



# Terrorist Threat and U.S. Response

## A Changing Landscape

---

Matthew Levitt and Michael Jacobson, Editors

Policy Focus #86 | September 2008

All rights reserved. Printed in the United States of America. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

© 2008 by the Washington Institute for Near East Policy

Published in 2008 in the United States of America by the Washington Institute for Near East Policy,  
1828 L Street NW, Suite 1050, Washington, DC 20036.

Design by Daniel Kohan, Sensical Design and Communication

Front cover: National Guardsmen patrol San Francisco's Golden Gate Bridge during a terrorism high alert,  
March 18, 2003. Copyright AP Wide World Photos/Marcio Jose Sanchez.

# **Terrorist Threat and U.S. Response**

A Changing Landscape

---

Matthew Levitt and Michael Jacobson, Editors

Policy Focus #86 | September 2008



---

# Table of Contents

---

<b>Contributors</b>	III
<b>Introduction</b>	I
Matthew Levitt <i>Director, Stein Program on Counterterrorism and Intelligence, The Washington Institute</i>	
Michael Jacobson <i>Senior Fellow, Stein Program on Counterterrorism and Intelligence The Washington Institute</i>	
<b>The Strategic Threat of Nuclear Terrorism</b>	8
Rolf Mowatt-Larssen <i>Director, Office of Intelligence and Counterintelligence, Department of Energy</i>	
<b>Emerging Threats, Challenges, and Opportunities in the Middle East</b>	12
Donald Kerr <i>Principal Deputy Director of National Intelligence</i>	
<b>Terrorism in the Twenty-First Century: Implications for Homeland Security</b>	24
Charles Allen <i>Undersecretary of Homeland Security for Intelligence and Analysis</i>	
<b>Winning the War on Terror: Marking Success and Confronting Challenges</b>	34
Juan Zarate <i>Deputy National Security Advisor for Combating Terrorism</i>	

---

---

<b>U.S. Financial Pressure on Terrorists and Rogue Regimes</b>	42
Patrick O'Brien <i>Assistant Secretary of the Treasury for Terrorist Financing and Financial Crime</i>	
<b>Looming Challenges in the War on Terror</b>	52
Michael Leiter <i>Director, National Counterterrorism Center</i>	
<b>An 'All Elements of Power' Strategy for Combating Terrorism</b>	59
Dell Dailey <i>Coordinator for Counterterrorism, Department of State</i>	

---

# Contributors

---

**Charles Allen** is undersecretary for the Office of Intelligence and Analysis and chief of intelligence at the Department of Homeland Security. His career has included appointments as special assistant to the director of the Central Intelligence Agency (CIA) and as the CIA's national intelligence officer for counterterrorism. Throughout his tenure in the intelligence community, he has received numerous awards, including the National Intelligence Medal for Achievement (1983); the President's Award for Distinguished Federal Civilian Service (1986); the Distinguished Intelligence Medal, the CIA's highest and most coveted award (2003); and the National Intelligence Distinguished Service Medal (2005).

**Dell Dailey**, coordinator for counterterrorism at the State Department, manages the development and implementation of U.S. government policies and programs focused on fighting overseas terrorism. As the principal advisor to the secretary of state on international counterterrorism, he is responsible for taking a leading role in developing coordinated strategies to defeat terrorists abroad and in securing the cooperation of international partners to that end. His career has included more than thirty-six years of active duty in the U.S. Army. As director of the Center for Special Operations, U.S. Special Operations Command, at MacDill Air Force Base, he attained the rank of lieutenant general.

**Michael Jacobson** is a senior fellow in The Washington Institute's Stein Program on Counterterrorism and Intelligence, where he was previously a Soref fellow. His areas of focus include sanctions and financial measures to combat national security threats, as well as other issues related to counterterrorism, national security law, and intelligence reform—subjects covered in his 2006 Institute monograph *The West at War: U.S. and European Counterterrorism Efforts, Post-September 11*. Mr. Jacobson joins the Institute from the Treasury Department, where he served as a senior advisor in the Office of Terrorism and Financial Intelligence (TFI) from June 2005 to March 2007. In that capacity, he fulfilled a wide range of responsibilities, including involvement in the office's strategic planning, priorities, and budget. He was also a liaison to TFI's

---

congressional oversight committees, to the Office of the Director of National Intelligence, and to the National Counterterrorism Center. He previously served as counsel on the 9-11 Commission.

**Donald Kerr** is the principal deputy director of national intelligence, second-in-command at the Office of the Director of National Intelligence. Previously, he served as director of the National Reconnaissance Office and as deputy director for science and technology at the CIA, where he received the CIA Distinguished Intelligence Medal. His service in government includes the Federal Bureau of Investigation, where he was assistant director, responsible for the Laboratory Division. Previously, he was with the Department of Energy as deputy assistant secretary, where he received the Outstanding Service Award. Dr. Kerr has also worked as a director of the Los Alamos National Laboratory, where he led research in high-altitude-weapons effects, nuclear-test detection and analysis, weapons diagnostics, ionospheric physics, and alternative energy programs.

