

Written Testimony

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Good Afternoon. My name is William Wechsler and I am a Senior Fellow at the Center for American Progress. My work there, and previously in the executive branch, focuses on how to improve whole-of-government approaches to combatting terrorism. Efforts to combatting the financing of terrorism has proven to be a critical element in that whole of government approach.

I would like to begin by thanking the House Financial Services Committee and its Chairman Jeb Hensarling and Ranking Member Maxine Waters for having the foresight to establish this bipartisan Task Force to Investigate Terrorism Financing, and also by thanking the leadership of this task force – Chairman Michael Fitzpatrick, Vice Chairman Robert Pittenger, and Ranking Member Stephen Lynch – for inviting me to be here today.

The topic that you have chosen to investigate today is especially important, and all too often inappropriately deprioritized in our public discussions on the ways by which we combat terrorist financing. In the nearly fifteen years since 9/11 the U.S. ability to combat terrorist financing has been transformed, and our ability to provide technical assistance to others

seeking to improve their counter terrorist financing regimes has similarly improved. Providing technical assistance to help other countries improve their own ability to harden their own banking systems against misuse by terrorists and to disrupt terrorist finances once found, can be a cost-effective way to degrade terrorist groups abroad and protect the U.S. financial system from abuse. Such technical assistance can be an important element of a wider strategy to build partner counterterrorism capacity, which itself is a critical line of operation in any strategy that emphasizes indirect action.

For decades U.S. presidents from both parties have relied on a combination of both direct and indirect action to combat terrorists. U.S. direct actions – including air campaigns, targeted strikes, capture operations and precision raids – are both necessary but not at all sufficient in order to achieve our counterterrorism objectives against the Islamic State, Al Qaeda and other terrorist organizations. These actions can disrupt and even degrade a terrorist group, but rarely defeat and almost never destroy them. In military terms, direct action is often an important line of operation but is only rarely the decisive line of operation. The decisive line of operation is more often indirect action – working by, with and through local actors to achieve U.S. objectives. And working indirectly through others to go after terrorists’ finances can be especially effective.

I have worked on these subjects throughout multiple presidential administrations and from a variety of difference agencies. Back in the Clinton Administration I served on the staff of the National Security Council and I chaired the first-ever working group to go after Osama bin

Ladin's finances. Later I became a senior advisor to the Secretary of the Treasury charged with improving Treasury's ability to combat dirty money. At the beginning of the Obama Administration I was asked to join the Department of Defense as Deputy Assistant Secretary for Counternarcotics and Global Threats, where I led the department's efforts to institutionalize counter threat finance objectives into military plans and doctrine. And later I became Deputy Assistant Secretary for Special Operations and Combatting Terrorism where I worked to integrate threat finance intelligence into our military targeting processes.

About a year ago I left government to return to the private sector and also joined the Center for American Progress. Late last year I contributed to two reports by CAP, which I recommend to the committee, the first on "Confronting the Terror Finance Challenge in Today's Middle East" and the second entitled "After the Paris Attacks: Defeating ISIS and Preserving American Values." We at CAP have been pleased to see that the administration has since adopted many of the recommendations we made.

The Administration's decision last year to expand the scope of U.S. military air strikes to include targeting "Daesh cash" has directly deprived the Islamic State of hundreds of millions of dollars and reportedly helped force the group to cut its fighters' pay by up to fifty percent. Since the Islamic State's finances largely rely on rent extraction, taxation and criminal enterprises from within the territory it controls, such military "sanctions from the sky" will in the short term be the most effective means by which to tactically disrupt the Islamic State's finances.

Over the longer term, however, U.S. and multilateral efforts to build the capacity of our counterterrorism partners to combat terrorist finances will be critically important to achieving our desired strategic effect. Therefore, it is important to understand how to maximize the effectiveness of those efforts.

To that end, here are four of the lessons that I have drawn from my own experience in building partner capacity, both to deal with terrorist financing and to combat terrorism more generally.

First of all, we have to appreciate that virtually nothing can be achieved unless the host country itself is truly committed to reform and sincerely interested in working with the U.S. to reform themselves. We can't want it more than they do – that's a recipe for wasting taxpayer resources at best and for strategic failure at worst. Thankfully, this is generally well understood by the people in the U.S. government who both fund and provide technical assistance, and Treasury's Office of Technical Assistance is known to insist on focusing its work only with governments that are committed to reform. However, sometimes our desire to meet our own counterterrorism objectives and to continue comfortable diplomatic relations can lead us to push technical assistance on a country when it is unwanted and thus likely to have limited impact.

Secondly, specific programs to build partner capacity to combat terrorist financing should be integrated into a wider strategy to build associated capacities. It does little good to draft model anti-money laundering laws and regulations if the host country has little ability to enforce those

laws. And helping to build another country's police forces isn't useful if there is no effective judiciary. And even if there are judges willing to convict terrorists and their financiers then there needs to be prisons to keep them. All of these discrete but interrelated and interdependent elements need to be woven together from many donor nations and multilateral organizations.

