terrorism, Bangladeshi officials want their neighbors to know about their renewed vigilance.

“We in Bangladesh firmly believe that for our region to develop and achieve peace, prosperity and stability, it must be free from the scourge of terrorism and extremism,” Bangladeshi Planning Minister A.K. Khandker said at a May 2011 event in India, according to *The Times of India* newspaper. Khandker also said that Bangladesh’s prime minister “has launched an uncompromising fight against terrorism, extremism and militancy” and that “Bangladesh will not allow its soil to be used by elements working against the interests of any country,” *The Times of India* reported. □



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**1. Bangladeshi Prime Minister Sheikh Hasina, far left, says the financing of terrorism must stop.**

**2. Bangladeshi workers ply their trade inside a garment shop in Dhaka. Economic analysts say Islamists have infiltrated Bangladesh’s legitimate market and are siphoning money to support an underground financial system used for criminal activity.**

**3. A Bangladeshi money changer counts currency notes at his roadside stall in Dhaka. A new set of laws will soon require more diligent reporting of suspicious financial transactions to authorities.**

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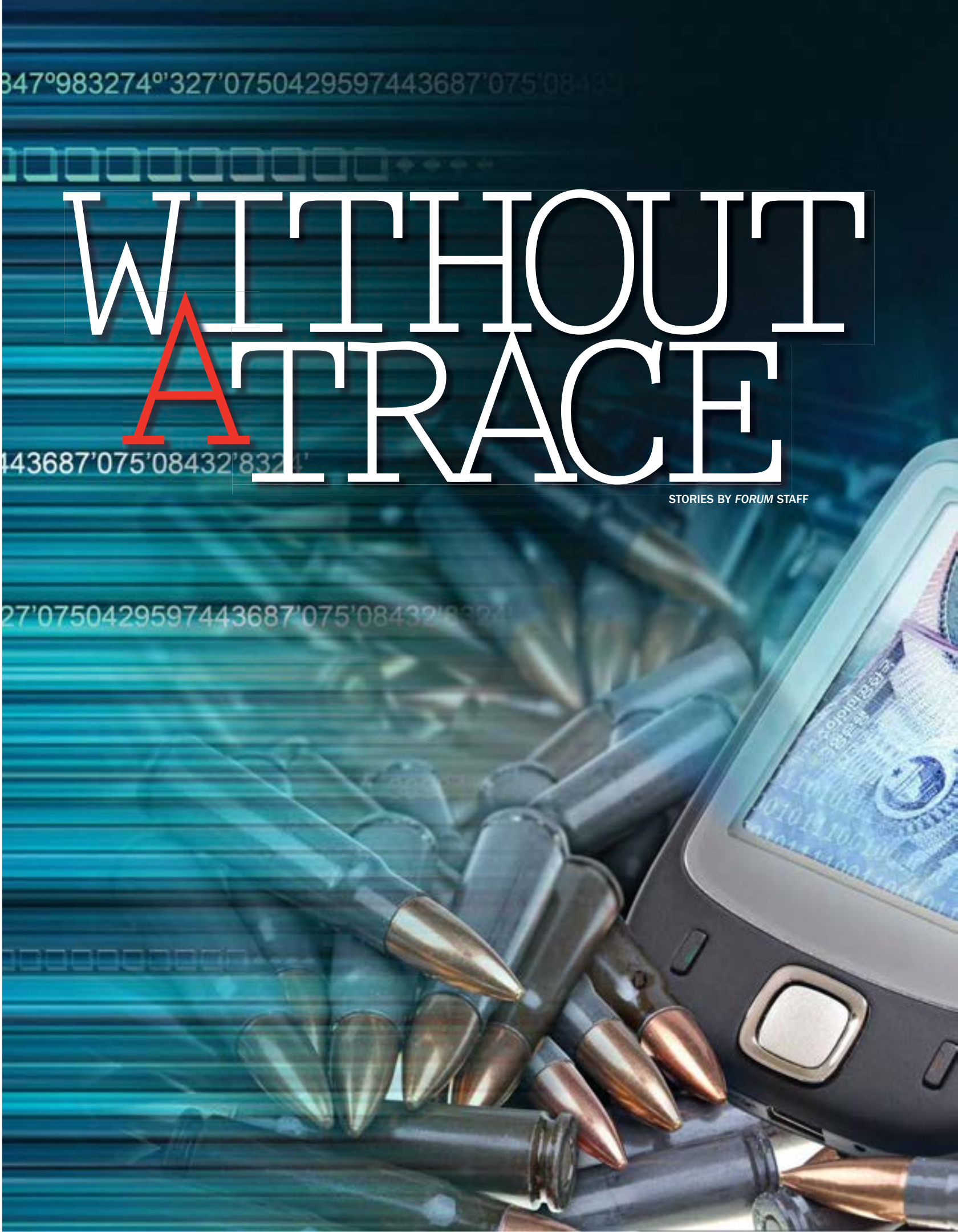
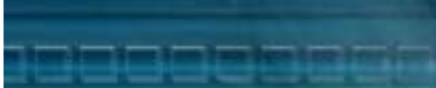


# WITHOUT A TRACE

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STORIES BY FORUM STAFF

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FORUM ILLUSTRATION

Obtaining fake identification documents. Fooling a bank teller

into setting up an account. Moving small amounts of money, one transaction at a time, to various other dubious accounts. All the while hoping the bank's transaction-monitoring software doesn't raise a red flag.

It's a lot of work to launder money undetected through a protected financial system. As more countries implement anti-money laundering regulations and better safeguards in their financial sectors, criminals are finding other ways to move currency. They're turning to cell phones, digital currencies, gift cards and even video games to get their ill-gotten gains across international borders, threat finance experts say. Awareness of these types of transactions is the first step toward stopping illegal money transfers.

FORUM explores these unconventional methods of moving money in a series of reports from the financial world's rapidly advancing technological front.

# MOBILE MONEY







THE ASSOCIATED PRESS

With mobile banking, people can load, store and transfer money on their cell phones. Experts warn that the technology is being exploited by criminals.

**D**andy M. Padilla quickly filled out a form at the counter inside 1st Valley Bank in Iligan, an urban center in the Philippines' Lanao del Norte province. He was loading his cell phone with GCash, a popular mobile phone currency that can be sent from person to person through a simple text message. In an instant, Padilla's phone received a message saying 5,000 pesos in GCash was at his disposal, and he sent it along to his mother in the village of Maranding.

This method of transmitting money via cell phone, as demonstrated in a video for the Rural Bankers Association of the Philippines-Microenterprise Access to Banking Services, has exploded throughout the Asia Pacific. (To watch the video, go to <http://www.youtube.com/watch?v=bPfoFf8HUzg>.) About 1.4 billion people will be sending money to others via cell phone by 2015, the World Bank estimates.

Known as mobile money, the technology benefits those in rural communities who don't have easy access to traditional financial institutions. Anyone with a cell phone can store, send and receive money with the push of a few buttons. Cell phones can also be used to pay bills, trade stocks and even make purchases at the grocery store.

The popularity of this mobile technology has regulators jumping as well. "Concerns have been raised about possible misuse of mobile technologies for criminal purposes," a World Bank report "Integrity in Mobile Phone Financial Services" revealed. "Mobile phones are used by billions of people around the world to communicate, including criminals and terrorists. New mobile financial services may be susceptible to use in ML [money laundering] and TF [terrorism financing] activities."

Experts cite the potential for anonymity and lack of consistent

regulations as major risk factors in mobile banking. For example, in some cases, mobile money is routed through a third-party business rather than a bank. Then it is not subject to anti-money laundering rules that would require customer verification and transaction monitoring. Telecommunications companies, corner stores and even fast-food restaurants are filling a role previously held by banks, allowing customers to quickly and easily deposit and withdraw money via cell phone.

Known as "the text-messaging capital of the world," the Philippines is an ideal market for mobile banking. Its residents are spread out over thousands of tiny islands, and millions more Filipinos living overseas regularly send money back home.

With more than 40 million cell phone users, the country is widely heralded as the leader in mobile banking regulations. The nation has worked with mobile money providers to establish regulations that prevent the technology from being used for money laundering and terrorist financing. Its regulations for telecommunications companies and third-party providers are similar to those upheld at financial institutions — standardized ID requirements, limits on transactions and reports on suspicious activity. South Korea, Malaysia and India, among others, have followed in the Philippines' footsteps to develop regulations.

"We believe that the role of the regulator is crucial in ensuring a dynamic, productive and safe interplay of all key stakeholders in creating an inclusive financial system," Amando M. Tetangco Jr. of the Bangko Sentral ng Pilipinas said in a speech at the Mobile Money Transfer Conference in Manila, Philippines, in December 2009. "Our strategy is to be flexible yet cautious; to allow the innovations to take place in a sound, safe and sustainable way."

# DIGITAL DANGERS

“**M**ove your wealth around the world anonymously without leaving a ‘paper trail,’ ” one website boasts. “No bank or payment processor is required between you and whoever you’re trading with,” another site promises. “Our system requests no login, no account opening and it is meant to be accessed via anonymous communication networks,” one site operator told *Digital Gold Currency Magazine*.

Here lies the danger of digital currencies, forms of money that exist solely online and are allegedly backed by precious metals or an informal debt structure. Sites offering this type of currency allow users to convert real money into digital currency (usually based on the market rate for gold or another metal) and then move that currency to other users anywhere in the world. The recipients can then exchange the digital currency for real money again. Oftentimes, the transactions are anonymous or require very little in the form of identification.

“Digital currencies provide an ideal money laundering instrument because they facilitate international payments without the transmittal services of traditional financial institutions,” according to a report from the U.S. Department of Justice’s National Drug Intelligence Center. For example, customers with traditional bank accounts usually must provide standard forms

of identification and are subject to transaction limits aimed at preventing criminals from moving large amounts of money quickly. Regulated financial institutions also report suspicious behavior to authorities. Such regulations, on the other hand, usually do not cover digital currency operations.

In 2007, digital currency was thrust into the public spotlight when the U.S. Justice Department accused an outfit called E-Gold of providing a monetary safe haven for scam artists, child pornographers and “criminals of every stripe,” according to a statement from U.S. Attorney Jeffrey Taylor. Company executives pleaded guilty to money laundering in 2008, and the company was forced to begin operating under regulations that apply to money-transmitting businesses.

Still, digital currency sites continue to pop up. Regulations on them vary from country to country, but sites are only subject to the rules made by the country in which they are based, no matter the international reach of their customers. “The entities involved are therefore able to choose a jurisdiction where they are not subject to regulation as their seat and provide their services from there,” warned a 2010 report from the Financial Action Task Force, an international policy-making body that aims to fight terrorism financing and money laundering.

## TWO TYPES OF DIGITAL CURRENCY SITES

**PROVIDERS** ..... These sites offer accounts with a specific type of digital currency.

**EXCHANGERS** ..... These sites exchange different types of digital currency and convert digital currency to real money and vice versa.



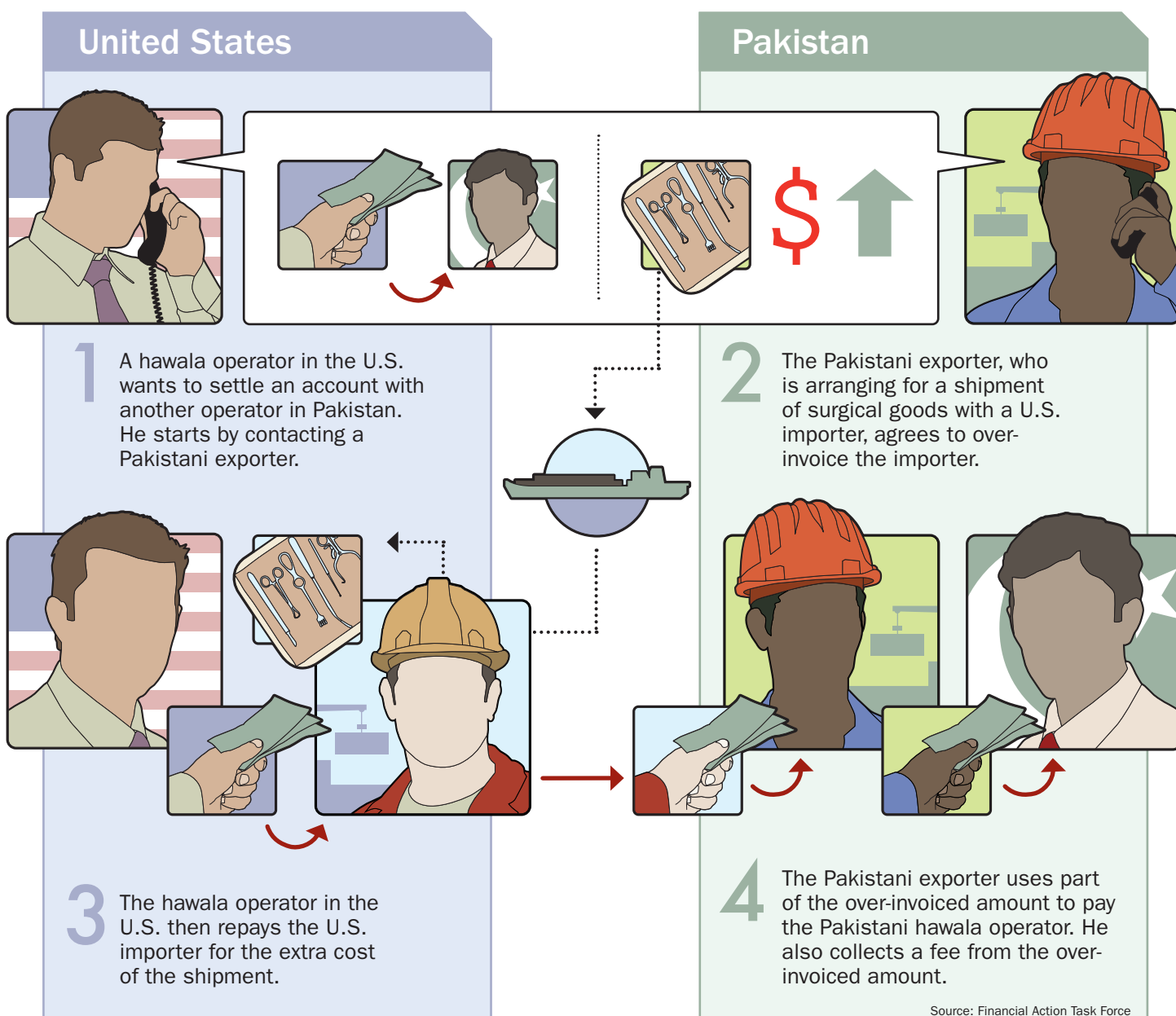
THINKSTOCK



# TRICKS OF THE TRAD<sup>A</sup>E

When it comes to moving ill-gotten gains across borders, trade-based methods can pose just as big a threat as technological tricks. A seemingly legitimate shipment of scrap metal, cheap toys or even medical equipment can put money in the hands of criminals or terrorists, officials warn. According to the Financial Action Task Force, the

basic methods of laundering money through trade involve invoicing items at more or less than fair market value, sending multiple invoices for the same shipment, sending more or fewer items than are listed on the invoice, and falsely describing items on paperwork. The following graphic illustrates how criminals or terrorists may move money from one country to another through commerce.