**Michael Leiter** has been the director of the National Counterterrorism Center (NCTC) since November 2007, serving previously as principal deputy director. Before joining NCTC, he served as deputy chief of staff for the Office of the Director of National Intelligence (ODNI), where he assisted in the office's establishment and coordinated all internal and external operations, including relationships with the White House, the Departments of Defense, State, Justice, and Homeland Security, the CIA, and Congress. He was also involved in the development of national intelligence centers, including NCTC and the National Counterproliferation Center, and their integration into the larger intelligence community. In addition, he served as an intelligence and policy advisor to the DNI and principal deputy DNI. Prior to his service with the ODNI, Mr. Leiter served as deputy general counsel and assistant director of the President's Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, focusing on reforms of the U.S. intelligence community.

**Matthew Levitt** is a senior fellow and director of the Stein Program on Counterterrorism and Intelligence at The Washington Institute. He is also a professorial lecturer in international relations and strategic studies at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies. From 2005 to early 2007, he served as deputy assistant secretary for intelligence and analysis at the Treasury Department. In that capacity, he served as a senior official within the department's terrorism and financial intelligence branch and as deputy chief of the Office of Intelligence and Analysis, one of sixteen intelligence agencies coordinated under the Office of the Director of National Intelligence. During his tenure at Treasury, he played a central role in efforts to protect the U.S. financial system from abuse and to deny terrorists, weapons proliferators, and other rogue actors the ability to finance threats to U.S. national security.



---

**Rolf Mowatt-Larsen** is director of the Department of Energy's Office of Intelligence and Counterintelligence. Prior to this appointment, he served for twenty-three years as a CIA intelligence officer in various domestic and international posts, including deputy associate director of central intelligence for military support, chief of the Weapons of Mass Destruction Department in the agency's Counterterrorist Center, and, most recently, chief of the Europe Division in the Directorate of Operations. Prior to his career in intelligence, he served as an officer in the U.S. Army. He is the recipient of the CIA Director's Award, the Distinguished Career Intelligence Medal, and the Secretary of Defense Civilian Distinguished Service Medal, among others.

**Patrick O'Brien** was sworn in as assistant secretary of the Treasury for terrorist financing and financial crime in October 2005. From September 2004 until joining the Treasury Department, he served as a senior counsel in the Office of the Deputy Attorney General at the Department of Justice. In that capacity, he worked on a variety of counterterrorism issues, including terrorism financing, and served as the department's representative to the Terrorist Financing Policy Coordinating Committee. Mr. O'Brien has also served as counsel to the director at the FBI and as principal deputy assistant attorney general for legislative affairs at the Justice Department.

**Juan Zarate** has served as deputy assistant to the president and deputy national security advisor for combating terrorism since 2005. Prior to joining the National Security Council, he served as assistant secretary for terrorist financing and financial crimes at the Treasury Department, where he led domestic and international efforts to attack terrorism financing, build comprehensive anti-money-laundering systems, and expand the use of Treasury powers to advance national security interests. He also led the U.S. government's global efforts to hunt Saddam Hussein's assets, resulting in the return of more than \$3 billion of Iraqi assets from the United States and around the world. In addition, Mr. Zarate has served as a prosecutor in the Justice Department's Terrorism and Violent Crime Section, where he worked on terrorism cases such as the USS *Cole* investigation.



---

# Introduction

*Matthew Levitt and Michael Jacobson*

---

IN DECEMBER 2007, The Washington Institute's Stein Program on Counterterrorism and Intelligence kicked off its lecture series with senior U.S. government counterterrorism officials. The series opened with a talk by Ambassador Dell Dailey, the State Department's counterterrorism coordinator and a retired army lieutenant-general in charge of special operations. Since then, the Institute has hosted a number of top officials from key U.S. agencies involved in counterterrorism efforts, including Michael Leiter, director of the National Counterterrorism Center (NCTC); Patrick O'Brien, assistant secretary of the Treasury for terrorist financing and financial crime; Juan Zarate, the deputy national security advisor for combating terrorism; Charles Allen, undersecretary of homeland security for intelligence and analysis; Dr. Donald Kerr, the principal deputy director of national intelligence; and Rolf Mowatt-Larssen, the Department of Energy's director of intelligence and counterintelligence.<sup>1</sup>

With the Bush administration's second term winding down, the lecture series gave senior U.S. officials a chance to highlight the progress the United States has made since the September 11 attacks, as well as to acknowledge the challenges that still remain. The series provides valuable insights for the next administration regarding the terrorism and counterterrorism environment, and identifies where U.S. leaders need to focus their efforts and priorities. Specifically, the series will help the new administration better understand the effective strategies and tactics of the past seven years as well as the strategies that have fallen short.

While the lecture series covered a broad spectrum of terrorism-related topics, ranging from terrorism financing to the threat of nuclear terrorism, three major themes emerged: how the threat facing the United States has evolved, how the United States has adapted its counterterrorism approach, and how the United States has revised its governmental structure to address these threats.



