

Executive summary

There is, I think, a tendency for us all to forget the self-evident truth that you cannot look forward with certainty, only backwards. Knowing an end point, it is easy to interpret, or reinterpret, the past.¹

Introduction

The Bali bombings of 12 October 2002 drove home to Australian citizens the nature and extent of the terrorist threat to Western interests in South–East Asia, and in Indonesia in particular. As this Report conveys, it is not as though a terrorist action of some kind was entirely unexpected. There was, however, no clear warning in the form of specific intelligence which, if identified and acted upon, would have provided an opportunity to prevent the Bali bombing or to act to protect those there at the time. Intelligence agencies had reported that Indonesia-based terrorists had the intention and capability to mount attacks against Western interests, and that Australian interests could not be regarded as exempt from such attacks. For several years the rise of extremism in Indonesia and SE Asia more broadly had been reported by the intelligence agencies of Australia and its allies. It had been examined, disputed and discussed by academics; it had been a topic for conferences and seminars; articles had been appearing in journals and in the press. By September 2001, ASIO had raised the assessed level of threat to Australian interests in Indonesia to HIGH—a setting at which it remained thereafter.

In December 2001, from the interrogation of operatives involved in the Singapore bombings, emerged the unequivocal presence in the region of Jemaah Islamiyah (JI) as a terrorist organisation, certainly inspired by and probably with substantial links to al–Qa'ida. Within six months, few people with an interest in regional security were in any doubt that JI cells were active in Indonesia, that the US and its allies, including Australia, had been declared the enemy, and that JI strikes could include 'soft targets'.

During 2002, Australian intelligence agencies intensified their efforts to secure better information about the structure, capabilities and intentions of JI and other militant groups. In Australia, ASIO, ONA, DIO and others reported regularly on the progress of their understanding. While there was some variation in these assessments, the overall picture was consolidating rapidly around a high threat level, a domestic security situation in Indonesia that was becoming increasingly violent, and the existence of terrorist groups with both the capacity, resources and intention to target Western interests, both 'soft' and 'hard'. Australian interests could not be considered exempt.

Meanwhile, tens of thousands of Australian tourists—roughly 20,000 per month—continued to flock to Bali, the vast majority of them ignorant of the assessed level of

1 *Transcript of Evidence*, 19 June 2003, p. 2 (Richardson, ASIO).

threat, with very few of them apparently having consulted the DFAT Travel Advices pertaining to Indonesia, and probably not one of them aware of ASIO's view that the level of threat across Indonesia was 'high', and that Bali could not be separated out from that assessment.

The Committee has not had access to classified intelligence material, and has relied on the evidence provided in public by agency officials, and on the publicly-released findings of the Inspector-General of Intelligence and Security (the Blick Report). The Senate Committee's Report attempts to deliver an account of this period which is faithful to the record of activities of Australian agencies as they presented it to the Committee, that is fair to both the intelligence services and to DFAT in its analysis and critique, and which avoids as far as possible the risks of judgements made in hindsight.

This is not to say that there is no wisdom to found in hindsight—otherwise any examination and reflection after the event would be redundant. The Committee scrutinises judgements that were made; it compares and contrasts advice produced by different sources and considers carefully the interpretations and emphases conveyed in that information and advice. The Report presents these in order assist with an appreciation of how the agencies acted and why, and whether the reasons were sufficient and the decisions robustly grounded. The comments do not imply or infer blame, let alone apportion it.

The Senate Committee has endeavoured to discharge its terms of reference thoroughly, and believes that it has done so to the full extent of the evidence presented to it. The Committee has made every effort to ensure that the relevant government agencies were given every opportunity to place their views and judgements on the public record, and to respond to the array of questions, concerns and allegations that have animated the public debate since Bali.