Source: Financial Action Task Force

# AVATARS & ANONYMITY



Online games such as World of Warcraft can be exploited by criminals looking to move money anonymously, experts warn.





AGENCE FRANCE-PRESSE

About a dozen half-dressed, young Chinese men cram into the small office space, smoking cigarettes and chatting excitedly. The main source of light is a series of flashing computer screens, and all eyes are glued to them. The screens are windows to another world, a world where the young men are rich with gold, weapons and extraordinary power. For up to 12 hours a day, seven days a week, this virtual world is their home — and their job.

Such is life on a Chinese “gold farm,” where avid video-game players are hired to rack up virtual goods and services that their employers turn around and sell for real money. Ge Jin documented the young men’s lives in *Gold Farmer*, a film that shed light on the expanding virtual economy within the world of video games. In 2010, revenue from this virtual market was estimated at more than U.S. \$7 billion worldwide, according to the website TechCrunch.com. Gamers paid real money for everything from virtual swords and firearms to avatar upgrades and gold coins. As is often the case, where money flows, criminals follow.

Virtual worlds present a perfect conduit for those seeking to launder money, experts warn. Within such realms, users can exchange real and virtual currency, move money to players in other countries and — most importantly — remain essentially anonymous. In “Internet Security Threat Report” released in September 2007, computer security giant Symantec Corp. predicted criminals would flock to massive multiplayer online games such as World of Warcraft and Lineage.

“A criminal enterprise could open several thousand MMOG [massive multiplayer online game] accounts. Each account could be used to trade with other players in the purchase or sale of in-game assets, the funds from which would ultimately be withdrawn from the accounts in question,” the report noted. “Since thousands of accounts may engage in millions of transactions, each with small profits or losses, it would be difficult to trace the true source of the funds when they are withdrawn. These transactions can be conducted worldwide without the oversight that typically accompanies international bank remittances.”

As more players enter these online worlds, cyber criminals will ramp up attempts to steal identities and hack into accounts to gain access to virtual finances, the report also predicted.

“Compared to real assets, virtual assets are much more insecure as they may easily be stolen,” Robert X. Wang explained in “Stealing Virtual Assets from a Virtual World,” a Symantec whitepaper, “They are not heavy. There are no problems with transportation and handling of stolen assets. They are not kept in a safety deposit box. In fact, most virtual assets are not very well protected. And the most important thing is that virtual assets are getting more and more valuable.”

In China and South Korea, where online gaming is extremely popular, authorities have seen these virtual ambitions translate to real-life problems.

In one case, South Korean police busted a crew of cyber criminals that had stolen 280,000 resident identification numbers and used them to set up online accounts for the popular Lineage role-playing game, according to the *JoongAng Daily* newspaper. The suspects then hired about 100 gold farmers to gather virtual goods that could be sold for real money. Police estimated the suspects made 14.2 billion won (U.S. \$13.3 million) in the venture.

In a separate virtual gaming case that stretched across borders, the Seoul Metropolitan Police Agency broke up a criminal ring that was using “cheap labor and virus programs” to amass virtual fortunes in China, then exchanging the in-game money for real money in Korea, according to *The Dong-A Ilbo* newspaper. Authorities said the criminals moved the real money out of Korea to Hong Kong by laundering it through third-party bank accounts. In all, the suspects moved U.S. \$38 million between the countries, police estimated.

In 2009, China took unprecedented aggressive action in banning the use of virtual world currency to pay for real-life goods and services. China’s Ministry of Commerce estimated that the virtual currency market had surpassed several billion yuan the year before, and it cited online economist Cui Ran as saying the new ban could “nip illegal online activities in the bud.”

# PROBLEMS WITH PREPAID CARDS

**I**magine a criminal trying to move a big bulk of cash across a heavily guarded border. To smuggle U.S. \$1 million in cash, he'd be carrying 10 kilograms of U.S. \$100 bills. To haul the same amount in Indian rupees, he'd have to find a way to conceal 44 kilograms of 1,000-rupee notes. To sneak in that amount in Japanese yen, he'd have a burden of more than 8 kilograms in 10,000-yen notes. If he distributed that same amount among 100 stored-value cards, however, the plastic cards with magnetic strips on the back, his load would be only about half a kilogram.

"Recent money laundering investigations have revealed a trend on the part of criminals to use stored value devices, such as prepaid gift cards and reloadable debit cards, in order to move criminal proceeds," FBI Director Robert S. Mueller III warned in testimony to U.S. lawmakers in 2010. "This has created a 'shadow' banking system, allowing criminals to exploit existing vulnerabilities in the reporting requirements that are imposed on financial institutions and international travelers."

Stored-value cards have been embraced by the general public as a way to conveniently pay for goods and services or to withdraw cash. Some employers and governments even use the cards to pay workers, reloading them each payday. However, the lack of regulation on these cards concerns authorities. Some cards can be loaded anonymously, with few limits on how much money they can hold. The cards are easily carried across borders and handed off from one person to another, and some providers offer "twin" cards that can be loaded by a person in one country and cashed out by a partner in another country.

To stanch the flow of money through these cards, the Financial Action Task Force has outlined measures countries could take to safeguard the industry. It suggests that countries require card issuers to verify customers' identities, monitor transactions for suspicious behavior, limit the amount that can be stored on a card and allow cards to be loaded only through sources that have anti-money laundering procedures in place, such as bank accounts.

In the Asia-Pacific region, some countries have taken action. In 2010, the Reserve Bank of India implemented safeguards by outlining ID requirements, limiting the amount that can be stored on the cards and regulating who can issue them. Australia has also implemented regulations and seen the benefit: The Financial Action Task Force's report on new money laundering methods in 2010 cited an Australian case in which authorities identified a student who was consistently moving money onto prepaid cards in his name and the name of a partner. The amounts placed on the cards were just below Australia's limits, but the frequency of the transactions triggered reports to authorities. As a result, officials uncovered a drug-smuggling operation linked to the student's use of the cards.

Despite the risks of exploitation, stored-value cards show no sign of waning in popularity. One estimate put the global market for the cards at U.S. \$840 billion by 2017, according to the *Asia Pulse* newswire. And, as anti-money laundering specialist Mario Possamai told *CA Magazine* in the January/February 2011 edition, "The more people legitimately use SVCs [stored-value cards], the easier it is for money launderers to hide their illicit activities among them."

## TWO TYPES OF CARDS

**CLOSED LOOP** ..... These cards can be used only at certain places, such as a chain of clothing stores or a grocery store.

**OPEN LOOP** ..... These cards can be used almost anywhere, and cardholders can use them to withdraw cash.





# THINK TWICE BEFORE YOU REPLY

## TIPS TO AVOID BECOMING A VICTIM OF “PHISHING” SCAMS

Perhaps her heart was in the right place, but a woman in Malaysia may be wishing she wasn't so sympathetic after losing more than U.S. \$366,000 to a scam on Facebook. Multiple websites told the story in May 2011 of a woman from Shah Alam, Malaysia, who fell for a sob story and opened her wallet to a con artist. Authorities say the con artist claimed to be a United Kingdom businessman needing the woman's bank account to cash a huge contract from Petronas, Malaysia's national oil company, according to the website Facecrooks.com.

All the woman had to do, of course, was share her banking information.

Such unsolicited e-mails and messages are known as “phishing” scams because the sender is “fishing” for personal information. The messages may contain information about threats to bank accounts, promises of money for help and deals that sound too good to be true. Such enticements should raise red flags. Other clues include bad grammar or misspellings.

Here are a few tips provided by lifehacker.com to avoiding online scams.

**NEVER CLICK ON A LINK TO YOUR BANK OR FINANCIAL INSTITUTION FROM AN E-MAIL.**

Legitimate banks or payment systems such as PayPal will never ask you to click a link to verify information, reset a password or log in to view anything.

**NEVER GIVE OUT YOUR E-MAIL AND PASSWORD.** Websites that ask you to invite friends to join a group by entering your e-mail and password will access your address book to send spam.

**USE STRONG PASSWORDS AND SECURITY QUESTIONS.** Even if your password is strong — combining letters, numbers and symbols — your security question answer may be weak. Protect both.

**DO NOT BUY ANYTHING FROM AN E-MAIL YOU DIDN'T ASK FOR.**

Scammers can imitate legitimate sites such as Amazon.com. Before clicking on an imbedded link offering a deal, go directly to the alleged sender's site and search for the deal.

**USE AN UPDATED WEB BROWSER.** The latest version of browsers for Internet Explorer and Firefox contain lists of phishing and malware sites to warn you any time your computer tries to access a bad site.

**IGNORE WEBSITE POP-UPS SAYING YOU HAVE A VIRUS.** They're called “scareware,” and clicking on them only jeopardizes your computer. Research and download an antivirus program you trust.

As financial markets evolve from traditional bank branches and stock exchanges to mobile money kiosks and digital currency traders, opportunities for exploitation abound. To safeguard these emerging financial systems, experts say countries must develop regulations and learn from partner nations' success stories.

“Organized crime groups commit crimes using the whole world as a stage; the most international of them all being the ultimate organized crime: money laundering,” Saskia Rietbroek wrote in a 2009 report for AML Services International. “And they do that because they know that for law enforcement it is difficult to work international cases, where the crime crosses borders.”

To that end, the Financial Action Task Force emphasizes the need for countries to work together. “Large-scale money laundering schemes invariably contain cross-border elements,” its website says. “Since money laundering is an international problem, international co-operation is a critical necessity in the fight against it.” □





FORUM ILLUSTRATION



# MONEY LAUNDERING BREAKING THE CYCLE

THE ASIA/PACIFIC GROUP ON *MONEY LAUNDERING* TAKES A  
REGIONAL APPROACH TO COUNTERING THREAT FINANCE

FORUM STAFF

**C**ombating terrorist financing and money laundering in the Asia-Pacific region is a huge undertaking. It requires coordination, cooperation and dedication. The Asia/Pacific Group on Money Laundering, or APG, has taken on the challenge, with members from 40 jurisdictions committed to implementing international standards related to anti-money laundering and countering the financing of terrorism. *Asia Pacific Defense FORUM* recently spoke with Dr. Gordon Hook, executive secretary of the APG, about the threats to the region and the organization's strategy for countering them.

**FORUM:** The Asia Pacific is such a diverse region — geographically, culturally, politically — what are the major challenges the APG faces in coordinating the implementation of international standards for combating the financing of terrorism? Are there challenges that are unique to the region?

**HOOK:** The Asia-Pacific region is the largest in the world. In terms of country size and economies, the APG membership is also the most diverse. It includes the largest countries in the world population wise (China and India), the highest gross domestic product countries in the world (United States, China and Japan), and some of the smallest in terms of population and GDP (for instance, Niue, Nauru and other Pacific states).

There are also varying commitments to anti-money laundering and combating the financing of terrorism, or AML/CFT, implementation; many low-capacity countries in the region with high demands and needs for technical assistance and training; and significant threats of terrorism and terrorist financing in many APG member jurisdictions.

Some specific money laundering issues in the region are linked to drugs and drug trafficking; human trafficking/smuggling; a high level of corruption across the region; high use of alternative remittance

systems; proliferation of casinos, including Internet casinos; extensive use of cash in many jurisdictions; and porous borders between some states, which facilitate cross-border predicate crimes and money laundering.

**FORUM:** How important are partnerships and regional cooperation in fighting money laundering and terrorist financing? What are some of the region's leading success stories in recent years as far as working together?

**HOOK:** Regional and international cooperation are critical to combating money laundering and terrorist financing. Increasingly, these crimes are transnational in nature and involve sophisticated criminal networks.



ASIA/PACIFIC GROUP ON MONEY LAUNDERING

**Asia/Pacific Group Executive Secretary Gordon Hook makes a presentation at the International Conference on Financial Crime and Terrorism Financing in 2009 in Kuala Lumpur, Malaysia.**

In terms of success, [a top achievement] has to be the inclusion of so many countries in the region within our network within the last few years. When the APG was started in 1997, it had 13 founding members. It is now the largest FATF [Financial Action Task Force]-style body in the world with 40 members, and more expressing an interest in participating. The rapid growth in membership is a testament to a couple of key facts: the recognition within our region of the interconnectedness of financial systems and the need to protect that regional (as well as international) system from criminal and terrorist exploitation and, secondly, the technical skill of many of our member jurisdictions.

A particular success story for us was the recent addition of India and South Korea as members of the FATF. With the inclusion of

these countries in the FATF club, the Asia-Pacific region now has a greater and more effective voice in the international AML/CFT policymaking process.