■ *Matthew Levitt, director, Stein Program on Counterterrorism and Intelligence, The Washington Institute*



■ *Michael Jacobson, senior fellow, Stein Program on Counterterrorism and Intelligence, The Washington Institute*

---

1. Since this introduction was written, The Washington Institute has also hosted Drug Enforcement Administration Chief of Operations Michael Braun and National Intelligence Officer for Trans-National Threats Ted Gistaro as part of this series, and additional lectures are scheduled.

This is an adversary that continues to evolve rapidly.

## Change in Threat

Perhaps the most important theme covered in the speaker series was the evolving terrorist threat. As a number of speakers made clear, the United States now faces a different—and in some ways more complicated—threat than it did on September 11, 2001. This is an adversary that continues to evolve rapidly, often in response to U.S. and international pressure.

At the time of the September 11 attacks, al-Qaeda was a centralized, hierarchical organization that directed international terrorist operations from its base in Afghanistan. By 2004, al-Qaeda appeared to be in disarray, with its capabilities dramatically diminished. In fact, the State Department's annual terrorism report that year assessed that al-Qaeda had been "weakened operationally" and that the United States and its allies had degraded the group's leadership abilities and depleted its operational ranks. While al-Qaeda remained focused on attacking U.S. interests, the report noted that its ability to conduct large-scale attacks had been greatly reduced. The growing "grassroots" movement of terrorist networks and cells, inspired by al-Qaeda and Osama bin Laden but with no direct ties to them, were thought to be the emerging threat.<sup>2</sup>

That picture has changed substantially over the past few years, as al-Qaeda's center has grown stronger. Charles Allen observed that although al-Qaeda was on its "back foot" from 2004 to 2007, it has now "regained its equilibrium." Michael Leiter echoed this sentiment, warning, "I regret to say that the al-Qaeda threat still looms large." Donald Kerr offered a similar assessment: "Al-Qaeda remains the preeminent terrorist threat to the United States at home and abroad." There are several reasons, in Dr. Kerr's view, why al-Qaeda continues to pose such a serious threat to the United States. In particular, the group has "retained or regenerated key elements of its capability, including its top leadership, operational lieutenants, and a de facto safe haven in...the Federally Administered Tribal Areas [of Pakistan] to train and deploy operatives for attacks in the West."

According to Leiter, al-Qaeda has successfully expanded its reach through partnerships with other organizations throughout the Middle East and North Africa, something Dailey referred to as the "franchising of al-Qaeda." These affiliates include al-Qaeda in Iraq, al-Qaeda in the Islamic Maghreb, and the Libyan Islamic Fighting Group. While the core of al-Qaeda is resurgent, in Dailey's view, it is still a far more decentralized model than the al-Qaeda of September 11. In fact, Dailey argued that this new arrangement creates weaknesses for al-Qaeda and its affiliates, in that neither can operate without the other. Al-Qaeda's core now has to rely on the affiliates to train operatives and carry out attacks, while the affiliates need al-Qaeda's brand name to gain credibility and attention.

While al-Qaeda and its affiliates still present the most serious threat to the United States, Rolf Mowatt-Larssen contended that focusing on this group alone would be a mistake from the perspective of stopping a nuclear attack. He cautioned, "The sober reality is that the threat posed by nuclear terrorism is much broader than the aspirations of any single terrorist group."

The speakers also articulated the threat the United States faces from Iran, Syria, and Hizballah, among others. According to Juan Zarate, Iran and

---

2. Office of the Coordinator for Counterterrorism, U.S. Department of State. *Country Reports on Terrorism 2004*. Available online ([www.state.gov/s/ct/rls/crt/c14818.htm](http://www.state.gov/s/ct/rls/crt/c14818.htm)).

Syria's state sponsorship of terrorism presents "immediate challenges to our counterterrorism policies and national security," citing Iran's Islamic Revolutionary Guard Corps' activities around the world, including Iraq and, in the past, Argentina. Furthermore, Dr. Kerr reinforced the urgency of dealing with the entities' nefarious activities, focusing specifically on Hizballah's May 2008 actions in Lebanon when the organization targeted Lebanese citizens, reportedly to maintain "resistance" against Israel. The lesson from this situation, according to Dr. Kerr, was that "Hizballah—with the full support of Syria and Iran—will in fact turn its weapons against the Lebanese people for political purposes."