That Bali was a disaster is a cruel but simple fact of contemporary history. It was not so as a result of some culpable lapse by Australian government agencies or individual officials. Yes, there was a 'failure of intelligence' – but it is important not to regard limitations on intelligence as necessarily implying limitations on the skill and integrity of intelligence agencies. Australia's intelligence agencies did not know, before December 2001, of the existence of JI as a terrorist organisation. If there was any notable omission thereafter that contributed to the disaster it was the incapacity, or lack of political will on the part of the Indonesian government at that time to fully acknowledge JI's presence on its soil and to act decisively against extremists. Today, of course, the Indonesian government is an indispensable ally of Australia's in the fight against regional terrorism, and there is unprecedented collaboration on counter-terrorism between the two neighbours.

The Committee is satisfied that important lessons have been learned from the tragic events of Bali, and hopes that this Report will illuminate and extend those lessons.

Travel advice and threat assessments

At the time of this Report going to print in August 2004, the official ASIO threat assessment for Indonesia remained at high, and the official DFAT Travel Advice was that Australians should defer non-essential travel to Indonesia as a whole, including Bali. Despite this persistent advice, Australians have continued to flock to Bali in their thousands—around 15,000 per month since mid-2003.

The Committee makes this observation by way of affirming that official advice can only ever be that; Australians will continue to make their own decisions about how that advice impacts upon their personal choices and circumstances. This does not, of course, diminish the absolute requirement that our intelligence agencies and DFAT must always ensure that the advice they give is as accurate, meaningful, relevant, accessible and intelligible as possible.

The Committee is completely satisfied that, on the basis of all the evidence arrayed before it, there was no specific warning of the Bali attack. ASIO had, from September 2001 onwards, assessed the threat to Australian interests in Indonesia as high. From December 2001, Australia's intelligence agencies expended substantial effort to come to grips with the structure of terrorist groups in Indonesia, particularly Jemaah Islamiyah, and their links with international terrorists, notably al-Qa'ida. Throughout 2002 there was a persistent escalation of advice as agencies came to better appreciate the capacity and intent of JI. This advice was variously conveyed in widely-disseminated formal written 'product', through direct briefings, in discussions at top-level security committees, and through almost daily contact between officials of the relevant agencies.

For DFAT, threat assessments produced by ASIO were a key consideration in the formulation of travel advice. Prior to Bali, however, ASIO was not itself involved in scrutinising or clearing DFAT travel advice to the extent of ensuring that threats were adequately reflected in that advice. Since Bali, ASIO has been systematically involved in the Travel Advice process.

During the year before the Bali bombings, DFAT Travel Advice contained generic threat advice, with particular attention being paid to those areas of Indonesia where domestic ethnic and religious political violence posed serious risks to travellers. They included reference to explosions and bomb threats in Jakarta and elsewhere. For the first half of 2002 there was no notable warning about the deliberately anti-Western terrorist threat of the kind being discerned by the intelligence agencies during that period. The advisories tended to highlight the risks to foreigners arising from demonstrations and protests, and from harassment and opportunistic physical assault by militants. They did, however, warn that Australians should take seriously any bomb threats made against them or the premises they occupied. The advisories also stated, in response to persistent questions from travellers, that Bali was 'calm' and that tourist services were 'normal'.

In July 2002, the Travel Advices were strengthened to convey to travellers the need to 'monitor carefully developments' and to 'maintain a high level of personal security awareness'. The Advice also now warned that bombs had been exploded 'including in areas frequented by tourists' and that 'further explosions may be attempted'.

From 10 September 2002, each Travel Advice headline summary began with the words: 'In view of the ongoing risk of terrorist activity in the region ...' and concluded with the words: 'Tourism services elsewhere in Indonesia are operating normally, including Bali.'

In the Committee's view, the information and warnings contained in the travel advisories for Indonesia during the month or so before the Bali attacks, while warning of an increased generic terrorist risk, nonetheless did not adequately reflect the content of the threat assessments that were available by that time that specifically warned that Australians in their own right were now seen as terrorist targets in Indonesia. ASIO's threat assessments had made plain that Australians were potential terrorist targets not just because they were 'westerners', but because Australia itself had become a focus of al-Qa'ida/Jemaah Islamiah terrorist attention. In the Committee's view it would have been better for this additional piece of information to have been provided through DFAT's travel advisories so that potential Australian travellers would have been aware that Australians in their own right were now the objects of specific terrorist interest in Indonesia.