**FORUM:** Political will is often cited as a necessary factor to successfully fight crime and terrorism. How would you describe the political will in the Asia-Pacific region when it comes to combating terrorist financing and money laundering? What Asia-Pacific countries have been the most proactive in the fight?

**HOOK:** Political will is critical to the effective implementation of AML/CFT measures. There are varying levels of such commitment in the region. While membership in the APG necessarily involves a national commitment to implement the AML/CFT standards, the practice of doing so varies from member to member. There are different reasons for this. In some cases, commitment at the executive level of government could be improved. In others, the executive level of government is strongly committed to the enactment of laws and measures, but the national assembly/parliament may stall the timely passage of necessary legislation for different reasons — some political, some capacity related and others for no discernable reason.

The most proactive countries in the region are those that have committed not only to implementing the international standards domestically but have offered assistance to other APG countries to do so in an effective and timely manner. These countries recognize that the transnational dimension of money laundering and terrorist financing crimes impact not only their own domestic financial system but the international system of which [each country] is a part.

**FORUM:** How important is the development of terrorist financing legislation, and why do you think threat finance cases have historically been so difficult to prosecute in many of the countries in the Asia Pacific? What are some of the leading initiatives and training programs to put new and better laws on the books and enforce them?

**HOOK:** Like money laundering, terrorist financing poses a threat not only to domestic financial systems but to the international



# ABOUT THE APG

**T**he APG aims to implement anti-money laundering and terrorist financing standards found in the Financial Action Task Force Recommendations, U.N. conventions and U.N. Security Council resolutions. The group works closely with other multilateral organizations to achieve consensus. APG partners include 24 observer organizations, such as the FATF and all of the regional bodies associated with it, the International Monetary Fund, World Bank, United Nations, Asian Development Bank, Egmont Group of Financial Intelligence

Units, Interpol, Asia-Pacific Economic Cooperation and the Association of Southeast Asian Nations.

Each year, up to 350 delegates from the APG's 40 member jurisdictions, six observer jurisdictions and 24 observer organizations meet to discuss a range of business and strategic issues affecting the region and individual members. The most recent meeting was in July 2011 in India.

To find out more about the organization, go to [www.apgml.org](http://www.apgml.org).

## THE APG MEMBER COUNTRIES AND OBSERVERS



### MEMBERS:

1. Afghanistan 2. Australia 3. Bangladesh 4. Brunei 5. Cambodia 6. Canada 7. China  
8. Cook Islands 9. Fiji Islands 10. Hong Kong 11. India 12. Indonesia 13. South Korea  
14. Japan 15. Laos 16. Macau 17. Malaysia 18. Maldives 19. Marshall Islands  
20. Mongolia 21. Burma 22. Nauru 23. Nepal 24. New Zealand 25. Niue 26. Pakistan  
27. Palau 28. Papua New Guinea 29. The Philippines 30. Samoa 31. Singapore  
32. Solomon Islands 33. Sri Lanka 34. Taiwan 35. Thailand 36. Timor-Leste 37. Tonga  
38. United States 39. Vanuatu 40. Vietnam

### OBSERVER NATIONS:

41. Bhutan  
42. France  
43. Germany  
44. Micronesia  
45. Russian Federation  
46. United Kingdom



AGENCE FRANCE PRESSE

“The methods employed to detect the flow of funds for terrorism are required to be sophisticated and targeted.”

- Dr. Gordon Hook

financial system. The enactment of TF [terrorist financing] legislation is a regional APG obligation and arises directly from a number of U.N. Security Council Resolutions and the U.N. International Convention for the Suppression of the Financing of Terrorism.

Funding terrorism (including terrorists, terrorist organizations and terrorist activities) in many cases involves small sums of money or property. The methods employed to detect the flow of funds for terrorism are required to be sophisticated and targeted. FATF recommendations and best practice guidelines for this purpose are well organized and structured to assist banks, other financial institutions and nonfinancial institutions to detect this activity. But like any criminal activity, typologies and trends in terrorist financing are evolving at a rapid rate in response to legislative and other means to prevent it. Banks and other financial institutions need to be proactive in developing their own systems to comply with the broad policy objectives of the international standards.

One of the main concerns of international organizations in relation to terrorist financing is the exploitation of nonprofit organizations [or NPOs], and in particular charities, for terrorist financing. The APG and the U.N.'s Counter-Terrorism Executive Directorate are currently involved in an initiative to identify the vulnerabilities faced by NPOs for terrorist financing. A regional meeting of the APG was held in Bangkok in March 2011, and a further meeting will be held later in the year in our region. It is expected that lessons learned and issues identified during this process will be fed into a policy process to strengthen the international standards on NPOs to ensure that vulnerabilities to terrorist financing in the NPO sector are addressed. Given the global scale of the NPO sector (in excess of U.S. \$1 trillion dollars), there is some urgency to this initiative.

**FORUM:** Financial Intelligence Units, or FIUs, have been heralded for playing a large role in combating money laundering and terrorist financing. How does the APG work with these units, and





2

**1.** The Yanggakdu Hotel complex on North Korea's Yanggakdu Island contains a casino in the basement that only accepts foreign gamblers; no North Korean citizens are allowed. It is one of two such facilities in the North that bring in foreign currency. The proliferation of casinos poses a money laundering threat to the region as a whole, according to the Asia/Pacific Group.

**2.** Gamblers visit a casino in Macau, China, in May 2011. In Macau's most recent mutual evaluation, the Asia/Pacific Group noted that the country had taken significant steps to regulate casinos. However, the organization noted that the casino sector was still at risk for money laundering.

**3.** Banks and other financial institutions need to be proactive in developing ways to meet international guidelines to prevent money laundering and terrorist financing, Hook says.



3

what type of coordination is needed for these units to be effective on a regional scale?

**HOOK:** There is no question that the fight against ML [money laundering] and TF is made more effective by the establishment of FIUs. FIU-related technical assistance is a major part of the coordination role we take in implementation issues. Recently, we undertook a number of visits to APG members where the focus was on scoping technical needs for FIUs — ranging from the need for information management systems, to analytical and investigation training, to legislative drafting for directives to be issued by FIUs. We also work closely with the Egmont Group (see page 34 sidebar) of FIUs on common issues.

**FORUM:** The APG has studied the link between corruption — both within governments and corporations — and money laundering. What type of trickle-down effects does corruption have on a population, and what can governments and corporations do to fight corruption within their ranks?

**HOOK:** We led a project a few years ago jointly with the FATF on the links between money laundering and corruption. The report of the work is available on our website [[http://www.apgml.org/issues/docs/17/APG-FATF\\_Report\\_on\\_Anti-Corruption\\_AML.pdf](http://www.apgml.org/issues/docs/17/APG-FATF_Report_on_Anti-Corruption_AML.pdf)].

Corruption is an issue for us in the APG. The Transparency International Corruption Perceptions

# THE EGMONT GROUP

To aid in the fight against money laundering and terrorist financing, many governments have created Financial Intelligence Units that focus on the financial aspect of crimes. In 1995, a group of these units met at the Egmont Arenberg Palace in Brussels to discuss ways to better cooperate across borders. These FIUs, now known as the Egmont Group, continue to meet regularly to discuss exchanging information, training and expertise.

**In the Asia-Pacific region, Egmont Group FIUs include:**

- Australia
- Fiji
- Hong Kong
- India
- Indonesia
- Japan
- South Korea
- Macau
- Malaysia
- Marshall Islands
- Mongolia
- New Zealand
- Philippines
- Singapore
- Sri Lanka
- Taiwan
- Thailand
- Vanuatu

Index for 2010 reveals that many APG members are in the bottom half of the index and many have ranking scores of 3.0 or less. That ranking means there are serious systemic corruption issues in a given country. The World Bank estimates that corruption in the region runs into the billions of dollars every year, and it has expressed a concern about the effects of corruption on the perpetuation of poverty. Every dollar stolen by corrupt officials from national treasuries is a dollar denied to the population for food, health care and infrastructure development. Corruption at the senior level of government also has corrosive effects on implementation of AML/CFT systems. Many APG members in the bottom half of the Transparency International index are doing excellent work to remedy their standing, and we are working hard with them to coordinate and deliver the assistance needed to improve their AML/CFT systems.

**FORUM:** Currently, what are the most popular ways for criminals and terrorists to move money in the region? Looking forward, what do you see as the biggest ML and TF threats to the region?

**HOOK:** It depends on what country a criminal is located in. Organized criminal groups or enterprises are sophisticated and constantly scope weaknesses in national systems to move criminal proceeds. There have been a series of cases recently where the formal banking system has been used to move criminal proceeds through a variety of countries in the region — large amounts of proceeds. Where there are weaknesses, they get exploited.

But there are some general regional concerns that can be highlighted. One of the methods of concern is hawala or hundi. Large amounts of money can be moved from one country to the next using this platform. With instantaneous transfer of funds across borders, hawala gets used in money laundering and in terrorist financing. With TF, some hawala transfers have been linked to the 9/11 attacks.

The general lack of regulation and supervision of these operators in many countries in the region means that law enforcement authorities have a challenging job tracking down and seizing the proceeds of crime moved by these means.

Another area of concern is bulk cash smuggling. Again, there have been recent cases where large amounts of cash have been smuggled across borders, both accompanied and unaccompanied. FATF Special Recommendation IX, related to cross-border movement of cash, contains a series of recommended measures to address this method of cash movement. It is not always about having laws in place, however. The effective implementation of the laws is the key, and this comes down to effective training and the resources needed to enforce those laws. The application of those laws at customs points is essential, and where there are transshipment points in free trade zones, the challenges are even greater.

Also, one more example is NPOs. Charities have been used to move funds for terrorist purposes. Like the method noted above, there is also an FATF Special Recommendation on NPOs — SR VIII. Of the 31 published reports to date in the APG's second round of evaluations, one APG member has been rated "compliant" [with this recommendation], and only five have received a satisfactory rating of "largely compliant." The remaining 25 members are either noncompliant or partially compliant. There are serious issues in the region with SR VIII compliance, and a concerted response by many of our members is needed to address this point.

**FORUM:** What would you characterize as APG's greatest success so far?

**HOOK:** I would have to say that it is the increase across the region in prosecutions and convictions for ML and TF and the subsequent seizure and confiscation of criminal proceeds over the last six years. This is what it is all about for the APG. The goal of





AGENCE FRANCE PRESSE

our organization is to reduce serious crime in the form of money laundering and terrorist financing in the region by the effective implementation of the standards. A few years back, many members of the APG did not even have money laundering or terrorist financing offenses within their criminal laws or any of the mechanisms required by the FATF standards to give effect to the effective implementation of those offenses. Now the region is in a much different legal environment.

A comparison in statistics from the first round of APG mutual evaluations [of countries] to the second round as reflected in our published reports discloses concerted efforts by many countries to fight these crimes and, in particular, to deny criminals the fruits of their illicit activity. Improvement is still needed in many systems, but the increase is there, and the commitment to more effectively pursue criminals has increased in the APG's second round. Going into the third round of evaluations commencing in the latter half of 2012, we expect to see even better results.

**FORUM:** What are the most important things you have learned since assuming your leadership role with the APG? What would you like to achieve in the next couple of years

in terms of curbing terrorist financing?

**HOOK:** Since being in the position of APG executive secretary, I have learned a significant amount about the region and the factors impacting national action in relation to compliance with AML/CFT measures — and with regional and international cooperation. The importance of the difference in legal and financial systems — and how those systems tailor compliance with the international law — needs to be appreciated.

In terms of going forward on countering the financing of terrorism over the next few years, there needs to be greater awareness among many of our members of the weaknesses within their national systems to terrorist financing. As a starting point, some countries in the region need to recognize that although there may be no organized terrorist groups within their own borders, there are still TF risks there, and those risks need to be addressed by the effective use of their national laws. It is not just about enacting laws and then holding them up as meeting APG requirements. Members need to effectively use them. In the next round of mutual evaluations after 2012, the APG will be looking more closely at this and evaluating countries for the effectiveness of implementation. □

**Keeping money out of terrorists' hands requires countries to actively enforce the relevant laws, Hook says.**





# PAKISTAN TODAY

US refuses to rule out Pakistani backing for Osama

PAGE 03

Ten years later... not in a cave, though

PAGE 12

What now for bin Laden's al Qaeda?

PAGE 21

# DEAD



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US refuses to rule out Pakistani backing for Osama

Ten years later... not in a cave, though

What now for bin Laden's al Qaeda?

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# CASH-HUNGRY AL-QAIDA LOSES ITS APPEAL

THE FINANCIALLY STRUGGLING TERROR NETWORK MAY SEE ITS GLOBAL ALLURE TO EXTREMISTS FURTHER FADE AFTER OSAMA BIN LADEN'S DEATH

FORUM STAFF

**E**vidence of al-Qaida's waning financial health had been mounting for years, experts contended. Now observers wonder whether the death of Osama bin Laden will further diminish al-Qaida's coffers — and the organization's relevance.

A June 2009 video message by a top commander poignantly revealed the group's cash-strapped condition. "In Afghanistan, we have a severe supply deficit," said Mustafa Abu al-Yazid, who directed al-Qaida's Afghanistan and Pakistan operations until his death in 2010.

Yazid complained that many who signed up to fight found themselves forced to sit on the sidelines because they lacked money to buy weapons, food and other supplies. "Fear Allah and be ambitious in waging jihad through donating goods," he urged would-be supporters.

Further evidence of financial troubles emerged in news reports that budding jihadists from Europe arrived at Pakistani training camps only to be charged a fee before they could serve.

Many analysts attribute al-Qaida's apparent money woes to increased scrutiny from the international community since the September 11, 2001, terrorist attacks on the United States. Coordinated efforts to cut the terror organization's funding

streams seem to be working, and its influence is waning, U.S. Treasury Department officials and other experts assert.

"You can't run a terror network without funding because it takes money to train operatives, transport them and buy equipment," former New Jersey Gov. Thomas Kean told *Fortune* magazine in May 2011.