### Change in Approach

The lecture series—together with recent speeches by other senior administration officials—also indicates that the U.S. government's strategy for combating al-Qaeda and its affiliates has shifted considerably. In the years following the September 11 attacks, the United States focused on taking aggressive action and maintaining a hard line with foreign governments. This was reflected in the four counterterrorism policy principles outlined in the State Department's 2004 report: make no concessions to terrorists and strike no deals, bring terrorists to justice, isolate and pressure state sponsors of terrorism, and improve allies' counterterrorism capabilities.<sup>3</sup>

The U.S. government is now more focused on using all its tools in the fight against terrorism. As the State Department acknowledged in its 2007 annual terrorism report, "Incarcerating or killing terrorists will not achieve an end to terrorism."<sup>4</sup> In his speech at the Institute, Dailey advocated the use of all forms of U.S. power: "The United States must use all of its agencies, not just the military, and increase funding for nonmilitary, soft-power alternatives." He noted that Secretaries Robert Gates and Condoleezza Rice made similar pitches, "calling for more funding for other government agencies because both...view the war on terror as a multinational, multiagency effort."<sup>5</sup> Leiter echoed the urgency of the "all elements" strategy by stating, "Terrorism involves such a range of activities and enablers...that to combat the threat requires leveraging all elements of national power."

This approach is consistent with the recommendations of the 9-11 Commission, which called on the U.S. government to use all its national power to keep terrorists "insecure and on the run." The commission recommended that the United States "reach out, listen to, and work with other countries that could help" in this effort.<sup>6</sup>

With this shift in approach, there is increased recognition that communication must be an integral part of counterterrorism strategy. As Dailey observed,

Incarcerating  
or killing  
terrorists will  
not achieve an  
end to terrorism.

3. Ibid.

4. Office of the Coordinator for Counterterrorism, U.S. Department of State. *Country Reports On Terrorism 2007*. Available online ([www.state.gov/s/ct/rls/crt/2007/](http://www.state.gov/s/ct/rls/crt/2007/)).

5. Dell Dailey, "An 'All Elements of Power' Strategy for Combating Terrorism," PolicyWatch no. 1321 (Washington Institute for Near East Policy, December 18, 2007). Available online ([www.washingtoninstitute.org/templateC05.php?CID=2697](http://www.washingtoninstitute.org/templateC05.php?CID=2697)).

6. National Commission on Terrorist Attacks upon the United States, *The 9-11 Commission Report* (Washington, D.C.: U.S. Government Printing Office, 2004), p. 367. Available online (<http://govinfo.library.unt.edu/911/report/index.htm>).

## Efforts now concentrate on discrediting the terrorists.

“This is the first time the United States has faced an enemy that uses the internet as a tool for recruitment and mass communication. Communication should therefore be used by the United States and its allies to shape perceptions, build allies, and dissuade potential terrorists. This must be a central component in U.S. strategy because it influences attitudes and behavior.”<sup>7</sup>

According to Zarate, this is particularly true when it comes to al-Qaeda, whose leaders are “sensitive to the perceived legitimacy of both their actions and their ideology. They care about their image because it has real-world effects on recruitment, donations, and support in Muslim and religious communities.”

Although the U.S. government paid attention to its communication strategy in the years following the September 11 attacks, counterterrorism officials were far more focused on capturing or killing terrorists. Today, contesting al-Qaeda’s ideology is an integral part of the U.S. counterterrorism strategy.

The actual substance of the U.S. message has undergone a serious overhaul. The initial U.S. approach in the wake of the terrorist attacks was to try and sell the United States to overseas audiences, an approach widely regarded as ineffective in stemming the tide of radicalization. Efforts now concentrate on discrediting the terrorists.

The United States has gone about this using a two-fold approach. As Leiter suggested, the United States is trying to point out “how bankrupt” al-Qaeda’s ideology is, and demonstrate that “it is al-Qaeda, and not the West, that is truly at war with Islam” by highlighting the extent to which Muslims are victims of the organization’s attacks. At a press conference announcing the release of the 2007 State Department terrorism report, both Ambassador Dailey and NCTC deputy director Russ Travers emphasized that more than 50 percent of the victims of al-Qaeda attacks that year were Muslim, and approximately 100 mosques were targeted by the group.<sup>8</sup>

In general, the United States is trying to highlight the fact that al-Qaeda is a merciless and cruel organization whose tactics, such as deploying mentally deficient people as suicide bombers, are repugnant. As Leiter argued, “Showing the barbarism of groups like al-Qaeda in the light of truth is, ultimately, our strongest weapon.” The United States is now even using this approach to try and give al-Qaeda second thoughts about using a weapon of mass destruction (WMD). Leiter pointed out that people in the Muslim world are already turning against al-Qaeda and that “no barbarism could be greater than the use of WMD.” While the early results of this new approach are promising, as Allen noted, “No Western state has effectively countered the al-Qaeda narrative” at this point.

After years of emphasizing the seriousness of the terrorist threat, the United States is now concerned that the widespread view of a resurgent al-Qaeda may be helping the organization recruit new members. As Ambassador Dailey stated in the press conference announcing the State Department’s 2007 terrorism report, one of al-Qaeda’s goals is to “create a perception of a worldwide movement more powerful than it actually is.”<sup>9</sup> Consequently, the United States seems to be making a concerted effort to avoid contributing to this phenomenon. In fact, while

7. Dailey, “An ‘All Elements of Power’ Strategy.”

8. A transcript of the April 30, 2008 press conference is available online ([www.state.gov/s/ct/rls/rm/2008/104233.htm](http://www.state.gov/s/ct/rls/rm/2008/104233.htm)).