Furthermore, while DFAT's travel advisories warned of a generic terrorist threat 'in the region', the ASIO threat assessments had referred to Australians becoming potential terrorist targets specifically within Indonesia (as well as elsewhere in the region). Again, it is the Committee's view that it would have been better to tell the Australian travelling public that Australians in Indonesia (rather than simply westerners within the region) were of potential interest to al-Qa'ida/JI terrorist organisations.

It would be reasonable to assume, however, that anyone reading the Travel Advice—even just the headline summary and *Safety and Security* section—would understand that there was a generic terrorist risk, that bombs had exploded in the past, including where tourists gathered, and that further explosions may be attempted.

What the Travel Advice reader may *not* have appreciated was that Bali was no safer than any other part of Indonesia in terms of the terrorist risk or the likelihood of a bomb going off. The Committee considers that there are at least two reasons why this may have been so.

The first is that the average tourist—certainly as represented by some of the Bali victims and their families that appeared before the Committee—regarded Bali as a safe haven, set apart from the rest of Indonesia, a destination regarded as 'special' by the many hundreds of thousands of Australians who had visited Bali over many years. The second is that the references to Bali as 'calm' and 'normal', especially when juxtaposed against those specified locations that were highlighted as dangerous, would

have resonated reassuringly with what the intending Bali holiday-maker already, but mistakenly, believed.

During its inquiry, the Committee was repeatedly informed by almost every official who appeared before it that, throughout 2002, Bali could not be considered any safer, or at less risk of terrorist attack, than anywhere else in Indonesia—that Bali was just as vulnerable and the threat to it was just as high as the rest of the country.

This fact was constantly pressed upon the Committee by both the intelligence agencies and by DFAT officials. Yet nowhere in DFAT's Travel Advice for the period was that fact conveyed simply and directly to the Australian travelling public, even though the (mistaken) idea that Bali was a safe haven somehow set apart from Indonesia was almost an article of faith among Australian tourists. The Bulletins issued to resident expatriates and registered visitors by the Australian Embassy in Jakarta, whenever there was a reference to Bali being calm and normal, always added the reminder: 'Australian tourists in Bali should observe the same prudence as tourists in other parts of the country'.

The Committee considers that advice about Bali being 'calm' and with tourism 'normal', while being strictly correct, and deliberately included by DFAT in response to many questions about the state of affairs in Bali, nevertheless reinforced a benign (and erroneous) view of Bali at precisely the time when the security threats to Westerners from terrorists were unprecedentedly high.

What tourists really needed was to have their pervasively inappropriate views challenged—which does not mean being alarmist. A suitable advice could have taken the form: "Bali has long been considered a safe haven, but the risks of terrorism are as high there as elsewhere in Indonesia". Given that around 200,000 Australians a year were visiting Bali, the merits of such a proposal seem self-evident. While this suggestion benefits from hindsight, it is also a properly contextualised, relevant and measured piece of factual advice, entirely consistent with ASIO's uniformly high threat assessments and the general intelligence picture at the time, and it also takes into account the mindset of those travellers to whom it is directed.

The Committee agrees that ASIO properly assigned a threat level of HIGH to the situation in Indonesia (and thereby Bali). The Committee notes that ASIO, along with other agencies, was assiduous in the production of intelligence advice throughout the period as it came to better understand the nature, capabilities and intentions of JI. The Committee also appreciates that at no time was it appropriate for ASIO to issue a threat assessment at the top of its threat scale—something which would have required the threat to be confirmed by specific, reliable information about an attack.

But the majority of the Committee has somewhat different views from those held by the intelligence agencies about the particular *vulnerability* of Bali at least so far as these were conveyed to the Committee by agency heads during the Committee's hearings. Agency heads repeatedly told the Committee that the concentration of

Australians in Bali, of itself, did not render Bali a more likely target than elsewhere. The majority of the Committee does not share that view for the following reasons.