Kean chaired the U.S. 9/11 Commission, which authored an extensive report, published in 2004, on the attacks. "When you cut off those supplies, it becomes very difficult to operate."

Meanwhile, the group's leaders have been increasingly targeted, thrusting younger, less experienced recruits into positions of authority. Al-Qaida lost 10 of its senior officials in 2008 alone, according to a November 2009 analysis published by Jane's Strategic Advisory Services. The report, "Staying Solvent: Assessing al-Qaida's Financial Portfolio," was authored by counterterrorism experts Michael Jacobson and Matthew Levitt, for the Washington Institute for Near East Policy.

"With al-Qaida leaders on the defensive, both in terms of their physical security and their message, and the group's overall popularity on the decline, it is hardly surprising that the organization's financial state has been hurt as well," Jacobson and

A Pakistani man reads a newspaper announcing the death of Osama bin Laden.

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# FINANCIAL ACTION TASK FORCE RECOMMENDATIONS

Shortly after the September 11 attacks on the United States, international groups began commissioning experts to develop ways to crack down on terrorist financing. Among such groups was the Financial Action Task Force on Money Laundering, or FATF, which issued what it calls “Nine Special Recommendations” for countries to fight terrorist financing:

- Take immediate steps to ratify and implement the relevant U.N. instruments.
- Criminalize the financing of terrorism, terrorist acts and terrorist organizations.
- Freeze and confiscate terrorist assets.
- Report suspicious transactions linked to terrorism.
- Provide the widest possible range of assistance to other countries’ law enforcement and regulatory authorities for terrorist financing investigations.
- Impose anti-money laundering requirements on alternative remittance systems.
- Strengthen customer identification measures in international and domestic transfers.
- Ensure that entities, in particular nonprofit organizations, cannot be misused to finance terrorism.
- Have systems in place to detect and prevent illicit cross-border transportations of cash and bearer negotiable instruments.

These nine recommendations are an addendum to 40 others on the broader issue of combating money laundering and creating a stronger, more transparent financial system.



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Levitt wrote. “Although no concrete and reliable figures are available about al-Qaida’s current budget, it certainly has fallen a long way” since the September 11 attacks.

International pressure on al-Qaida and its leaders has also decentralized the organization’s operation, according to Jacobson and Levitt. No longer able to work from one location, affiliate groups have sprouted across the globe — often plotting and financing their own attacks, then executing them in the name of al-Qaida.

The May 2011 announcement that U.S. Navy SEALs had ambushed the inhabitants of a compound in Pakistan and killed bin Laden could mean the days of al-Qaida’s broad international appeal have ended.

Ayman al-Zawahiri replaced bin Laden as al-Qaida’s leader, and U.S. President Barack Obama dubbed him the world’s No. 1 terrorist. However, news reports widely suggest that the Egyptian-born surgeon lacks the charisma and popularity possessed by bin Laden to spark a resurgence in al-Qaida’s global appeal to extremists.

“Financially, al-Qaida may be heading for bankruptcy, too,” according to a May 2011 *Time* magazine article titled, “Al-Qaida’s Big Post-bin Laden Cash Crunch.”

“The terrorist network has been hit by a double whammy: the death of its charismatic leader and the Arab Spring, the popular and democratic uprising against cutthroat despots,” the *Time* article said. “No longer can al-Qaida and its offspring sell itself to Muslims as the sole alternative to tyrannical regimes.”

### CHARITABLE MISGIVINGS

Though bin Laden came from a wealthy family, the U.S. 9/11 Commission and other experts have previously deemed that he did not sustain the terrorist network through his personal fortune.

“Bin Laden did not have large sums of inherited money or extensive business resources,” the commission wrote. “Rather, it appears that al-Qaida lived essentially hand to mouth.”

Traditionally, al-Qaida remained financially strong by taking advantage of the deep Islamic belief in charitable giving, or zakat, notes a February 2010 report by the Council on Foreign Relations titled, “Al-Qaida’s Financial Pressures.” The U.S. 9/11 Commission determined that radical clerics and corrupt administrators skimmed cash from legitimate donations to support al-Qaida.

Investigations following al-Qaida attacks reveal it often doesn’t take much to execute a major operation. Reports put the cost of the 2002 bombings in Bali at U.S. \$50,000. The U.S. 9/11 Commission estimates that it cost less than U.S. \$500,000 to topple the Twin Towers in New York City and wreak havoc on the Pentagon in Washington, D.C. The commission reported that al-Qaida had an annual operating budget of U.S. \$30 million before the attacks.

### THE BEGINNING OF THE END?

Not everyone is quick to claim victory in light of a seemingly less financially solvent al-Qaida, which now finds itself without its figurehead.

“Al-Qaida has recovered from periods of financial distress in the past,” Jacobson and Levitt write in their *Jane’s* analysis, describing the terrorist organization as “a resilient adversary, made more so by its success in building regional franchises and inspiring like-minded followers with no more than virtual connections to al-Qaida itself.”

For this reason, governments and law enforcement must remain vigilant. “A lot of what al-Qaida is doing now doesn’t require a lot of money, like recruiting people over the Internet,” Kean told *Fortune*. He also observed that the amounts required to finance terrorism seem to have declined since September 11.

However, if contributions continue to dwindle, al-Qaida will continue to weaken. “Should this trend continue,” Jacobson and Levitt predict, “it could lead to still further degeneration of the al-Qaida core and the devolution of al-Qaida’s internationalized insurgency into a more localized, and likely less lethal, terrorist threat.” □



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**1. Mustafa Abu al-Yazid, al-Qaida’s Afghanistan and Pakistan operations chief before his death, urged would-be supporters to donate money and supplies to jihadists during a video message in June 2009.**

**2. A Pakistani motorcyclist rides past a wall sprayed with graffiti near Osama bin Laden’s hideout house in Abbottabad.**

**3. Pakistani media and personnel gather outside the compound in Abbottabad where U.S. Navy SEALs killed bin Laden.**

# AFTER BIN LADEN



An 8-year-old boy plays with a tennis ball in front of the compound where U.S. Navy SEALs killed Osama bin Laden in Abbottabad, Pakistan.



# Transnational terrorism: decentralization, diffusion and the impact of the “Arab Spring”

**BILL PATERSON**

Bill Paterson is the Australian ambassador for counterterrorism. He was awarded the country's Public Service Medal in 2004.

Ten years ago, after the terrorist attacks on the United States on September 11, 2001, governments, pundits and the public widely assumed that this cataclysmic event represented a major global, strategic shift and security challenge. The “U.S. 9/11 Commission Report” spoke of a “new era” and proclaimed that “countering terrorism has become, beyond any doubt, the top national security priority for the United States.”

A decade later, and after the death of Osama bin Laden, it's appropriate to examine this proposition, how we've responded, how our response has changed the nature of the problem and how best to address it in the future.

## PARADIGM SHIFT

Transnational terrorism needs to be kept in perspective. Although it can have a disproportionate impact and present unique challenges for the security policymaker, it does not represent an existential or a territorial threat to most countries. It is best considered as one of a number of evolving but enduring security challenges or contingencies with which we must deal and for which we must plan.

In many regards, terrorism is nothing new. The tactic, which supports a political objective through violent means, has been used throughout history by a spectrum of politically motivated but weak groups to deliver an asymmetric impact maximizing fear, uncertainty and disruption. In recent times, terrorism has been used by the Irish Republican Army, the Revolutionary Armed Forces of Colombia, Peru's Sendero Luminoso, Sikh and Hindu extremists, Sri Lanka's Liberation Tigers of Tamil Eelam, Greek anarchists, separatists of many kinds and other cause-oriented groups.

Terrorism, however, may be taking new and challenging paths. Today it is empowered by cheap, accessible technology and mobility arising from globalization.

The uprisings in the Arab world layer upon this judgment an additional dimension: They create new uncertainties about the shape of governments in the Middle East, the

possible participation of Islamists in successor governments, their level of commitment to counterterrorism and the space available to extremist groups. It is these systemic changes, if they come about, that may be truly strategic in their geopolitical implications.

## JIHADIST TERRORISM

Contemporary transnational terrorism has particular complexity and reach, compared with earlier forms of purely politically inspired terrorism. This is largely because a violent political ideology with global claims has been built from an absolutist interpretation of a religious faith. For this reason, opposition to the violent ideology can sometimes quite effectively be painted by its followers as being anti-Islamic.

Jihadist terrorism is not a purely Arab phenomenon, of course. Key ideologues and movements come from the Arab world, and extremists elsewhere in the Muslim world look to the Arab world as a source of religious legitimacy and historical association.

At the same time, we must recognize that this particular form of terrorism is confined to a small extremist fringe within Islam and has singularly failed to become a mass movement. Its violence has disproportionately affected Muslims, who have borne the majority of casualties.

In the case of al-Qaida's narrative, its simplistic ideology may turn out to be a more enduring product than the organization itself.

## DIFFUSED, DISPERSED AND ADAPTABLE

For all of the counterterrorism successes of the past decade, the decentralization and diffusion of al-Qaida-linked or -inspired extremists, together with their greater security awareness and ability to use readily available technologies, means that we face a more difficult counterterrorism landscape — harder to detect and harder to pre-empt.

The terrorist threat is changing in its shape and geographic spread, security consciousness,

# The Challenge for Australia

BILL PATERSON

Al-Qaida-led, -associated or -inspired transnational terrorism will remain an enduring and evolving security threat internationally, and Australia will remain a target.

- 110 Australian citizens have lost their lives in nine major international terrorist attacks since September 11, 2001. Many more have suffered injury and loss.
- In addition, the Australian Embassy in Jakarta, Indonesia, was badly damaged by a terrorist attack in 2004.
- Australia is regularly listed as a legitimate target in Anwar al-Aulaqi's *Inspire* magazine and by al-Qaida's principal ideologue, Ayman al-Zawahiri.
- Australia has served as part of Western-led coalitions in Afghanistan and Iraq.
- A small number of Australians have been associated with extremist organizations overseas, and others have been convicted for plotting attacks within Australia.

# Southeast Asia and Indonesia

BILL PATERSON

Southeast Asia has perhaps demonstrated the greatest success in responding to the jihadist terrorist threat over the past decade.

Indonesia in particular has faced down a persistent violent extremist challenge from Jemaah Islamiyah, or JI, and related organizations and splinter groups that have mounted a series of high-profile mass-casualty and more limited attacks within Indonesia.

Since the first Bali bombing in October 2002, which claimed 202 lives (including 88 Australians), the Indonesian National Police have pursued with determination JI, its associated groups and key individuals, dismembering what was a highly structured organization that had a core cadre of Afghan-trained veterans with international links to al-Qaida and others. JI has been fractured and greatly diminished, but the exposure of a terrorist training camp in Aceh a year ago and continued planning by small numbers of extremists point to an enduring extremist challenge.

In March and April 2011, Indonesia saw several attacks and attempted attacks: book bombs sent to liberal Muslim figures and senior police, a suicide bombing in a mosque intended to kill police, and a defused bomb intended to detonate in a church on Good Friday.

Since 2002, Indonesia has arrested more than 600 people on terrorism-related offenses and secured nearly 500 convictions. This public process has built understanding within Indonesia of the nature

and scale of the threat it faced. Indonesia has with its partners built a sophisticated counterterrorism capability and demonstrated a long-term commitment to dealing with the drivers of radicalization.

But as recent events have shown, there are still weaknesses in Indonesia's social framework that can permit extremism to fester. These include tolerance of extremist publishing; continued student indoctrination in a small number of extremist boarding schools, or *pesantren*; shortcomings in prison management; inadequate sentencing and early release of prisoners; and flawed deradicalization or rehabilitation programs for terrorist prisoners.

Malaysia and Singapore, too, have demonstrated both impressive capability and commitment in dealing with extremist cells and individuals in both countries. The Philippines and Thailand, which both face separatist insurgencies in their Muslim-majority southern provinces, are working well with regional and international partners to build counterterrorism capability and individually to address the grievances that have given rise to discontent. These are mostly local in nature and require locally developed processes of resolution. Cross-regional cooperation, through the Association of Southeast Asian Nations and other mechanisms, is developing steadily and contributing to what has overall been a committed response to a shared regional security threat.



modes of operation, adaptation, innovation and participation. Part of this shifting landscape includes the development of a new generation of “self-radicalized” extremists, dispersed, unaffiliated and largely invisible to intelligence or law enforcement agencies, often energized and empowered over the Internet.

Attacks mounted by this generation may increasingly be small-scale, opportunistic, with little preparation, training or lead times.

So the spectrum of possible modes and scale of attack has widened, from extensively planned mass-casualty attacks to “microterrorism,” simple local actions on the part of individuals.

The threat can often be linked to failing or deeply troubled states, poverty and social dislocation, separatist insurgencies, local agendas, and sometimes state actors. The new paradigm for the West, however, is that terrorism can also arise internally in developed and democratic societies.

The paradigm will be with us for a generation or perhaps longer. There may be no point at which victory can be declared.

## AL-QAIDA'S FUTURE

Ten years after the September 11 attacks, al-Qaida still exists, but less as a single structured organization and more as a looser and broader movement. The dramatic decapitation of its iconic head has symbolic impact — it's al-Qaida's biggest blow. But it may have less practical significance over time.

In the near term, it could propel al-Qaida to attempt high-profile symbolic acts as retaliation to counter perceptions of an impotent or badly weakened al-Qaida.

Al-Qaida is preoccupied with survival, and its ability to readily communicate within and beyond the organization means its operational relevance has been diminished. Successors simply do not have the cachet or enjoy the loyalty accorded bin Laden. Hence, his demise could lead to fracturing or disputation in the remaining core leadership and a loss of legitimacy, negatively affecting loyalty, fundraising and recruitment.

But for now al-Qaida retains iconic status in the jihadist milieu and still gives broad strategic direction and ideological support to its follower network.



REUTERS

An Afghan shopkeeper watches the news on several channels at a TV store in Kabul in May 2011.