9. Ibid.

acknowledging that the organization is resurgent in its safe haven along the Afghan-Pakistani border, a number of senior administration officials have begun to predict victory. Zarate, for example, cited a number of “important signs that mark progress and point to the eventual demise of al-Qaeda.” In an April speech at Chatham House in London, FBI Director Robert Mueller suggested that al-Qaeda would be destroyed within a matter of years, not decades.<sup>10</sup>

While many changes to the communication strategy have occurred over the past year, the administration has been making use of another “element” of national power for far longer: financial tools to combat national security threats. As Patrick O’Brien explained, Treasury began to play a more central role in U.S. national security issues with the creation of the Office of Terrorism and Financial Intelligence in 2004, not only on terrorism financing but also against rogue regimes, such as Iran and North Korea. In the past, Treasury, like other finance ministries around the world, focused largely on economic and financial issues. But according to Deputy Treasury Secretary Robert Kimmitt, “The challenges of counterterrorism and counterproliferation have moved beyond the traditional province of foreign affairs, defense, intelligence, and law enforcement. Treasury and other finance ministries around the globe have evolved since September 11, and the world of finance now plays a critical role in combating international security threats.”<sup>11</sup>

In the past, Treasury was often reluctant to get involved in such issues. As a former State Department official noted, “Years ago, people at State would go to Treasury and say, ‘We have got a lot of financial muscle, we should use it to pursue political goals.’ But Treasury would always say it did not want to mess around with the international financial system.”<sup>12</sup>

### Change in Structure

Finally, the series also helped demonstrate how much the U.S. government’s counterterrorism structure has changed since September 11. In fact, a number of speakers were from organizations and agencies that did not exist at the time of the attacks. For instance, the position of director of national intelligence (DNI) was the centerpiece of the intelligence reform legislation passed in December 2004. The legislation was modeled on the recommendations of the 9-11 Commission, which released its report in July 2004. Both the 9-11 Commission and the earlier House-Senate Joint Inquiry concluded that the intelligence community desperately needed a strong leader, and recommended the creation of a powerful national intelligence director who was not responsible for running the CIA.<sup>13</sup>

While the director of central intelligence (DCI) had served as the nominal head of the intelligence community for nearly sixty years, in reality, the DCI has historically been more of a figurehead than an actual leader. In addition to his role

The world of finance now plays a critical role in combating international security threats.

10. Richard Norton-Taylor, “Al-Qaida Could Be Beaten in a Few Years, Says Head of FBI,” *The Guardian*, April 8, 2008. Available online ([www.guardian.co.uk/world/2008/apr/08/alqaida.terrorism](http://www.guardian.co.uk/world/2008/apr/08/alqaida.terrorism)).

11. Deputy Secretary of the Treasury Robert Kimmitt (speech delivered at The Washington Institute’s Soref Symposium, May 10, 2007.) Available online ([www.washingtoninstitute.org](http://www.washingtoninstitute.org)).

12. Bay Fang, “Treasury Wields Financial Sanctions; US Strategy Straddles the Line between Diplomacy, Military Might,” *Chicago Tribune*, April 23, 2007.

13. See 9-11 Commission Report and U.S. Senate Select Committee on Intelligence, *Final Report of the Joint Inquiry*. 2002. Available online (<http://intelligence.senate.gov/recommendations.pdf>).

NCTC leads  
the U.S.  
government's  
strategic  
operational  
planning  
efforts against  
terrorism.

as the head of the intelligence community, the DCI also served as director of the CIA and as the president's principal intelligence advisor. The 9-11 Commission found that "no recent DCI has been able to do all three [jobs] effectively."<sup>14</sup> Most DCIs have been less focused on managing the intelligence community and more involved in running the CIA and serving as the president's chief intelligence advisor. The commission and the joint inquiry both found that because of their lack of authority to fulfill the role, DCIs were also limited in their ability to lead the intelligence community. As the commission report noted, although the DCI was officially responsible for the intelligence community's performance, he did not have budgetary control, authority to hire or fire senior managers, or the ability to set information infrastructure or personnel standards.<sup>15</sup>

The September 11 story provides a number of vivid examples illustrating the effect of a relatively unempowered yet overburdened DCI. Both the commission and the joint inquiry found that former DCI George Tenet did not succeed in his efforts to mobilize the intelligence community against al-Qaeda prior to September 11. In a 1998 memorandum, Tenet declared "war" on al-Qaeda and announced that he wanted no resources or people spared, either in the CIA or in the intelligence community. Despite his strongly worded proclamation, the commission and the joint inquiry discovered that the rest of the intelligence community had not closed ranks in support of the new strategy. The director of the National Security Agency—an entity under the purview of the Department of Defense—recalled receiving Tenet's memorandum, but thought that the memo applied only to the CIA and not to the intelligence community at large. The joint inquiry and the commission both concluded that Tenet's inability to realign intelligence community resources to combat al-Qaeda was a direct consequence of his limited authority.<sup>16</sup>

With the creation of the DNI, the DCI position was abolished. The DNI assumed responsibility for leading the sprawling sixteen U.S. intelligence agencies and preparing the President's Daily Brief (PDB), leaving the CIA director to focus exclusively on managing that agency. Given the DNI's new role in the PDB process, the framework for Kerr's speech—a hypothetical PDB for the new president on January 21, 2009—was quite appropriate.