This Report rehearses at length the sequence of intelligence reporting relating to the terrorist threat in Indonesia in the twelve months leading up to the Bali bombing. In short, the threat was high—officially so from September 2001; Australia's profile as a supporter of US action was growing, and Australia was being increasingly portrayed as anti-Islamic; it was increasingly clear that JI had the intention, capability and resources to mount terrorist attacks including against soft targets and Australians could not be considered exempt.

Other factors were also at play. It became more apparent during 2002 that JI had links with al-Qa'ida, and that Osama bin Laden-inspired jihadism was energising Indonesian militants. The Indonesian authorities were either unable or unwilling to act against them. Indeed, the secular Muslim government was held in almost as much contempt by the radicals as their nemesis the West.

Osama bin Laden had identified Australia as a crusader force and within Indonesia there had been a surge of militancy against Westerners and their activities—especially tourist and recreational activities—that had long been regarded as decadent and offensive by Muslim activists. To terrorists like JI, nursing their potent grievances, and looking for suitable soft targets against which to exact their revenge, it is likely, in the view of a majority of the Committee, that Bali (along with other sites) would have been drawn into focus on the terrorists' strategic landscape.

Bali also enjoyed some qualities that distinguished it from other tourist destinations. It was renown as the tourist destination of choice in Indonesia for Westerners who wanted to let their hair down. It was regarded as a safe holiday destination, with a Balinese (largely Hindu) population that seemed more tolerant or indulgent of Western tourists' mores and behaviour than their Javanese Muslim counterparts.

Westerners gathered in large numbers in the clubs and bars that were concentrated in Kuta, and there was virtually no security presence. The relatively small number of Muslims inhabiting Bali reduced the likelihood of collateral Muslim casualties should a strike be mounted. In the background was a strong sentiment amongst Indonesian radicals, notably Laskar Jihad, that non-Muslim communities should be cleared out of the region.

In the light of all these considerations, the majority of the Committee finds it difficult to agree with the assessment of agency heads that Bali was not any more vulnerable than any other part of Indonesia. It was, in the Committee's majority view, more vulnerable than many if not most parts—especially given the fiercely anti-Western, jihad-inspired and self-righteous anger of Indonesia's extremists.

These views about Bali's vulnerability in no way detract from the legitimacy of ASIO's assessed threat level for Indonesia being placed at HIGH from December 2001. The Committee acknowledges that, in the absence of credible, specific

information confirming a threat, ASIO could not have issued a threat assessment any higher than the penultimate level at which the assessment already stood. It is not in the 'headline' threat assessments, but in the more general intelligence reports about terrorist threats in Indonesia that more consideration should have been given to the question of the vulnerability of Bali, especially given that around 200,000 Australians visited there each year. This might have also resulted in more appropriately crafted Travel Advice.

Both ASIO and DFAT have stated to the Committee that, notwithstanding the solid relationship and good communication that existed between the two agencies prior to Bali, their roles were 'too compartmentalised' when it came to the preparation of Travel Advice. That situation was reviewed immediately after Bali, and new arrangements were put in place which integrated ASIO into the iterative process whereby DFAT's Consular Division, its South and SE Asia Division, and its Jakarta Embassy formulate Travel Advice.

ASIO is now required to 'tick off' on Travel Advice pertaining to any region where the ASIO threat assessment is high. As well, DFAT has made major efforts to enhance the dissemination, accessibility and intelligibility of its Travel Advice, and to ensure that it works in close partnership with the travel industry to optimise the information flowing to intending travellers. The Committee commends the agencies on these initiatives. It is imperative that where a threat assessment is high, every effort is made by the travel industry to ensure that that information is drawn to travellers' attention—perhaps by annotation on the actual airline tickets.

Travel agents are a key source of advice for tourists. While the Committee commends the various initiatives by DFAT and the travel industry to work in partnership to encourage best practice, the Committee believes that steps could be taken to further strengthen the quality of advice and service to would-be travellers.

The Committee has therefore recommended that the government, in consultation with the travel industry further develop and oversee a code of practice which would, among other things, make it mandatory for travel agents/advisers to provide to overseas travellers, at the time a booking is made, a copy of both DFAT's Travel Advice for the destination concerned and ASIO's threat assessment for the country itself. Travellers must be advised to consult the DFAT Travel Advice 24 hours prior to their departure.