# Al-Qaida's Offspring

BILL PATERSON

Al-Qaida has three formal affiliates that now carry much of the banner for the organization, spreading the challenge for security professionals:

- Al-Qaida in the Arabian Peninsula, or AQAP, a union of Yemeni and Saudi extremists, is able to operate fairly freely in some tribal areas of Yemen and targets both the Yemeni and Saudi governments and the West.
- Al-Qaida in Iraq, or AQI, can still deliver carnage on a grand scale, largely in support of Sunni sectarian interests in Shiite-majority Iraq. AQI has been greatly reduced by U.S. tactics and Iraqi exhaustion with its excessive violence.
- Al-Qaida in the Islamic Maghreb, or AQIM, operates loosely across remote areas of southern Algeria, the Sahel, Mali, Niger and Mauritania, extorting funding through kidnapping.

Al-Shabaab in Somalia, although lacking formal al-Qaida affiliate status, is increasingly linked to and in communication with other parts of al-Qaida. It is also in close geographic proximity to AQAP in Yemen.

Beyond that, there are a wide and geographically dispersed set of militant groups and cells that share much of al-Qaida's ideology and objectives. However, they operate without much, if any, direction from or links to al-Qaida. These include the now-fractured Jemaah Islamiyah in Indonesia; Indonesia's successor umbrella extremist group, Jemaah Ansharu Tauhid; the Philippines' Abu Sayyaf Group; a broad spectrum of active militant groups in Pakistan, from Lashkar-e-Tayyiba to the Haqqani network and parts of the Pakistani Taliban; and elements in Afghanistan, Lebanon and the radical Palestinian movement.

There are also the radicalized individuals, "homegrown" (who may develop some links to established cells or groups) or "lone wolves," operating by themselves and simply inspired or motivated by the al-Qaida narrative. These are of particular concern to Western societies. The United States saw 43 cases of homegrown terrorism last year. But such radicalized individuals may also present a growing threat in the Muslim world as Internet access increases because of their largely invisible activities and associations.

## CHALLENGES AHEAD

Extremist use of the Internet and online publishing expands the reach of fringe groups. Of particular concern has been Yemeni-American extremist preacher Anwar al-Aulaqi and Pakistani-American Samir Khan's publication of a sophisticated English-language online magazine, *Inspire*, encouraging individuals in the English-speaking world to undertake acts of violence, providing an accessible Islamic justification for doing so, as well as providing practical information on bomb-making and other individual means of attack.

Contemporary counterterrorism

... requires a collaborative transnational response.

Cooperation between governments and relevant government agencies is critical.

More broadly, the Internet's extremist communities can serve as a social network for the socially isolated or disaffected individual, providing a virtual peer group of like-minded individuals and a justification for violent action. Self-radicalized individuals are emerging as perpetrators of "lone wolf" attacks, in which the individual may have no ties even informally with al-Qaida or its offshoots.

The Internet is used as a propaganda and recruitment tool, a source of data and knowledge transfer, a fundraiser, a medium of funds transfer, and an operational planning and communication device. The technology is accessible, inexpensive, immediate, portable, unregulated and global. Social networking via chat rooms, forums, YouTube, Facebook and Twitter provides additional opportunities for terrorist communication, proselytizing and association.

The other developing factor is the links some members of diaspora communities in the West have retained or developed with extremist causes or groups in their countries of origin. But there may be some common threads evident in levels of socio-economic disadvantage, alienation,



Ayman al-Zawahiri replaced bin Laden as al-Qaida's leader. U.S. President Barack Obama has named Zawahiri the world's top terrorist.

SITE

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unemployment or discrimination. The al-Qaida narrative of injustice and Western discrimination against Islam may be an attractive rationale, and its call to act a compelling one, for those who may feel angry and powerless.

### COUNTERING TERRORISM

Contemporary terrorism is transnational; hence counterterrorism requires a collaborative transnational response. Cooperation between governments and relevant government agencies is critical.

With the death of bin Laden, the important role special operations can play in front-end intelligence collection and pre-emption, in particular, was strikingly evident. But it is only one element.

Terrorism is, in the end, a potent form of criminality, where intelligence, military support, law enforcement, the application of due legal process, counter-radicalization, social and community integration, socioeconomic development, education and the rehabilitation of convicted terrorists all form part of a coherent policy response. In short, counterterrorism requires a whole-of-government response, and in military

terms, it parallels in many respects full-spectrum counterinsurgency.

### A LONG-TERM ISSUE

Governments are increasingly turning to longer-term strategies to ameliorate conditions that may give rise to terrorism.

Australia is a leader in counterterrorism capacity building and support, particularly in the development of intelligence and law enforcement capabilities. We also attach priority to assisting regional countries with so-called counter-radicalization programs, which aim to offset the conditions that give rise to extremism. These conditions, and the motivations of individuals, are so variable and often so local, however, that common pathways toward extremist violence remain unclear. Hence, appropriate strategies to pre-empt individual engagement or to rehabilitate convicted terrorists are still largely experimental.

Multidisciplinary approaches are likely to be essential. Particularly in developing nations, development assistance programs, which address socio-economic disadvantage and exclusion, are likely to have long-term positive effects. □

# EMPOWERING THE ENLISTED







Philippine Marines glide through the air during airborne sustainment training with U.S. Marines at Clark Air Base, Philippines, in support of Balikatan 2009. The Armed Forces of the Philippines is focusing on professionalism and has developed its own leadership courses.

LANCE CPL. MICHAEL A. BIANCO/U.S. MARINE CORPS

## ASIA-PACIFIC MILITARIES PUSH FOR MORE PROFESSIONAL NCO CORPS

FORUM STAFF

Sgt. Dipprasad Pun stood guard alone on a September evening in 2010 at a checkpoint near Babaji in the Helmand province of Afghanistan. The Nepali Gurkha Soldier heard a noise and investigated. Several Taliban insurgents were digging a hole to lay down an improvised explosive device.

With his platoon on patrol, Pun radioed his commander and opened fire on the enemy. “There were many Taliban around me,” Pun said in an interview with *British Forces News*. “I thought they are definitely going to kill me. ... I thought before they kill me, I have to kill some of them.”

Over the next 15 minutes, Pun withstood an assault by rocket-propelled grenades and AK-47s, Agence France-Presse, or AFP, reported. He fired more than 400 rounds of ammunition, detonated 17 grenades and a mine, exhausting his ammunition, according to *British Forces News*. By himself, Pun fended off as many as 30 insurgents. When another Taliban attempted to climb to his position, he even threw his gun tripod at the attacker, AFP reported. Pun, 31 at the time of the onslaught, joined the British Army in 2000 but remains a Nepalese citizen.

For his actions, which saved the lives of three comrades, the United Kingdom awarded him the nation’s second highest medal for bravery, the Conspicuous Gallantry Cross. “Pun could never know how many enemies were attempting to overcome his position, but he sought them out from all angles despite the danger, consistently moving towards them to reach the best position of attack,” according to his medal’s citation. “That he survived unscathed is simply incredible,” his citation says. “Throughout Dip’s actions, he was under almost constant intense fire. Dip’s courage and gallantry were simply astonishing.”

Each military in the Asia-Pacific region has its own version of Sgt. Pun of the Royal Gurkha Rifles — enlisted Soldiers who have proven great leaders in the face of the enemy while risking their lives for their country. Throughout history, militaries have appreciated the importance of noncommissioned officers, or NCOs, during times of peace and war. Some historians credit the Roman Army with developing the concept of NCOs.



Sgt. Dipprasad Pun of the Royal Gurkha Rifles displays his Conspicuous Gallantry Medal after Britain's Queen Elizabeth II presented it to him at Buckingham Palace in London in June 2011.

THE ASSOCIATED PRESS

The Army's rank of decanus, a position in charge of eight to 10 Soldiers responsible for training, discipline and leadership, according to some military historians, seems most analogous to the modern NCO.

**"THROUGHOUT DIP'S ACTIONS, HE WAS UNDER ALMOST CONSTANT INTENSE FIRE. DIP'S COURAGE AND GALLANTRY WERE SIMPLY ASTONISHING."**

~ CONSPICUOUS GALLANTRY CROSS MEDAL CITATION

Whether Romans created this breed of officer, Roman society honored those who took up the profession of arms, and the Roman Army's sense of duty, sacrifice and honor has endured through the centuries across continents. Brig. Gen. Charles de Gaulle, a former French general and statesman who died in 1970, summed up military professionalism in his 1932 book, *The Edge of the Sword*:

"Men who adopt the profession of arms submit of their own free will to a law of perpetual constraint of their own accord. They reject their right to live where they choose, to eat what they want, to dress as they like. From the moment they become soldiers, it needs but an order to settle them from this place, to move them to that, to separate from their families and dislocate their normal lives. In the world of command, they must rise, march, run, endure bad weather, go even without food and sleep, and be isolated in some distant post. They cease to be the masters of their own fate. If they drop on their tracks and their ashes are scattered in the four winds, it is part and parcel of their job."

## TRANSITION TO VOLUNTEERISM

Atop this legacy, today's Asia-Pacific nations build a foundation for professionalizing their NCOs. Like the Romans, many nations still use conscripts who are mandatorily drafted into military service. More than 70 countries around the world still use some sort of conscription to fill their ranks, according to The World Factbook.

However, countries and states such as Taiwan are replacing conscription with volunteerism.



Taiwan's regular force now contains about 40 percent conscripts and 60 percent volunteers, according to Taiwan's Government Information Office. To improve and professionalize its military, Taiwan has mandated an all-volunteer force by 2015. Military officials have already witnessed a positive change. With the ranks of its professional military swelling, Taiwan in 2008 reduced the period of compulsory military service from 14 months to 12 months, according to the information office. In 2015, volunteer enlistees who have served one year can become NCOs and earn about U.S. \$1,060 a month, double the basic labor wage, the *Taiwan Today* newspaper reported in July 2009. The military is also offering undergraduate and master's degree programs for NCOs, the government information office reports.

"The Taiwan Army has made progress and understands the importance of professionalizing their NCO Corps and has established three Primary Leader Development facilities. They realize the importance of an all-volunteer force and the impact that a professional NCO Corps can have in recruiting and training their Army," observed U.S. Army Pacific Command Sgt. Maj. Frank Leota after a May 2011 military visit to Taiwan.

### TRAINING A WAR FIGHTING FORCE

Like the Royal Gurkha Rifles, the Armed Forces of the Philippines Special Forces troops routinely fight against rebels and terrorist groups and have done so for decades in the southern Philippines. After the turn of the millennium, military leaders identified areas of improvement: shooting, movement and communication. The Philippine government asked the U.S. military for assistance. Thanks to a U.S. \$25 million grant for counterterrorism training, 60 U.S. Special Forces Soldiers deployed in May 2003 to the jungles of the southern Philippines to provide that training.

Since the counterterrorism grant, the Armed Forces of the Philippines has developed its own leadership courses. In addition, militaries throughout the Asia Pacific continue to change their structure to better utilize equipment and people. Many are discovering that improving their NCO corps advances their entire military.

The U.S. Army Pacific has programs that will help nations develop and maintain a corps of professional enlisted leaders. When asked, the U.S. Army

## U.S. PACIFIC AIR FORCES FOSTERS COOPERATION AND TRAINING

U.S. Pacific Air Forces plays a role in developing partner nation enlisted corps. Through conferences, professional military education student exchanges and subject matter expert exchanges, PACAF builds relationships throughout the region.

In addition to the Senior Enlisted Leadership Conference, PACAF leadership is planning a trilateral conference for senior enlisted members of the Republic of Korea, Japan Air Self Defense Force and the United States to foster increased cooperation within the area.

Additionally, PACAF has made tremendous strides in working with foreign professional military education institutions, according to 13th Air Force public affairs office. The Royal New Zealand Air Force Flight Sergeants Course and the Singapore Air Force Warrant Officer School are comparable to U.S. Senior Noncommissioned Officer Academy, paving the way for Air Force senior noncommissioned officers to attend these institutions.

PACAF has initiated a security forces subject matter expert exchange with Tonga and a training instructor exchange with Singapore. The command also provided the Malaysian Air Force with information to help increase enlisted recruitment efforts.

In 2010, some new ground was broken. The chief master sergeant of the Republic of China Air Force visited PACAF and eagerly discussed enlisted issues with PACAF senior enlisted leaders.





Members of Indonesia's Kopassus Special Forces take positions during a ceremony in Jakarta in 2009.





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## READY TO TRAIN

Asia-Pacific countries eligible for enlisted development assistance from the United States include:

- |                    |                    |
|--------------------|--------------------|
| ✓ BANGLADESH       | ✓ NEPAL            |
| ✓ CAMBODIA         | ✓ PALAU            |
| ✓ FIJI             | ✓ PAPUA NEW GUINEA |
| ✓ INDIA            | ✓ PHILIPPINES      |
| ✓ INDONESIA        | ✓ SAMOA            |
| ✓ KIRIBATI         | ✓ SOLOMON ISLANDS  |
| ✓ LAOS             | ✓ SRI LANKA        |
| ✓ MALAYSIA         | ✓ THAILAND         |
| ✓ MALDIVES         | ✓ TIMOR-LESTE      |
| ✓ MARSHALL ISLANDS | ✓ TONGA            |
| ✓ MICRONESIA       | ✓ TUVALU           |
| ✓ MONGOLIA         | ✓ VANUATU          |
| ✓ NAURU            | ✓ VIETNAM          |

provides enlisted force development assistance to countries and states undergoing enlisted force transformation such as Taiwan, the Philippines, Mongolia and Indonesia. Some countries, such as Bangladesh, Cambodia, Sri Lanka and Thailand, have already begun enlisted force development. And others, including Vietnam, Brunei and Laos, have no enlisted force development.

Whatever the stage of enlisted development, countries' militaries have options for receiving assistance to increase NCO professionalism. The U.S. Pacific Command has mobile training teams that visit nations that ask for assistance. Also, nations can send their troops to U.S. enlisted professional military education and technical schools and courses. U.S. PACOM routinely exchanges instructors and subject matter experts with other nations.

