

INTERNATIONALIZING THE FIGHT

E. Anthony Wayne

Terrorists move money through channels as diverse as major banks, charities, and alternative remittance systems. U.N. member states are obligated to apply sanctions against designated terrorists and their financial supporters, including freezing assets, banning travel, and enforcing arms embargos. However, gaps in enforcing sanctions exist, and the United States and its international partners are working to address how to deal with informal financial systems and non-governmental organizations through which terrorists collect and move their funds. The United States is providing substantial assistance to other governments to help them attain the technical ability and skills to clamp down on terrorist financing activity.



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The international community is engaged in a long-term campaign against terrorism. One of the critical fronts in this fight is the effort to disrupt the financial networks that sustain terrorist organizations and finance their operations.

This article examines how the U.S. government is organized to fight terrorist financing, what the international community is doing, and what challenges lie ahead as terrorist organizations find new ways to raise and transfer money.

The main development in 2004 has been the genuine internationalization of the effort to stop flows of money to terrorists. For example, Italy proposed more candidates for U.N. sanctions than any other country, followed by the United States, Algeria, Saudi Arabia, and Germany. The European Union issued a major counterterrorism declaration on March 25, 2004, including very specific commitments on counterterrorist finance. In mid-2004, Saudi Arabia placed all overseas charities headquartered in Saudi Arabia under a government-controlled umbrella organization. This action effectively closed the overseas branch offices of the Al-Haramain Foundation, a major international charity, several branches of which had provided support for al-Qaida. The decision also enabled Saudi government control of transactions between Saudi charities and their overseas affiliates. This action should plug a number of conduits for terrorist financing and provides an example of close coordination among responsible nations working together to combat the financing of terrorism.

THE U.S. EFFORT

The tools to combat terrorist finance include intelligence, law enforcement, designation and asset freeze, and various

diplomatic initiatives. These tools are often mutually reinforcing.

One of the most important aspects of the U.S. effort is the public designation of terrorists and their supporters and the freezing of their assets. So far, the United States has designated some 384 individuals and entities.

Legal authority to freeze assets is contained in Executive Order 13224, signed September 23, 2001, deriving authority from the International Emergency Economic Powers Act and the United Nations Participation Act. The Executive Order, available at www.state.gov/e/eb, enables the executive branch to freeze assets administratively and permits quick, flexible, and extensive action.

Equally important is a coordinated interagency process led by the National Security Council. It includes the departments of State, Treasury, Justice, Homeland Security, and Defense, as well as intelligence and enforcement agencies. Indeed, our interagency approach could well be a model for other countries and regional entities looking to restructure their counterterrorism efforts.

The process begins with analysis of money transfers by suspected terrorists and their financial backers. Targets for action are developed. The interagency group meets to examine alternative options to disrupt these networks. Actions could include:

- the Department of the Treasury designating an individual or group, freezing the assets located in the United States or in overseas branches of U.S. corporations or under the control of U.S. persons worldwide, and barring any transactions with U.S. persons or corporations
- the Department of Justice or Federal Bureau of Investigation (FBI) initiating an investigation and, possibly, prosecution
- the Department of State developing a strategy to win international support for our action, for example, by seeking U.N. sanctions

THE UNITED NATIONS

The United Nations has stepped up its efforts to fight terrorist financing. It requires all countries:

- to prevent and suppress the financing of terrorist acts (including U.N. Security Council Resolution 1373)
- to freeze the assets of individuals and entities linked to Usama bin Laden, the Taliban, or al-Qaida (UNSCR 1267 and subsequent relevant resolutions, most recently, UNSCR 1526)

The United Nations has established a process for reviewing requests from member states to add the names of individuals and entities subject to asset freezes to a consolidated list maintained by its 1267 Sanctions Committee. U.N. member states are obligated to take certain measures against these names, including asset freeze, arms embargo, and travel ban.

So far, the international community has frozen approximately \$142 million in assets from individuals and entities on the consolidated list. The U.N. mechanism is proving invaluable in internationalizing asset freezes and underscoring the global commitment against terrorism. This is a U.N. list, and imposing specified sanctions against the listed individuals and entities is an obligation of all U.N. members.

It is important to point out that cooperation in designating individuals and entities is a truly global endeavor. Many countries, including Saudi Arabia, Algeria, France, Spain, Italy, Belgium, Germany, the United Kingdom, China, and Russia, continue to submit al-Qaida-linked names to the Sanctions Committee to be added to its consolidated list. Let me give two examples:

U.S.-Saudi Joint Designations: In March 2002, the United States and Saudi Arabia jointly requested the U.N. 1267 Sanctions Committee to add the names of the Somalia and Bosnia-Herzegovina branches of al-Haramain to its consolidated list. These two branches, now closed, were linked to al-Qaida. Subsequently, and as a result of joint U.S.-Saudi referrals, the name of Wa'el Hamza Julaidan, an associate of Usama bin Laden, was added to the consolidated list in late 2002, and nine additional branches of al-Haramain were added in 2004.