The Blick Report

Although the Committee did not have access to the classified material that informed the Australian intelligence agencies' assessments at the time, the Committee is in no doubt that there was no specific, actionable intelligence related to the bombings of 12 October 2002. This was the consistent evidence of the intelligence agencies and was the conclusion reached by the statutorily independent Inspector-General of Intelligence and Security, who *did* have access to all the relevant material. The Committee has no reason to (and does not) call into question Mr Blick's conclusions.

The terms of reference under which the Inspector-General operated did not require him to examine areas such as the formulation and accuracy of threat assessments, and their relationship to, and commensurability with, the travel advisories issued over that period. The Committee does not doubt in any way the professionalism and efficiency of the officials carrying out these duties within their respective agencies. Because the Senate Committee has not had access to the original intelligence, it has not been able to assess for itself whether the published threat assessments were congruent with the intelligence available. As well, given that such an assessment was also outside the terms of reference of the Blick inquiry, there is little the Committee can do to prevail against public criticism that this aspect of ASIO's work has not been subject to independent scrutiny.

This difficulty has not been overcome by the July 2004 report of the Flood inquiry which, by its own account, 'did not inquire into ASIO per se because that would not have been justified by the terms of reference. For this reason, domestic security and intelligence arrangements are not the focus of this [Flood] report'.

Again, the Committee can only assess the commensurability of Travel Advice against what were the published threat assessments or what was otherwise revealed publicly to the Committee by the agencies. Nor was the Inspector-General required to make such a judgement. While the Committee is perfectly satisfied that its assessments are justified on the basis of the evidence placed publicly before it, the Committee concedes that this is unlikely to be enough to satisfy those who insist that such assessments are impeded by lack of access to the detail of the intelligence reporting.

The Committee is mindful of the fact that it has been unable to have access to the underlying intelligence assessments which gave rise to the threat assessments and travel advisories constructed by DFAT on that basis. Further, the Committee is also mindful of the fact that the only previous inquiry conducted into these matters by the Inspector General of Intelligence and Security (IGIS) did not have any terms of reference empowering IGIS to examine the correlation between underlying intelligence assessments, threat assessments, and travel advisories

For these reasons the Committee is of the view that the country's future arrangements in these areas may be advantaged by an independent commission of inquiry with specific terms of reference to address these and related matters.

Allegations of 'missed' intelligence

During the inquiry, reference was made to various reports in the press and elsewhere claiming, for example, that relevant information from foreign intelligence agencies had been made available to Australian authorities, and that threat advice had been ignored. These reports and allegations were either simply erroneous or lacked foundation, or were highly contestable opinions.

The *Asian Pacific Post* out of Richmond, British Columbia, on 26 June 2003 reported that American spies identified two Bali resorts as terrorist targets months before the

Bali attacks. It also claimed that the report was meant to be shared with allies by the US liaison officers.

According to the former Director-General of Intelligence and Security (Bill Blick) this so-called *Combined Analysis* report was a forgery—it being clearly established to his satisfaction that there was no such report emanating from any official source. Mr Blick's testimony was supported by a letter to the Committee from the Director-General of ASIO (Mr Richardson) advising that all relevant Australian agencies had searched their records and can find no evidence that any such document was ever received.

Mr Richardson also provided to the Committee a copy of the 27 June 2003 letter from the US Assistant Secretary of State (James A Kelly) to HE Michael Thawley (Ambassador of Australia). The United States Department of State advised the Australian Ambassador in Washington on 27 June that the claim was 'thoroughly researched' and that there was 'no evidence to suggest that such a document was produced by the US Government'.

As well as confirming that the US Government had not produced the alleged document, the letter from Mr Kelly also stated that 'it has consistently been our policy to share information relating to possible terrorist threats to Australian citizens... I reaffirm: we had nothing to indicate a specific threat of attack or danger of attack in Bali'.