"As I've traveled around the Pacific, I've found that we all face similar challenges with our enlisted corps," U.S. Chief Master Sgt. David Williamson, the former 13th Air Force command chief master sergeant, said during the first Senior Enlisted Leadership Conference hosted by Pacific Air Forces in Malaysia in 2008.

Countries are learning that a professional military force provides national stability. Military forces in Taiwan and South Korea only

have to look across their borders to see that every person in their military counts — enlisted and officers.

An increase in professionalism in each nation's NCO corps also creates better humanitarian cooperation. Although each nation's embassies and military top brass analyze how best to assist allied nations in need, the enlisted troops — boots on the ground — actually carry out the orders, feed those in need and complete the mission.

Many Asia-Pacific nations have embraced enlisted training. On its own, the Armed Forces of the Philippines has successfully developed a platoon sergeant course. In Indonesia, the warrior leadership course is being indoctrinated into the infantry school, which will also house the future NCO Academy.

U.S. Army Pacific Command Sgt. Maj. Leota, who has sat with senior enlisted leaders from various Asia-Pacific nations, says, "they are always amazed at the responsibility and authority that is given to our NCOs. I have to remind them that it has taken our Army 236 years to have the professional NCO Corps that we are known to have. It is an obligation in our Army to invest in developing our junior leaders such as our noncommissioned officers." □



## *dynamic* DEFENSE

JAPAN'S PROACTIVE CONCEPT PROVES  
SUCCESSFUL IN THE AFTERMATH OF A  
DISASTER AND AN EXERCISE

MAJ. DEAN CASE/U.S. ARMY PACIFIC

At the peak of the crisis triggered by the 9.0-magnitude earthquake off North Eastern Honshu on March 11, 2011, the Japanese Self Defense Force, or JSDF, dispatched 107,000 personnel, 543 aircraft and 59 naval vessels to support humanitarian aid/disaster relief, or HA/DR, in the afflicted province.

This mobilization was the largest in the Self Defense Force's history. Security analysts and the Japanese people widely deemed the JSDF's response successful. The assessment includes not only HA/DR operations but the performance of the Ground Self Defense Force's, or GSDF's, Central Nuclear Biological Chemical Weapon Defense Unit, which worked on the crisis at the Fukushima Daiichi facility.

**A Japanese Self Defense Force CH-47 Chinook helicopter transports a bucket holding more than 7 tons of water to dump on the Fukushima Daiichi nuclear power plant to douse radioactive fuel rods.**









he mobilization set other precedents. For the first time, the Ministry of Defense set up an operationally deployed JSDF Joint Task Force at the GSDF

Northeastern Army Headquarters in Sendai to unify the operational chain of command of all three branches of the military.

The JSDF's response to the earthquake and resulting tsunami reflects Japan's Dynamic Defense Concept that was laid out in the country's December 2010 National Defense Program Guidelines, or NDPG. The January 2011 bilateral Yama Sakura 59, or YS 59, exercise also reflects this concept. In fact, YS 59 partnered the GSDF's Western Army with the U.S. Army Pacific's Contingency Command Post to exercise the defense of the Southwestern Islands, a key component of the defense doctrine.

Both the disaster response and the exercise reveal the increase in operational flexibility and capacity of the JSDF, as prescribed in the NDPG. Specifically, the guidelines allow for rapid and flexible joint operations that focus on defending against external threats through the combination of ground, sea and air defenses and also for operations in support of HA/DR response.

### ***Coordinating relief***

The JSDF "joint task force actually puts meat on the bones of the Dynamic Defense Concept laid out in the December Defense Planning Guidance," according to Dr. Jeffrey Hornung, an associate professor at the Hawaii-based Asia-Pacific Center for Security Studies. "The concept, which emphasizes the ability to deploy forces quickly anywhere in Japan, will require joint operations to be successful. Thus, a unity of effort will be required by all three branches. Given its success, the JTF [Joint Task Force] in Tohoku provides a glimpse of what this can look like."

What is more, the government of Japan reacted swiftly by dispatching the JSDF to take the lead in the search and rescue efforts after the March 11 earthquake. This stands in sharp contrast to the 1995 Kobe earthquake when local governments were hesitant to involve the JSDF. Given that the JSDF had to coordinate closely with the United States as well as local governments receiving relief

support groups and supplies, the March 2011 HA/DR response was arguably the most complicated operation the JSDF has ever had to perform.

### ***Changing defense doctrine***

Japan's constitution limits Japanese military forces to defensive action. Although the Japanese parliament approved deployment of the GSDF and the Air Self Defense Force to Iraq and the Maritime Self Defense Force to the Indian Ocean, their participation was limited to humanitarian assistance and developmental assistance, typically considered noncombat roles. However, these deployments have not been central to either Japanese defense planning or doctrine. Rather, the GSDF's focus on defending Japan has previously centered on external threats such as Russia; the Democratic People's Republic of Korea, or DPRK; and China.

Until recently, Russia, which has occupied the Southern Kuril Islands (claimed by Japan) since 1945, had been perceived as the greatest potential threat to the Japanese homeland. Accordingly, the GSDF's Northern Army was designed and resourced as the GSDF's premier ground force, aligning Japan's most capable unit against its most likely threat.

However, rising tension over territorial disputes in the East China Sea have caused a significant shift in Japanese defense planning. Within the GSDF, internal priorities are shifting away from the Northern Army and toward the Western Army.

In December 2010, Japan published an updated version of the NDPG. This document, published every five years, describes possible threats to the Japanese homeland, prescribes policy to address these threats and prioritizes resources to accomplish policy goals. The document points to the major potential security concerns. It states that the situation on the Korean Peninsula is unpredictable and cross-Taiwan Strait relations remain uncertain. North Korea is engaged; meanwhile, China, which has a major impact on regional security, continues to modernize its nuclear forces and missile capabilities as well as its naval and air forces. China is also expanding its area of operations





AGENCE FRANCE-PRESSE

U.S. ARMY

ALL NATIONS POSSESS THE RIGHT TO SELF-DEFENSE, AND AS TREATY ALLIES, JAPAN AND THE UNITED STATES HAVE THE RIGHT TO COOPERATIVELY PARTICIPATE IN EXERCISING MUTUAL DEFENSE.

at sea. Japan will have to remain attentive to its future actions, according to the document.

The NDPG suggests that China, by “stepping up and expanding its maritime activities in the region’s surrounding waters,” could remain a destabilizing force in the region. It describes DPRK as a source of regional instability but stops short of describing China as an adversary. In addition, it identifies competition over mineral resources and access to fisheries and territories among potential points of contention.

### ***Deterrent or provocateur?***

Although naval exercises between Japanese maritime defense forces and the U.S. Navy routinely draw some form of public admonishment from China, ground-based exercises such as Yama Sakura have yet to elicit comment from China. For one thing, unlike naval exercises, Yama Sakura focuses exclusively on land-based scenarios that pit GSDF and their U.S. allies defending Japanese territory against an invading adversary. To date, all Yama Sakura scenarios have focused on territory that lies within one of Japan’s main prefectures.

Using a scenario that focuses on defending

undisputed territory against an aggressor is typically viewed as a prudent deterrent as well as a sound measure of preparation. All nations possess the right to self-defense, and as treaty allies, Japan and the United States have the right to cooperatively participate in exercising mutual defense.

However, given the recent rise in regional tensions, coupled with changing Japanese defense policy and the location of this year’s Yama Sakura, some have criticized this year’s exercise as less of a deterrent and more of a provocation aimed at China. The implication is that China could use the 2011 exercise as an example of how the U.S. military is potentially contributing to regional instability.

Consequently, when balanced against the JSDF’s response to the March 11 disaster, the shift in priorities and guidance prescribed by the 2010 NDPG appears to be less provocative. Indeed, the outcome of the latest guidance seems to be the increase in the capacity of the JSDF to conduct joint and bilateral operations across a broad spectrum of contingencies. □

Maj. James M. Ross, U.S. Army; Maj. Christopher S. Martin, U.S. Army; and Jeffrey Hornung, Ph.D., associate professor, Asia-Pacific Center for Security Studies, contributed to this article.

**Above from left: A Japanese Self Defense Force Soldier places a marker atop a mountain of tsunami-generated rubble in Otsuchi, Iwate prefecture, in May 2011. As of May 2, 2011, some 10,808 people were still listed as missing, with 14,728 confirmed dead from the 9.0-magnitude earthquake and resulting tsunami that struck the northeastern part of Japan. • Members of the Western Army of Japan’s Ground Self Defense Force and U.S. Soldiers prep for the commander’s daily briefing at the Combat Operations Intelligence Center in Kumamoto, Japan, to kick off Yama Sakura 59.**

# Cambodian Reunion

KHMER ROUGE REFUGEE RETURNS A COMMANDER

AGENCE FRANCE-PRESSE

**W**hen the destroyer USS Mustin docked in Sihanoukville, Cambodia, in December 2010, it was more than just a routine mission for the ship's commander.

Michael Misiewicz, born Vannak Khem, was just a child when he was wrenched from his family and homeland 37 years ago to escape the civil war between government troops and communist Khmer Rouge fighters. He had not set foot on Cambodian soil since.

"I have been fighting a lot of emotions about coming back to my native country," said Misiewicz, 43.

In 1973, his father arranged for him to be adopted by an American woman who worked at the U.S. Embassy and was preparing to leave the increasingly dangerous country. The move meant Misiewicz avoided one of the most brutal chapters of 20th century history — the 1975 to 1979 Khmer Rouge regime that killed up to 2 million people through starvation, overwork and execution.

"At that age I was a happy-go-lucky kid. I really didn't have any sense of the war or bad things going on in Cambodia," said Misiewicz. But he vividly remembers his mother's tearful goodbye. "My mom was so, so upset. I promised her I'd buy her a big house one day."

The Cambodian built a new life for himself in his adoptive country, enlisting in the Navy after graduating from high school in Lanark, Illinois. While attending the U.S. Naval Academy, he began to learn about the atrocities that had occurred in his homeland.

Misiewicz had received no news from his family and assumed the worst. "I felt a lot of guilt. Why was I the lucky one?" he said. "I really doubted that my family had survived the whole Khmer Rouge era. I tried not to think about it."

What he did not know was that his mother and three of his four siblings had survived and fled in 1983 to the U.S. themselves. They were now living in Austin, Texas, desperately trying to find him.

After six years of searching and 16 years of silence, they made contact with his ex-babysitter, who happened to know his whereabouts.

"One day, in 1989, I got a call out of the blue. It was my older brother," said Misiewicz.

The joy of the reunion was tempered by the news that his father had been executed by the Khmer Rouge in 1977 and his infant sister had died, probably of malnutrition.

Misiewicz, who has more than 300 Sailors under his charge, said he often thinks about how hard it must have been to separate him from his family. "I am so grateful my father had the wisdom to make that decision," he said.

The USS Mustin, an Arleigh Burke-class guided-missile destroyer, was stationed in Sihanoukville, on Cambodia's southwestern coastline, for four days in December 2010. During that time, Misiewicz exposed his Sailors to the country through community outreach projects and training exercises with the Cambodian Navy.

"I've been so blessed to have had these opportunities, and I feel honored and privileged to come back," he said.

Misiewicz added that he feels "very close" to his birth mother and siblings. "I did buy my mom that house — in Texas," he said, making good on a promise made nearly four decades ago. □



U.S. NAVY

1



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3

1. U.S. Navy Cmdr. Michael "Vannak Khem" Misiewicz
2. Misiewicz delivers a welcome speech in December 2010 on the deck of the USS Mustin at Sihanoukville, about 220 kilometers southwest of Phnom Penh, Cambodia.
3. Misiewicz embraces his aunt Samrith Sokha, 72, at Sihanoukville.



# Join the Discussion

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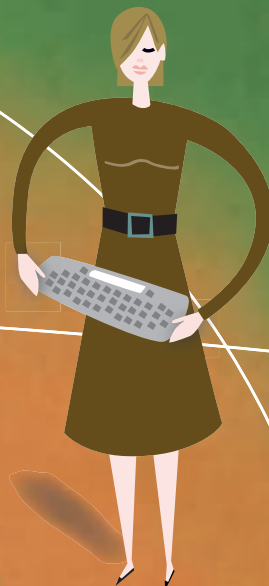
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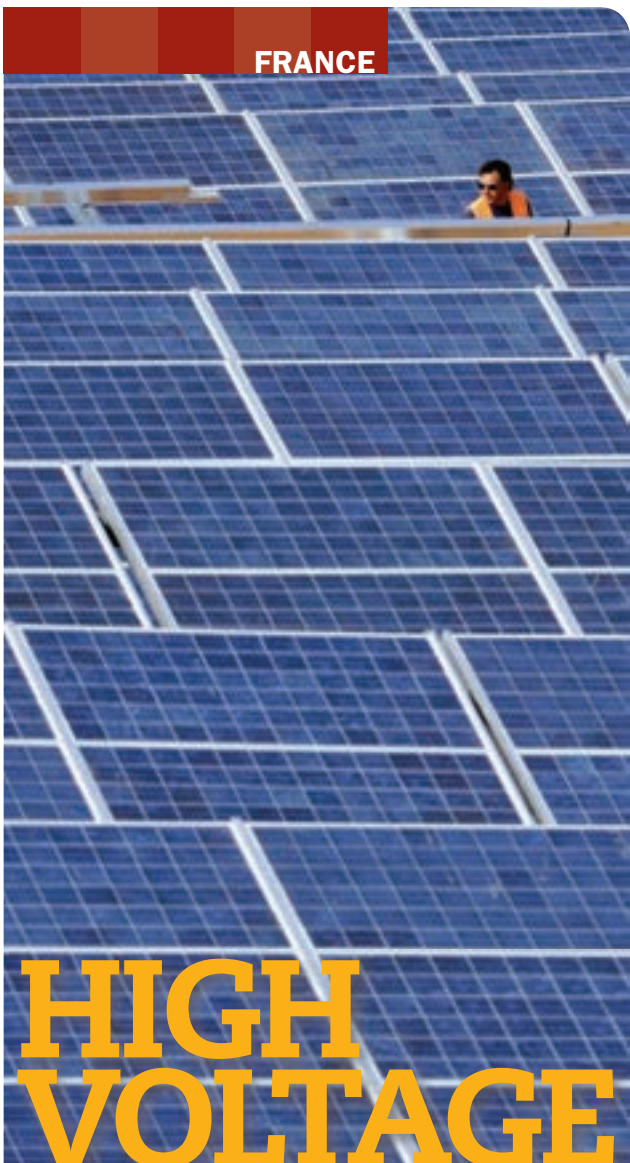
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## FRANCE



AGENCE FRANCE-PRESSE

## HIGH VOLTAGE

**F**rench energy giant EDF has joined the race to build the world's biggest photovoltaic solar power plant at an abandoned NATO air base and plans to open it by 2012. Jean-Marc Dall'Aglia, of EDF's green energy subsidiary EDF-EN, said the 415-hectare site in Toul-Rosieres, near the eastern city of Metz, would produce 143 megawatts, enough for a town of 62,000 people. France's Les Mees plant, pictured, is currently the nation's largest with its 50 hectares producing 36 megawatts.