Jemaah Islamiya: In October 2002, 50 countries, including all the members of the Association of Southeast Asian Nations (ASEAN) and the European Union, joined together in submitting the name of Jemaah Islamiya to the 1267 Committee. Jemaah Islamiya is

responsible for perpetrating a number of deadly attacks, including on a Bali nightclub.

LAWS, REGULATIONS, AND STANDARDS

Since 9/11, more than 80 countries have adopted new laws and regulations to fight terrorist financing or are in the process of doing so. The number of Financial Intelligence Units that have met the internationally agreed standards and are able to share information through membership of the Egmont Group (countries with operational financial intelligence units) increased from 69 to 84 members. We have worked closely with the Financial Action Task Force (FATF) on money laundering and its associate regional bodies in this effort.

FATF, an intergovernmental body of 33 countries, has expanded its mandate to include terrorist financing. In addition to its 40 original recommendations on money laundering, FATF has generated eight Special Recommendations on Terrorist Financing that have become the international operational standard on addressing terrorist financing. These recommendations provide a blueprint for countries that need to modify their laws and financial systems to comport with international standards. FATF's ability to publicly list countries with poor anti-money laundering practices encourages countries to put in place stronger money laundering regimes. As a result of this publicity, Nigeria, Ukraine, and the Philippines moved to implement vastly improved legal systems.

Countries have also worked to ensure that terrorists are unable to misuse charities or alternative remittance systems, also known as "hawalas," and money service businesses. Until 9/11, the hawala system was completely unregulated in many jurisdictions. While most hawala transactions are legitimate remittances to families by expatriate workers, terrorists have also used the informal remittance sector.

The Central Bank of the United Arab Emirates (UAE) hosted an international conference in May 2002 where nearly 40 countries recognized for the first time the need to regulate the hawala sector. A second international conference on hawala was held in the UAE in April 2004 to acknowledge and reaffirm the important achievements of the first conference and to establish a plan for

continued work. A number of countries, including the UAE and Pakistan, have taken steps to regulate the informal sector, and we are encouraged by initial signs of an increase in the use of banking channels to transfer workers' remittances from the Gulf and elsewhere to their families in South Asia. We will continue to work actively to establish greater levels of transparency and accountability for the informal sector.

Countries around the world have also addressed terrorists' raising and moving funds by masquerading their activities as charitable causes. Hamas fundraising, to take one example, is known to blend funds for both charitable and militant uses. Two very recent examples of countries' actions are European Union countries' designation of Hamas for asset freeze, and, as noted earlier, Saudi Arabia's umbrella organization to supervise all international charities and all overseas transactions by charities.

CAPACITY BUILDING

Many countries do not have the technical ability and skills to take the actions required of them. The U.S. government has engaged in important capacity-building initiatives with other governments to clamp down on terrorist financing activity. The State Department has obligated more than \$11.5 million for counterterrorist finance assistance since 2002. We have prioritized countries needing assistance and shaped programs based on this prioritization. The FATF, G8 (Group of Eight industrialized countries), United Nations Committee on Counterterrorism (CTC), International Monetary Fund, and World Bank are also pursuing and coordinating with us on efforts in this area.

In this context, I want to stress that our embassies around the world have been essential in helping to develop and implement all elements of this global strategy. This input is invaluable as we craft objectives and we implement efforts to build our coalition and take effective actions.

RESULTS AND NEXT STEPS

Working with countries around the world, we have made it more difficult for terrorists to collect and move funds. The European Union has designated for asset-freezing almost all the names designated by the United States

under E.O. 13224. At the June 2004 U.S.-EU summit, the European Union committed to work actively with the United States to strengthen efforts against terrorist financing. In the Middle East, South Asia, Latin America, and East Asia, states are working to deprive terrorists of their ability to raise funds in the region.

We have much work cut out for us, however. Terrorist financing appears to be more decentralized than previously, with money often sourced from charities, alternative remittance systems, and even crime, and the money is often transported by courier. In the area of

training and technical assistance, international needs remain great.

Given that money is making its way into the hands of terrorists around the world, the only way we will be successful in drying up their financial resources is through continued, active international engagement with countries around the globe. These efforts are succeeding, and they will continue to do so. ■