One of the other major components of the 2004 intelligence reform bill was the creation of the National Counterterrorism Center. NCTC has a number of functions, but most importantly serves as the government's intelligence center, where all the key agencies are housed under one roof. This was an effort to remedy the problems identified by the 9-11 Commission in which different intelligence agencies had—but did not share—relevant information about the terrorist plot, making it difficult to "connect the dots." NCTC also leads the U.S. government's strategic operational planning efforts against terrorism, an endeavor that addresses the criticism that the government had no real strategy to fight al-Qaeda prior to September 11.

The Department of Homeland Security (DHS) was another post-September 11 creation, established in late 2002 by the Homeland Security Act. DHS

14. *9-11 Commission Report*, p. 409.

15. *Ibid.*

16. *9-11 Commission Report* and *Final Report of the Joint Inquiry*.



was an effort to consolidate the many executive branch agencies with homeland security responsibilities. In all, twenty-two agencies were transferred into DHS, including the Customs Service, Immigration and Naturalization Service, Transportation Security Agency, Secret Service, Coast Guard, and Federal Emergency Management Agency. This mammoth department now has more than 180,000 employees.<sup>17</sup> The Office of Intelligence and Analysis is responsible for serving as the intelligence arm for the entire department. This is a key role; as Charles Allen emphasized, quoting DHS Secretary Michael Chertoff, “Intelligence is at the heart of everything DHS does.”

The lecture series underlined that even existing agencies, such as the Treasury Department, have changed significantly. As part of the 2002 government reorganization, the Secret Service and the Customs Service were transferred from Treasury to DHS, and the Bureau of Alcohol, Tobacco, and Firearms was shifted to the Justice Department.<sup>18</sup> Treasury was left with only the Office of Foreign Assets Control and the Financial Crimes Enforcement Network in its enforcement arm—assets hardly adequate to fulfill the department’s responsibilities regarding counterterrorism financing. In order to rebuild Treasury’s enforcement and national security capabilities, the Office of Terrorism and Financial Intelligence (TFI) was created in 2004, along with TFFC (now headed by Patrick O’Brien). The following year, Congress created Treasury’s all-source intelligence arm, the Office of Intelligence and Analysis (OIA). With the addition of TFI, and its TFFC and OIA components, Treasury is a very different agency than it was on September 11, but one that has proven it can play an important role in a variety of national security issues.

## Conclusion

As the lecture series made clear, the next administration will have many serious challenges in confronting the threats posed by al-Qaeda and its affiliates, as well as Hizballah, Hamas, and others. In fact, al-Qaeda and other like-minded groups have been adapting so rapidly that the picture may look somewhat different by January 2009. The next administration will also inherit a bureaucratic structure still very much in transition. With the 2002 DHS reorganization and the 2004 intelligence reform, many new counterterrorism and intelligence agencies were created, and issues relating to their missions and functions have yet to be fully resolved. As Leiter acknowledged, the “single, overarching challenge—and the one that I believe looms largest—[is] institutionalizing all of the progress we have made in working across the U.S. government on counterterrorism.” The next administration will also have to decide whether to continue the established approach of the current administration, including the shift in communication strategy and the more complete integration of all elements of national power into counterterrorism efforts.

The next administration will have many serious challenges in confronting the threats posed by al-Qaeda and its affiliates.

17. Department of Homeland Security, Management and Leadership Strategies for Homeland Security Merger 2004. Available online ([www.dhs.gov/xnews/releases/press\\_release\\_0345.shtm](http://www.dhs.gov/xnews/releases/press_release_0345.shtm)).

18. Office of Information and Privacy, Department of Justice, *Annual Report Guidance for DHS-related Agencies*. 2003. Available online ([www.usdoj.gov/oip/foiapost/2003foiapost29.htm](http://www.usdoj.gov/oip/foiapost/2003foiapost29.htm)).

