Terrorism, Money Laundering, Arms Trade, and Drug Smuggling

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Before turning to the topic at hand, I would like to congratulate our Saudi hosts for taking the initiative to launch this impressive and important international gathering on counterterrorism, a topic that has become the central focus for our respective governments and for the international community. I would also like to congratulate and thank our Saudi hosts for the wonderful organization of this event and for the legendary Saudi hospitality.

The task before this Working Group is to formulate recommendations dealing with the relationship among terrorism, money laundering, arms trade and drug smuggling. Our hosts have asked this, and all other working groups, "to share experience and reach practical conclusions and suggestions." This is an altogether fitting task for a conference which focuses on practitioners, as our Saudi hosts have designed this gathering.

I would like to follow our host's injunction to "kick start" our discussion of this issue with suggestions based on my personal experience since September 11, 2001 in combating the international financing of terrorism. I have grouped these ideas and suggestions in three concentric ever broadening circles: first, what our governments need to do domestically; second, what our governments can do to cooperate more effectively on a regional basis; and third, how broader international cooperation can be improved.

However, before making suggestions about countering the threats that this Working Group is assigned to treat, I would like to make a few comments on the evolving nature of these threats. Our Saudi hosts are wise to study the relationships between terrorism, money laundering, illicit arms trade, and narcotics trafficking... The boundaries that divide these four scourges have become increasingly blurred. The initial impetus for the international community to become more active in combating money laundering was the massive flow of illicit drug money, and later this was extended to other profit-generating crimes. Today, though we remain concerned about drug smugglers, we see an even greater threat posed by terrorists using the same money laundering tricks and techniques to move funds for deadly purposes. Even small amounts of money can finance attacks that cost the lives of our citizens and cause

disruptions that lead to losses of billions of dollars to our economies. In a number of regions, narco-terrorism has emerged as common expression when drug dealers engage in terrorism to protect their illicit activities, sometimes with a political dimension.

Furthermore, the shadowy figures that provide weapons on black markets do not care if they are supplying them to dealers in blood diamonds, to international criminals or to those who would use arms to sow terror in attempts to blackmail and destabilize legitimate governments. There is increasing evidence that, as we have clamped down on international terrorist financing flows, loosely connected terrorist cells have come to rely on the proceeds of local criminal activity, including narcotics sales, to finance their operations. Most important for this Working Group, terrorists, money launderers, arms traffickers and drug lords are flexible, changing their methods in response to our efforts and forging alliances of convenience among themselves. If they are cooperating, adapting quickly, and operating with new flexibility, we need to do all of these things as well if we are to foil their efforts.

The first ring of my concentric circles of cooperation deals with the lessons we can draw from our experience since September 11, in terms of structuring and operating our countries' domestic operations against terrorism and how we need to build in efforts against money laundering and the illicit trade in drugs and arms. The 9/11 Commission, which investigated in detail the events leading up to the attacks on the World Trade Center, focused on the need to "break down the walls" that prevented effective information flow among all relevant law enforcement, national security and intelligence agencies. I believe that the key to the U.S. Government's effort in tackling terrorism finance is the fact that we have now put in place effective U.S. interagency information flow as well as policy and operational coordination. A Policy Coordination Committee (PCC), established under the auspices of the National Security Council, ensures that these activities are well coordinated and that all agencies share information. This strong interagency teamwork involves the intelligence agencies and the law enforcement community, including the FBI, as well as State, Treasury, Homeland Security, Justice, Defense, and the financial regulatory agencies collectively pursuing an understanding of the system of financial backers, facilitators and intermediaries that play a role in this shadowy financial world.

The overarching lesson I draw from my experience is the need for interagency cooperation coupled with the overall direction of the terrorist finance effort by a body that can choreograph all of the USG participants in the process to find just the right blend of instruments on a case-by-case basis. The NSC in the United States is ideally placed to play this coordinating role in terrorist finance as it has traditionally done in other national security areas. In other governments perhaps a special coordinating body in the Prime Minister's or President's office may be best placed to bring agencies together: the essential point is that each government needs some body that can compel information sharing and policy coordination.

Our process of "breaking down the walls" has not been an easy or a painless one. It required breaking old habits and changing institutional sociology. Ministries that were used to doing things alone, my own included, have had to learn to coordinate with other parts of the government things that were once in their exclusive domain. More important is the mentality change required: we now need to ask ourselves constantly whom else in the government might we help if we passed on a particular piece of information. We have to make routine exchanging information and coordinating operations covering the entire complex of issues that this Working Group is examining: terrorism, arms trafficking, drugs and terrorism. This means diplomats like me working with organizations such as the Drug Enforcement Agency and the FBI, hardly the traditional image of diplomacy but increasingly one of the most important areas of international cooperation.