The world's largest photovoltaic plant, which uses semiconductors to convert solar radiation into direct current electricity, is now in Olmedilla, Spain, and produces 60 megawatts. Several much larger plants under construction in the United States and Australia might beat the French contender. Agence France-Presse

## ARGENTINA

DECONSTRUCTING THE  
“TOWER OF BABEL”

**A** spiraling tower made from thousands of books in dozens of languages was the latest landmark to dot the skyline of Buenos Aires, which was named the World Book Capital in 2011 by the United Nations Educational Scientific and Cultural Organization. Called the “Tower of Babel,” the 25-meter-high installation by Argentine artist Marta Minujin was made from 30,000 books donated by readers, libraries and more than 50 embassies.

“Building this tower has been a miraculous experience,” said Minujin, who strives “to unite people” through her work. “A hundred years from now, people will say, ‘There was a Tower of Babel in Argentina ... and it didn’t need translation because art needs no translation.’”

When the exhibit ended in late May 2011, Minujin said literature lovers were allowed to come and pick one book each. Reuters



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ITALY



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## SOLDIERS ATTACK *Naples Garbage*

Italian Soldiers arrived in May 2011 in Naples to start clearing garbage in a city infested with 4,100 tons of waste emitting a putrid odor after a seasonal rise in temperatures. In early May, Prime Minister Silvio Berlusconi promised to send troops to ease the waste crisis in Naples after blaming local authorities for failing to resolve a problem that has plagued the city for years. Locals have periodically set fire to mounds of garbage to demonstrate frustration with the recurring pestilence.

Officials insist the infestation is caused by a shortage of adequate facilities for unloading and treating waste. Berlusconi's government has approved a plan to fast-track construction of a new treatment center. The European Commission has threatened to level economic sanctions if the government doesn't resolve the situation. Agence France-Presse

COLOMBIA

## STOPPING DRUG TRAFFIC

Colombian narcotics officers seized 3.5 tons of marijuana in Cali in May 2011. Officials said the shipment, wrapped in colored boxes, came from the department of Cauca and belonged to the Revolutionary Armed Forces of Colombia, or the FARC. Agence France-Presse



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SPAIN



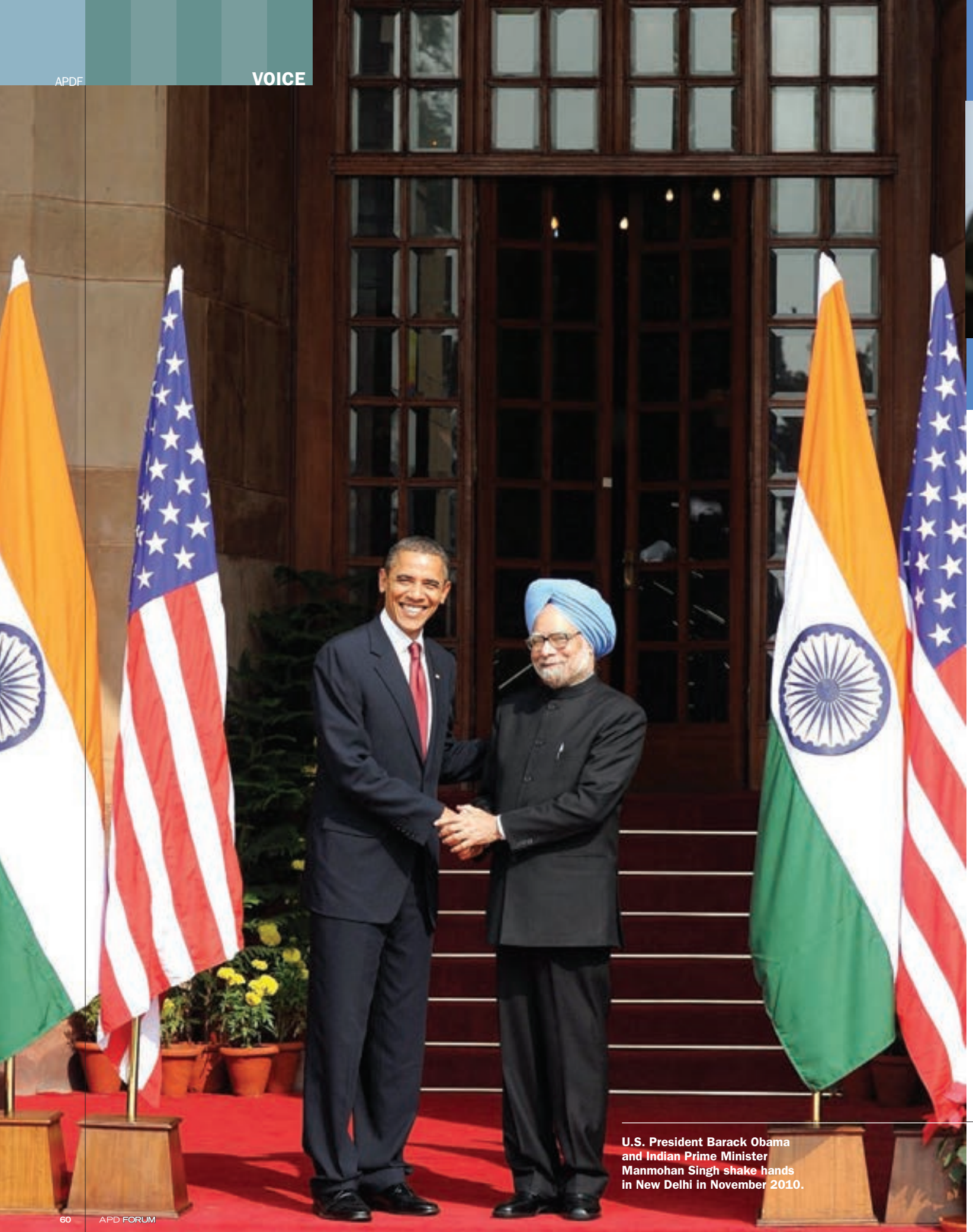
AGENCE FRANCE-PRESSE

## CAMPAIGNING **101**

At 101 years old, Josefina Villaverde launched her political career. She ran as the Socialist Party candidate in Cuntis, a Galician village in northwest Spain, in municipal elections in May 2011. Although Villaverde, born November 19, 1909, campaigned hard, canvassing the streets of her hometown with the campaign promise "Winning for Cuntis," she lost the race.

Still she remains active in politics and aspires to hold office. Among today's leaders, she backs Defense Minister Carme Chacon because she is a woman. "Women for power," said Villaverde, a self-described "socialist since birth" who "loves to talk politics." She first voted in 1933, when Spain's parliament first allowed women to cast ballots. Agence France-Presse





**U.S. President Barack Obama and Indian Prime Minister Manmohan Singh shake hands in New Delhi in November 2010.**





PHOTOS BY AGENCE FRANCE-PRESSE

# U.S.-INDIA DEFENSE COOPERATION: PRESIDENT OBAMA DELIVERS ON PROMISE

**GURMEET KANWAL**

RETIRED BRIG. GURMEET KANWAL IS DIRECTOR OF  
THE CENTRE FOR LAND WARFARE STUDIES IN NEW DELHI.

U.S. President Barack Obama delivered on a key promise made during his November 2010 visit to India. In late January 2011, the U.S. administration removed the names of nine organizations — mostly subsidiaries of Indian Space Research Organisation, or ISRO, and Defence Research and Development Organisation, or DRDO — from the Entity List, permitting the export of high technology to India. More significantly, the notification moved India from a country group that required strict monitoring under the U.S. Export Administration Regulations to the group comprising members of the Missile Technology Control Regime, or MTCR. The move recognizes India's adherence to the regime and its impeccable nonproliferation credentials, even though India is not an MTCR signatory.

All the major world powers are assiduously wooing India. After Obama's November 2010 visit, French President Nicolas Sarkozy, Russian President Dmitry Medvedev and Chinese Prime Minister Wen Jiabao came calling in December. British Prime Minister David Cameron had already dropped by in July 2010. All of them, except Wen, underlined India's growing importance in the emerging world order and the unprompted extended support for India's candidacy for a permanent seat on the U.N. Security Council. Even Wen remarked that the elephant and the dragon must tango.

India values its strategic autonomy and recognizes that each bilateral relationship is important in its own way. However, the India-U.S. strategic partnership — more than any other — will shape the geopolitical contours of the 21st century and enhance peace and stability the world over. Obama's visit successfully put the India-U.S. strategic partnership on a higher trajectory.

**An Indian Soldier guards the Deep Space Network facility, run by the Indian Space Research Organisation in Bialalu village, 40 kilometers west of Bangalore.**

**Chinese Prime Minister Wen Jiabao waves after shaking hands with Indian Prime Minister Singh in December 2010 before a meeting in New Delhi.**

**The Indian Space Research Organisation launched a polar satellite vehicle from the Satish Dhawan Space Centre in Sriharikota in September 2009.**

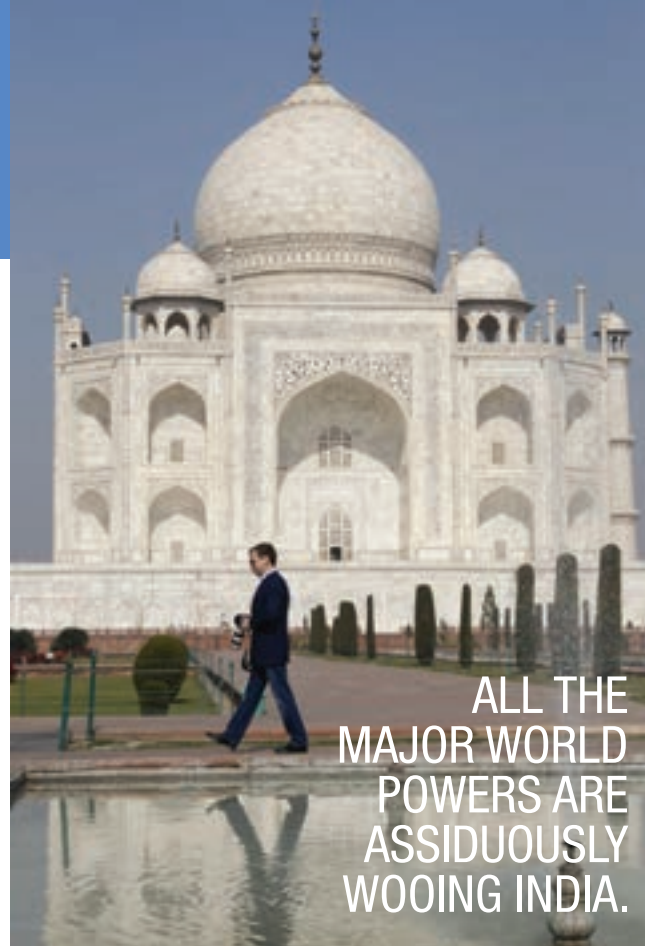
Perhaps the most important, though understated, aspect of the visit was progress on almost all facets of defense cooperation, which is increasingly multidimensional. Today it includes the sale, purchase and joint development of military equipment; transfer of military technology; intelligence sharing; cooperation for counterterrorism and counterproliferation; jointly providing relief and succour after natural calamities; coordination in transnational anti-drug-trafficking activities; joint patrolling of sea lanes to fight piracy and terrorism; and joint military exercises. It also includes working together to maintain regional and international peace and stability under a cooperative security framework.

Recent achievements on the defense cooperation front have been truly remarkable. High-tech weapons and equipment will now be provided or offered to India by the United States. Advanced dual-use technologies will give India an edge over China in security-related and civilian sectors. The recent decision to transform the existing bilateral export control framework for high-tech exports ended the discriminatory technology denial regimes to which India was subjected. The proposal to lift sanctions on ISRO, DRDO and Bharat Dynamics Limited is a welcome step forward. Perhaps the Department of Atomic Energy will be taken off the Entity List soon.

Joint patrolling of the sea lanes in the Indian Ocean is already in progress under the mantle of joint naval exercises. Other military exercises have led to a broad understanding of each other's military capabilities, and many interoperability issues have been resolved. In the future, joint military operations are possible if India's national interests are at stake. Of course, there will be many caveats to such cooperation, for it is not in India's long-term interest to form a military alliance with the United States.

The proposal to undertake joint development of future weapons systems will also raise India's technological threshold. However, no transfer of technology has occurred yet. Inevitably, qualms about the availability of future technological upgrades and reliability in supplies of spares will continue to linger in the Indian mind. The case for spares, which is pending with the labyrinthine U.S. bureaucracy, most visibly in respect to the AN/TPQ-37 Weapon Locating Radars, has added to the doubt. The notion that the United States cannot be trusted to be a reliable supplier was not dispelled convincingly during President Obama's visit.