---

# The Strategic Threat of Nuclear Terrorism

*Rolf Mowatt-Larssen*

---

JUNE 16, 2008  
PREPARED REMARKS



■ *Rolf Mowatt-Larssen, director,  
Office of Intelligence and  
Counterintelligence,  
U.S. Department of Energy*

IN 1998, OSAMA BIN LADEN said that it was an Islamic duty to acquire weapons of mass destruction, and it is through this prism that most people view the threat of nuclear terrorism. The post–September 11 successes against the Taliban in Afghanistan yielded volumes of information that changed our view of al-Qaeda’s nuclear program. We learned that al-Qaeda wants weapons to use, not a program to sustain and build a stockpile, as most states would. Al-Qaeda obtained a *fatwa* in May 2003 from Saudi cleric Naser al-Fadh that attempted to justify the use of weapons of mass destruction. Moreover, al-Qaeda spokesman Sulayman Abu Ghayth said in 2003 that it is al-Qaeda’s right to kill four million Americans in retaliation for Muslim deaths that al-Qaeda blames on the United States. In January 2006, bin Laden threatened that “operations are being prepared and you will see them in your own backyard,” and past experience strongly suggests that they will strive to conduct an attack more spectacular than that on September 11. Based on such information, most people would agree that al-Qaeda personifies today’s nuclear terrorism threat.

It would be a mistake, however, to view nuclear terrorism strictly through the prism of the threat posed by al-Qaeda today. Taking this view leads to a simplistic solution: if we prevent al-Qaeda from acquiring a nuclear capability, we eliminate the threat. As important as this is, the sober reality is that the threat posed by nuclear terrorism is much broader than the aspirations of any single terrorist group. We live in a world of escalating levels of asymmetric vulnerabilities. Increasing numbers of disaffected groups are turning to violence to achieve their goals. When the first suicide bombers attacked the Iraqi embassy in Beirut in 1981, no one at the time imagined a day when suicide attacks against civilians would become commonplace. The extremes of twenty years ago are no longer extreme, and we must guard against any conventional thinking that places limits on the art of the possible for terrorist action. It is precisely the potential to surprise, along with the asymmetric impact of weapons of mass destruction, that makes them appealing to the desperate designs of terrorists. Thus, it is not difficult in today’s world to imagine an escalation of stakes to the ultra violence represented by unleashing a nuclear attack on the world.

## 'All Things Nuclear'

We continue to face the enduring consequences of letting the nuclear genie out of the bottle. The power of the atom has become one of the most highly sought-after prizes of twenty-first-century technological advancement. States want to harness its power for energy, weapons, deterrence, and prestige. Substate actors desire it for the asymmetric power of becoming a state, at least in terms of the influence they are able to wield. Nuclear terrorism therefore is not a single-point issue, but a strategic problem that will continue to grow in significance throughout the twenty-first century. To meet this threat, we must make a strategic shift from our traditional views of terrorism, proliferation, nuclear weapons, and nuclear energy as being separate entities and instead view them as parts of a single framework of "all things nuclear."

Within the framework of all things nuclear, it is increasingly difficult to draw traditional distinctions between a state that possesses nuclear weapons and a state that could possess nuclear weapons if it chose to take that path. Nearly any modern industrial state has the ability to develop the technological infrastructure or illicitly acquire the specific components required to build a nuclear weapon. Nuclear weapons can range from the sophistication of a state weapon, designed to detonate only where and when the state chooses, to a crude, simple device produced by a developing nation or a determined non-state actor. We should not assume that the technology of a nuclear weapon is beyond the capability of a terrorist group or developing country. The early nuclear weapons developed in the United States, United Kingdom, France, Soviet Union, and China used technology that, while advanced in its time, is now largely commercially available. In assessing the capability of states and groups to make good on their nuclear intent, we must consider the possibility of collaboration between states, states and groups, and as the Abdul Qadir Khan network revealed, between rogue networks and customers willing to pay for their services.

The technological expertise needed to develop an improvised nuclear device is spreading. Already, nearly 280 small-scale nuclear research reactors exist in 56 countries around the world. According to a recent article in the *Washington Post*, nearly forty nations have approached the UN's International Atomic Energy Agency (IAEA) stating their interest in starting civil nuclear power programs, and nearly a dozen have indicated a desire to conduct enrichment or reprocessing of nuclear fuels. The expertise required to support a research reactor or a nuclear power reactor infrastructure is a valuable international commodity. It is a scientific enabler and a measure of prestige in a world increasingly driven by technological innovation.

## Latent Nuclear Capability

IAEA director-general Mohamed ElBaradei has referred to the idea of a "latent nuclear capability," in which a state develops the necessary capability to become a nuclear power, even if it never takes the final step of building a weapon. Traditional definitions of a nuclear weapons state implied that the country had weaponized their nuclear materials onto a strategic means of delivery, such as a cruise missile or rocket. In the twenty-first-century paradigm of a single-threat spectrum consisting of state and substate actors seeking a nuclear capability,

We should not assume that the technology of a nuclear weapon is beyond the capability of a terrorist group or a developing country.

Distinctions in the degree of sophistication of a weapon should no longer be the decisive threshold in our threat assessment.

distinctions in the degree of sophistication of a weapon should no longer be the decisive threshold in our assessment of the threat.