This brings me to the second circle, regional cooperation. In dealing with the complexity of issues assigned to this

Working Group, the Financial Action Task Force (FATF) style regional bodies can play a pivotal role. I congratulate our Middle East and North African colleagues for their establishment in December of last year of the Middle East and North Africa FATF Style Regional Body (MENA-FATF). We see it, and the other FATF style regional bodies, as one of the most effective means for countries, on a regional basis, to meet some of the specific objectives outlined in the conference program for this Working Group.

- Preventing **money laundering**: This is the raison d'etre of the FATF and the regional FATF style regional bodies. The Forty recommendations and the nine special recommendations are designed to enhance transparency, encourage international cooperation and to prevent abuse of financial systems by terrorists and criminals. The on-site peer reviews and self-assessments can help all members identify and correct weaknesses that can be exploited by terrorists.

- Improving ways to identify and block the use of **cash couriers**: FATF's new special recommendation nine deals directly with this problem and we hope to see all members of FATF and regional bodies apply this recommendation as soon as possible.

- Similarly, we need to **improve financial controls and reporting systems**, particularly by alternative remittance systems or hawalas as noted in FATF Special Recommendation six. We commend the countries in this region that have taken the initiative to hold a number of conferences on this subject to exchange ideas and best practices. Continuing effort is needed.

- **Exchanging data** on transactions, intelligence, and law enforcement: One of the key elements of FATF and regional bodies and the Egmont Group focus on is the establishment of effective financial intelligence units (FIUs). One of the major advantages of FIUs is their ability to rapidly exchange information on suspicious transactions. The more rapidly effective FIUs can be developed and enhanced information sharing can be implemented the better. Broader cooperation should also include, when appropriate, Mutual Legal Assistance Treaties and more routine regional and bilateral exchanges of law enforcement and intelligence related to terrorism.

- Monitoring and controlling fund raising and disbursement by **charitable religious, NGO** and other cover activity: This is also covered in FATF Special Recommendation eight. Each of our countries needs to review its own domestic regulation in light of the threat level and to exchange information on best practices with others in the region and worldwide. Our Saudi hosts have taken innovative measures to assure that charitable and religious donations given by people of good faith and virtuous motives are not hijacked for use by terrorists. I hope that our Saudi colleague can share with us during the discussion some insights on this topic.

- Exchanges of techniques and **training** in terrorism related law enforcement: On the technical assistance front, the U. S. government has provided millions of dollars in technical assistance and training to help our allies develop and reinforce counterterrorist financing/anti-money laundering regimes that meet international standards. Over 25 US government agencies and offices, including the Departments of Justice, Treasury and Homeland Security, have provided training and technical assistance to countries in every region of the world. These comprehensive training and technical assistance programs include legislative drafting, financial regulatory training, financial intelligence unit development, law enforcement training, and prosecutorial/judicial development. Our other G-8 partners and the IFIs are also active in this area. However, more is required and we look for more regional training where lessons learned can be more closely adapted to local circumstances.

- **Public outreach** and education: No one likes increased regulation. Airline passengers do not enjoy dealing with the enhanced security requirements of today's travel. However, they have accepted this as a necessary measure for their own protection. We need to make similar strides in the financial area. Among the most sensitive areas is the regulation of charities, especially religious charities. It is important that we make clear in our public message that we are protecting those who wish to meet their religious obligations by helping them avoid funding actions that all faiths condemn.

The last of my concentric circles involves action at a global level. In this area the international community has used multilateral asset freezes, together with technical assistance and the FATF multilateral process, as valuable devices to isolate terrorist financiers, drive them out of the formal financial system, and unite the international community through collective action. The United States continues to work together with our international partners to strengthen the multilateral designation process. By quietly pre-notifying our allies before submitting names for designation to the UN 1267 Sanctions Committee, we seek to build international consensus early. At the same time, we encourage our international partner governments to propose names of terrorists and terrorist supporters to the UN for asset freezing and other sanctions. In cases where an individual or entity assumes a new name, we initiate action to designate the alias, thwarting their efforts to simply continue "business as usual" under a new name. These actions prevent open fundraising, diminish support to illicit charities, and act as an element of diplomacy to demonstrate international resolve.

In the fight against global terrorism, the international community must continue to use vigorously all of the tools at its disposal -- including designations/asset freezing, law enforcement/intelligence cooperation, and the establishment and enforcement of international norms and standards. Given that the money that gets into the hands of terrorists flows around the world, the only way we will be successful in drying up their financial resources is through continued, active international engagement. We *must* continue to broaden and deepen our efforts worldwide. These efforts have paid off, and they will continue to do so.

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