India's reluctance to sign the Communications and Information Security Memorandum of Agreement, or CISMOA, and Basic Exchange and Cooperation Agreement for Geospatial Cooperation, or BECA, will lead to denial of many items of onboard technology even while platforms are still offered and sold. This issue requires dispassionate analysis. The major criterion for the decision



RIA NOVOSTI

to sign these agreements should be whether the operational capabilities of India's armed forces will be adversely affected if major avionics and communications equipment is not supplied by the United States. Indian defense planners should evaluate emerging threats and challenges, including the technology required to meet them. If India continues to shun certain equipment simply because the country does not wish to sign CISMOA and BECA, it might amount to scoring a "self goal" in the long run.

Massive U.S. conventional military aid to Pakistan militates against India's strategic interests. While U.S. compulsions and constraints in dealing with the failing Pakistani state are understandable, the supply of military equipment that cannot be used for counterinsurgency operations will invite a strong Indian backlash. The Indian leadership unequivocally conveyed this to the U.S. president.

Both the United States and India recognize the adverse implications of China's increasing assertiveness and the need to work in unison with the international community to uphold the unfettered use of the global commons such as sea lanes for trade, space and cyberspace. The United States and India also view their strategic partnership as a hedging strategy against two major eventualities: should China behave irresponsibly in Asia and should China implode. In either case, both countries will need reliable partners to restore order and harmony.

Obama's visit helped to further consolidate the India-U.S. strategic partnership. It can only gain additional momentum in the decades ahead, though the road will undoubtedly be uphill and dotted with potholes. □





AGENCE FRANCE-PRESSE

## COW DUNG

## POWER

*A Nepalese notion to tap biogas from bovine waste is gaining popularity*

FORUM STAFF

It may sound like a stinky idea — shoveling decaying cow dung and other biomass into a hole for bacteria to digest — but a not-so-scientific process of trapping poop in an underground chamber yields a naturally occurring gas that has improved the lives of poor families across Asia.

Gobar gas (“gobar” is derived from the Nepali word for cow dung), once produced, provides enough energy to heat a cooking stove or serve as some other fuel source, according to a report by Michael Yon, an independent journalist and former Green Beret who has primarily focused on reporting from Iraq and Afghanistan since December 2004.

Although communities across Asia have increasingly begun building gobar gas plants, it’s not a new phenomenon. The idea emerged in Nepal in 1955 when Bertrand R. Saubolle first demonstrated how it’s made, according to Yon.

Twenty years later, Nepal had installed almost 200 individual plants. Countries including Laos and Vietnam offer financial help to persuade farmers to switch to the alternative source of fuel. It costs about U.S. \$530 for an average size home to install its own gobar plant, Yon said.

In Nepal, buffalo, cow and even human dung, along with other waste products from pigs, chicken and rotting vegetation, are mixed with water and fed through a pipe into an airtight, underground “digester,” Yon explained. Ten kilos of dung can produce about an hour of energy for stove burning, according to Yon’s report. A skinny cow gives off enough waste to produce about 12 kilos of biogas a day, he said.

Gobar gas also offers greater health and economic benefits for struggling households across Asia. Children in Nepal, for example, who should be in school, find themselves spending their days instead searching for firewood. Likewise, women spend hours in the jungle collecting wood for cooking and then countless more hours over a stove, while their small houses fill with smoke from the wood and young children inhale the fumes.

Besides the health advantages, biogas has a positive effect on the environment. Trees remain as a habitat for birds and other creatures, and they also provide a more stable ground to prevent erosion, Yon reported. A single home with a biogas plant in Nepal saves about 2,500 kilograms of wood a year, Yon said.

Indian village women carry dried cow dung cakes near the outskirts of Allahabad. Dung is converted to biogas to generate electricity and heat.



## TV DRAMA FEATURES SOLDIERS' SACRIFICE

Pakistan's Taliban-fighting Soldiers are set for celebrity status with the launch of a multimillion-dollar, glossy television drama hailing Army victories over militants. Emotive tales of 11 "brave Pakistanis" battling an Islamist insurgency that is plaguing Pakistan and neighboring Afghanistan will air on the small screen in an Army-funded drama that casts the anti-terror fight in a positive light.

The Army wants to show the sacrifices it has already endured in the war on terror. "The basic purpose is to reveal the deeds of bravery of our Soldiers, officers and civilians who are at the front of this war. ... This drama shows the human face of the war," said Maj. Gen. Athar Abbas, head of the Army's publicity wing and an alumnus of the Asia-Pacific Center for Security Studies. Agence France-Presse

## A Booming E-Economy

The Internet is expected to contribute about U.S. \$18.8 billion — 7.2 percent of the total — to Hong Kong's economy by 2015, driven by a surge in mobile phone use and online shopping, a report released in May 2011 for Google Hong Kong said. The digital market in the city of 7 million stood at H.K. \$96 billion (U.S. \$12.4 billion) in 2009, or 5.9 percent of its gross domestic product for the year. It is projected to grow by an average 7 percent every year to reach an estimated H.K. \$146 billion (U.S. \$18.8 billion) by 2015, according to the report, which was written by Boston Consulting Group.

The report's index ranked Hong Kong ahead of Singapore and on par with the United States and Luxembourg but behind South Korea, Japan, Britain and Germany on the basis of broadband subscriptions, smart phone adoption and online consumption.



Agence France-Presse

## ORGANIZED CRIME ONLINE

The Internet has become a major tool in European organized crime, which uses it for drugs and human trafficking, money laundering, and cyber crime, Europol's top official said in May 2011. Crimes regarded as "more traditional" have increased markedly on the Web in the past two years over purely computer-based crimes, said Rob Wainwright, director of Europol, the European Union law enforcement agency. "Using the Internet has become much more mainstream," Wainwright said. "It has now become the principal facilitator for organized crime."

The policing body's biannual organized-crime threat-assessment report indicated the Internet was being used for credit card fraud, child pornography, piracy and drug distribution. In addition, the report found that criminals were using the Web to recruit victims of human trafficking, facilitate illegal immigration, supply counterfeit commodities and traffic in endangered species.

Agence France-Presse



THE ASSOCIATED PRESS



# CRICKET DIPLOMACY

Pakistani Prime Minister Yousuf Raza Gilani, back right, said in March 2011 that his visit to India to watch the World Cup cricket semifinal between the two archrivals was in the "national interest." Gilani accepted an invitation from his Indian counterpart Manmohan Singh, right, to attend the match in Mohali after a meeting with Pakistani President Asif Ali Zardari in March.



AGENCE FRANCE-PRESSE

"It is also a timely opportunity for the two governments to show to the world that the two nations can play together as well as sit and deliberate together on issues of national importance," Gilani said. Top officials from India and Pakistan held talks in Delhi in March focusing on counterterrorism, narcotics control and humanitarian issues. *Agence France-Presse*

## New Life for Old Games

Older Bangladeshis may remember the days when a good rickshaw race got children's hearts racing and kept their minds occupied. Now, the Bangladesh Olympic Association aims to revive the country's traditional games to promote exercise among the entire population. The association kicked off its Sports for All project in March 2011 in the Noakhali District. The

project put the spotlight on games that had faded from popularity but are still affordable and easy to play, such as Golla Chut, Bou Chi, Saat Chara, Dariabandha, Ha-du-du, Ekka-Dokka, Kho-kho and Lathi khela.

In the spirit of competition, those who win local game tournaments advance to district contests, the association said. Overall winners will be recognized by the national sports federations, organizers said. *FORUM Staff*



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## MOTOCROSS GAINS FAN BASE

Motocross is booming in Asia, often drawing crowds of up to 30,000 at events, according to star of the trail James Robinson (pictured). "It's getting really big," Robinson told the *New Zealand News*. "Often, there are so many spectators, they are almost standing on the track. It's insane, but in places like Indonesia, it is hard to control them and keep them off the track. They love it."

In March 2011, fans got to see more than 30 of the sport's stars compete during the Federation Internationale de Motorcyclisme Asia Motocross Supercross Championships in Puerto Princessa City, Philippines. Besides New Zealander Robinson, the event featured riders from China, India, Indonesia, Iran, Japan, Mongolia, the Philippines, Sri Lanka and Thailand. *FORUM Staff*



REUTERS



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## TOPS IN TABLE TENNIS

Li Xiaoxia, left, represented her country well at the World Table Tennis Championship in Rotterdam, Germany, in May 2011. Li and partner Guo Yue won the ladies' doubles competition, keeping China in the dominant spot as the nation's players swept all five finals.

In the two other doubles categories, Ma Long and Xu Xin captured the men's title, and Zhang Chao and Cao Zhen won the mixed competition. In the singles categories, Zhang Jike dominated among the men, and Ding Ning led the women.

Germany's Timo Boll, who lost to Zhang, praised the Chinese for their table tennis prowess. "They're simply too strong, and they deserve the medals," he told the Netherlands Table Tennis Association. *FORUM Staff*



THE ASSOCIATED PRESS

## FUTURE *leap*

Samoa plans to leap 24 hours into the future, erasing a day and putting a new kink in the Pacific's jagged international date line, so that the country can be on the same weekday as Australia, New Zealand and eastern Asia.

The nation decided 119 years ago to stay behind a day and align itself with U.S. traders based in California. Samoa has found that its interests lie more with the Asia-Pacific region, and it now wants to switch back to the west side of the date line, which separates one calendar day from the next and runs roughly from north to south through the middle of the Pacific Ocean.

"In doing business with New Zealand and Australia, we're losing out on two working days a week," Prime Minister Tuilaepa Sailele Malielegaoi said in a statement in May 2011. The change will begin at the end of December 2011 and be completed in January 2012.

The Associated Press

## HIGH CLIMBER

A 50-year-old Nepalese Sherpa broke his own record for most climbs of Mount Everest by scaling the world's tallest peak for the 21st time in May 2011.

Apa — dubbed "Super Sherpa" — is leading an environmental expedition that plans to carry down tons of garbage left behind by past climbers. The expedition took advantage of good weather to reach the 8,850-meter summit with a group of other climbers,

said Tilak Pandey, a government mountaineering official stationed at the base camp.

Apa, who like many in the Himalayas' Sherpa community uses only one name, grew up in the foothills of Everest and began carrying equipment and supplies for trekkers and mountaineers at age 12. He first climbed Everest in 1989 and has repeated the feat almost annually. He has lived in the United States since 2006. The Associated Press



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## Digitally ENHANCED

From almost the moment Le Yati Min was born, her mother knew the girl had a little something extra.

Born with 12 fingers and 14 toes, Le may be the most "digitally enhanced" person in the world. Now, the toddler's family in impoverished Burma is seeking a Guinness World Record to prove it.

Proud mom Phyto Min Min Soe, 26, said that she would be happy to see Le gain a world

record, but even without that, her daughter already has a happy life and even some natural advantages.

"She seems to have a stronger grip on things — so she doesn't drop things much," she said.

According to the Guinness World Records website, the record for most fingers and toes for a living person is currently held by two people in India, who have 12 fingers and 13 toes each.

The Associated Press



# ENERGY FRONTIERS

HARNESSING  
THE SUN  
FROM SPACE

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NASA

**T**he Space-Based Solar Power, or SBSP, movement is gaining momentum. Technology to harvest solar energy using orbiting satellites as collectors could be commercially viable by 2025, advocates say. Critics, however, contend that such cosmic solar farms remain unfeasible—financially and otherwise.

In November 2010, the Indian Space Research Organization and the nonprofit U.S. National Space Society, or NSS, created a forum to bolster a multilateral SBSP program. Called the Kalam-NSS Energy Initiative after India's 11th president Dr. A.P.J. Abdul Kalam, the plan aims to solve the global energy, carbon and employment crises, according to an NSS news release.

"By 2050, even if we use every available energy resource we have, clean and dirty, conventional and alternative, solar, wind, geothermal, nuclear, coal, oil and gas, the world will fall short of the energy we need by 66 percent," Kalam said at an October 2010 news conference in New Delhi. Theoretically, a single, kilometer-wide solar array could collect as much power in a year as is currently contained in all of the planet's oil reserves, according to a 2009 U.S. Pentagon report.

Dr. Rajeswari Pillai Rajagopalan, senior fellow at the Institute of Security Studies in New Delhi, explains on the Observer Research Foundation website that an SBSP program "would also significantly augment India's capabilities in the space domain, which will have far-reaching positive spin-offs in the ever-changing security environment in Asia. This will

bring the much-desired focus on the question of technology transfer between India and the U.S., Japan and Israel."

The notion of satellites beaming solar power from orbit is nothing new. Since the 1960s, scientists have considered the basic SBSP premise technologically possible. In fact, commercial satellites have been transmitting solar power on a smaller scale to Earth since 1962 and the advent of Telstar. Today's satellite TV, satellite radio, GPS and cell phones use the solar energy harvested in space, relaying assorted electromagnetic frequencies to ground receivers.

More than engineering challenges, the multibillion-dollar cost of developing the SBSP technology has been prohibitive. As world energy demands continue to grow and fossil fuel supplies are expected to dwindle by 2050, the price tag becomes more feasible, advocates say.

Still, several key technological barriers remain. For starters, researchers are yet to convert solar energy beamed from space into electricity in a power grid. Several companies, such as Switzerland-based Space Energy and U.S.-based Solaren Corp., are working on such challenges as transmitting multiple megawatts of energy using microwave beams. Meanwhile, the Japan Aerospace Exploration Agency is partnering with a private Japanese coalition to design a solar space station and launch it in the 2030s.

The Kalam-NSS Energy Initiative welcomes other nations to collaborate on an SBSP program. On the newly emerged forum, Kalam says: "I am convinced that harvesting power in space can bring India and the United States of America together in whole new ways. And I am certain that harvesting solar power in space can upgrade the living standard of the human race."

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