Mr Richardson also told the Committee that he had been advised that there had been an earlier, similar report in the Canadian press. 'The Canadian authorities checked that out with the United States at the time and got the same answer, and also the Canadian authorities could find no evidence in their system of any such document'.

Another particular issue that has been raised in several media reports concerns information emerging from the interrogation by the FBI of the al-Qa'ida operative known as Jabarah, who had been arrested early in 2002. During that interrogation, Jabarah revealed that the senior JI figure known as Hambali had planned 'to conduct small bombings in bars, cafes and nightclubs frequented by westerners in Thailand, Malaysia, Singapore, Philippines and Indonesia. Hambali also stated that he had one ton of PETN explosives in Indonesia. The source [Jabarah] did not know who would carry out the bombings or when'.

Several of the media reports assumed that this information was made available to Australian authorities prior to the Bali bombings. In fact, it was not forwarded to Australia until well after the event – although some general background on Jabarah had been forwarded to Australia in mid-2002. The Committee considers that at the very least, such information about Hambali's intentions, had it arrived earlier, would have assisted Australian intelligence agencies to enhance their assessments of the terrorist threat in Indonesia, and could well have resulted in stronger travel advice being issued. It could also have led to more direct pressure being applied by the Australian government to the Indonesian authorities to take stronger action against suspected terrorists. Whether it would have led to explicit warnings about Bali's

vulnerability is completely undeterminable. It is unlikely, however—even if Hambali's intentions had been known—that such knowledge would have resulted in the prevention of the Bali atrocity. Prior to Bali, the Indonesian government had consistently been unable or refused to respond appropriately to pressure from Australia and its allies to take action against extremists.

Towards the end of its inquiry, the Committee was confronted with another controversy arising out of comments in a report published by America's Rand Corporation. Entitled *Confronting the "Enemy Within"*, the report examined the domestic intelligence bureaus in the UK, France, Canada and Australia. Page 49 of that report included the following paragraph:

In the United Kingdom, MI5 has been accused of ignoring the threat posed by al Qaeda.... Equally in Australia, regional analysts following the movements of JI charge ASIO blatantly disregarded threat assessments that, if followed, could have prevented the October 2002 Bali tragedy.

The footnote to the last sentence referred to interviews with people in 'The Intelligence Corps, AFP', the 'Institute of Defense and Strategic Studies, Singapore' and an article in *The Age* of 8 January 2003. The Committee wrote to Dr Chalk, one of the RAND Report authors, asking for further details.

Dr Chalk responded promptly to the Committee's letter saying that the reference to the AFP was incorrect (it should have been the ADF), that he would not reveal his interview sources, and that he considered *The World Today* (the basis for *The Age* report) to be a reputable and suitable publication upon which to draw. Dr Chalk also pointed out that he was not making allegations against ASIO, he was simply reporting what others had said to him.

The Committee regards the allegations that ASIO 'blatantly disregarded' warnings that 'could have prevented' the Bali bombing to be without foundation. The Committee is not aware of any approaches made by Dr Chalk to the heads of either the AFP or ASIO to seek a response from those agencies to the allegations, either prior to or since the publication of the RAND report. The Committee considers that these allegations, especially given the prominent media coverage of the RAND report that resulted from their inclusion, may have caused unnecessary grief to the families of Bali victims, and undermined public confidence in ASIO.

The RAND authors are perfectly entitled to publish their views, and to report the views of others. However, it cannot have escaped their notice that allegations of the type they were reporting were not inconsequential. Their failure to balance those allegations, for example by making reference to the findings of the widely-publicised Blick report—which examined all the pre-Bali intelligence material and concluded that there was no specific intelligence warning of the attack—was an omission that does not reflect well on the authors.

Although not a matter that was included in its terms of reference, the Committee considered it appropriate to comment on the question of compensation for victims of

the terrorist attacks in Bali. There are some complex jurisdictional issues at play here that have led to variable levels of assistance and support to Bali victims. The Committee has made some recommendations to both Commonwealth and State governments with a view to establishing a fair national scheme for compensating victims of crimes such as terrorism.

Senator Steve Hutchins

Chair