Unfortunately, in some cases donor countries have been eager to take part in only the elements that are relatively easy, inexpensive and carry little risk of future political scandal. So there is no shortage of wealthy countries who are willing to part with few lawyers to take a handful of trips abroad to help another country draft its model anti-money laundering regulations, but there are far fewer countries who have proven willing to allocate the necessary money and personnel for years to help build and train a serious correctional system, for instance. And even when multiple countries and multilateral organizations do come together provide assistance on varying subjects, the results are sometimes uncoordinated and thus fail to be mutually reinforcing.

Third, foreign assistance is most effective when it is targeted narrowly but executed broadly. "Targeted narrowly" means building small teams, vetted partners and discrete centers of excellence – rather than trying to build partner capacity in scale. I've found this to be the case whether we are considering building foreign militaries, law enforcement agencies, or financial regulators. "Executed broadly" means that when we do commit to building such targeted partners we should be inclined to offer the full range of potential U.S. support – training,

equipping, advising, assisting and even accompanying our partners as they apply our training in the field. I've found that when we provide all of these differing kinds of support our partners most rapidly improve their own capabilities.

Fourth – and perhaps most importantly – this entire process of building partner capacity holistically works best when it led by an especially capable U.S. ambassador in the field, leading a strong country team in our embassy made up of personnel from all of the agencies that contribute to these programs. The military insists on unity of command for those under arms; strong U.S. ambassadors impose a similar unity of command for all civilian personnel in their country. When we have such an ambassador then programs are adapted for local needs and circumstances, integrated into a wider U.S. strategy, and coordinated with the ambassadors from other donor countries. Officials in Washington can then focus on supporting that strategy with the necessary resources, including hosting international donor conferences that encourage support from other capitols. I recall working with such strong ambassadors throughout the years on comprehensive capacity building efforts in Colombia and in Afghanistan, among other places, and with equally strong ambassadors who focused specifically on terrorist finance issues in such places as Saudi Arabia and the United Arab Emirates.

But unfortunately we do not always have the benefit of such strong ambassadors. When that happens the tasks of developing the assistance strategy and integrating the various elements across the interagency is left to be dealt with inside the beltway – which is rarely a recipe for success. And even more often we do not provide enough personnel to our embassies,

particularly from agencies other than the State Department and especially in the less hospitable locations where our assistance is often the most needed. The reasons vary. Sometimes it is because the terrorist threat in a given embassy is seen to be too high; and in other instances it is because there is not enough physical space available. But sometimes agencies simply don't have the personnel available to send to all the relevant embassies – there are still far too few Treasury attaches around the world, for instance. And sometimes relatively weak ambassadors reject the offer of additional personnel from other agencies even when offered and space is available – typically because they are uncertain of their ability to exercise their own legal and managerial authority over those non-State personnel.

And here there is an important role to play for the U.S. Congress. The Congress has already provided the fundamental legal authorities to allow the executive branch to provide technical assistance and other capacity building to combat terrorist financing. Budgets for such assistance, both at the State Department and at the operational agencies, should be increased and – equally important – the number of personnel in key agencies such as Treasury should be similarly expanded. Congress in its oversight role can ensure that these personnel are stationed forward, in our embassies abroad, so they can work directly and continuously with our partners. And where internal and external coordination is lacking, Congress should insist on improvements from the executive branch.

Finally, there is one additional way in which our coordination of terrorist financing efforts might be improved. Under both Presidents George H.W. Bush and Bill Clinton the U.S. led the way in

combatting money laundering by establishing the Financial Crimes Enforcement Network, then insisting through the Financial Action Task Force that other countries establish similar domestic organizations, and then establishing the Egmont Group of Financial Intelligence Units to coordinate among these organizations. This process whereby a U.S. innovation is gradually spread around the world has significantly improved the global anti-money laundering regime.

It may now be useful to consider the next phase in this effort, one that could have equal benefits for global efforts to combat terrorist financing. Under President George W. Bush the Treasury Department created a new Office of Intelligence and Analysis, led by an Assistant Secretary. Under President Obama this Assistant Secretary also became the National Intelligence Manager for Threat Finance under the Director of National Intelligence. To date, the U.S. is the only nation I know of with an element of its intelligence community housed inside its finance ministry.

From my perspective, this bureaucratic innovation has been extraordinarily helpful to our wider efforts to combat terrorist financing – not the least of which is its support to the warfighter through the Iraq and Afghan Threat Finance Cells. However, it would be even more effective if it had specific counterparts in other finance ministries around the world. I recommend that this House Task Force consider whether the model that was used throughout the 1990s to encourage the proliferation of foreign counterparts to FinCEN might also be applied to encourage other countries -- the G7 nations at the very least -- to establish true counterparts to Treasury's Office of Intelligence and Analysis within their own finance ministries.



Thank you again for inviting me to be here today. I look forward to answering any questions that you might have.