There is, however, a guiding light that shines across the dim pathways of the nuclear terrorism problem: it is impossible to build a nuclear weapon without nuclear materials. Seizures of enriched uranium and plutonium from the hands of smugglers over the past fifteen years illustrate the possibility that a state or group could sidestep the technological hurdles of producing their own materials and simply buy what they need from insiders diverting these materials from a state program and transferring them—either for profit or ideological motivation—to a third party. Current worldwide stockpiles of nuclear materials exceed hundreds of metric tons. Global efforts to secure nuclear materials make a vital contribution to reducing the threat, but it would be an illusion to believe that we can construct a perfect defense to safeguard the security of all materials. And while we must continue our work toward improving materials security and reducing levels of nuclear materials stocks, we must also urgently intensify efforts to acquire any materials that may be for sale on the illicit nuclear market and discourage smugglers from dealing in nuclear materials.

In terms of our response, the cornerstone of adopting an all-things-nuclear approach is the recognition that nuclear terrorism—and efforts to combat it—is so complex that we must dedicate an authoritative structure that accounts for the interdependencies that exist within U.S. nuclear efforts in weapons, proliferation, terrorism, and energy. Such a systems approach considers no single component or organization independent of the others, emphasizes the need to continuously assess how developments in one nuclear field would create implications in others, and enables us to recalibrate the threat accordingly. It would lead to comprehensive action, valuable resources would be more efficiently utilized, and intergovernmental efforts would be less fragmented.

The threat possibilities presented by an interconnected system of intent, materials, technology, and capability bridge every stovepipe that exists in the U.S. government. This reality challenges us to constantly evaluate our methodology for monitoring and assessing how a change in any one of these factors impacts the others. For instance, for each new country that develops a civil nuclear program, we should reevaluate that country's leadership intent, its technology base, security practices, economic and social standing, and tradition of law and order, and then reformulate our own nuclear, economic, technology, political, and deterrence policies in response.

### Strategic Response

Much work has been done since September 11, but there is much left to do. The key challenge before us is to broaden our current effort into an enduring, strategic response that incorporates the following issues, among others:

- The continuing instances of trafficking in nuclear materials mean we collectively have not done enough to keep material out of the hands of terrorists. We must take urgent action to scoop up any nuclear material outside state control before terrorists do. Long term, we must strengthen international legal and law enforcement efforts to make the costs of trafficking in nuclear materials so prohibitive that smugglers are deterred from participating in the trade.

- The threat of terrorist use of weapons of mass destruction requires that we fundamentally elevate the level of our engagement with all nuclear powers to secure material globally, as well as raise our game in the arena of international intelligence and law enforcement cooperation. We can and must deter nuclear terrorism. We should engage the “hearts and minds” of people in all corners of the globe in order to counter the myth that the escalation of violence to a nuclear level is justifiable under any circumstances. We must communicate the plain truth that there will be no winners in a world transformed by a terrorist mushroom cloud. We should rethink the traditional elements of nuclear doctrine to encompass the complex matrix of state and sub-state actors in continuously evolving states of intent, acquisition of expertise, capability, and material.

In conclusion, the world will be confronted by the nuclear genie in his malevolent forms for the foreseeable future. We must adapt our intelligence and policy efforts to confront the threat along its entire continuum, in a persistent, sustained manner. It must be a global effort incorporating police, intelligence services, militaries, government agencies and ministries, and citizens across the world. The effort will require broad and often unprecedented information sharing across every front, between government and private sector, and among foreign partners, including those who were once our adversaries. And we must take a systems approach that is able to monitor and adjust to fluctuations in all things nuclear across the globe.

There will be  
no winners  
in a world  
transformed  
by a mushroom  
cloud.

---

# Emerging Threats, Challenges, and Opportunities in the Middle East

*Donald Kerr*

---

MAY 29, 2008  
EDITED TRANSCRIPT



■ *Donald Kerr, principal deputy director of National Intelligence*

AS MOST OF YOU ALREADY KNOW, there are many things that we in the Intelligence Community don't talk about. How's that for an understatement? Here's one thing you might not know about our work, however: our most privileged document, one of the things that, in a community of tens of thousands of people, is read by only a handful. It is called the President's Daily Brief, or PDB. It's the daily intelligence summary that the Office of the Director of National Intelligence prepares for the president. Whenever the president is in town, Director McConnell usually briefs him. About 20 percent of the time, I do it. Each morning, six days a week, one of us goes to the Oval Office with a few subject-matter expert briefers to lay out issues of concern around the world, as best we know them, from the top of the Intelligence Community. They are based on some of our best collection capabilities, coupled with our most exacting analysis.

This evening, I'm going to give you a notional view of some of the issues that will be raised in the Oval Office PDB on January 21, 2009. Let's imagine for tonight that you have just been sworn in—you're the forty-fourth president of the United States, or, as we call it in the Intelligence Community, our "first customer." For your first post-inaugural briefing, we'll give you a snapshot of where things stand now and some overarching thoughts as to potential future developments.

Not all of these issues will be neatly interwoven—geopolitics isn't that pretty or easy to understand. The issues I'm going to discuss will, for the foreseeable future, remain the threats and challenges emanating from the Middle East. First, let me give you our current perspective with regard to Iraq. Security conditions in Iraq have improved markedly since 2007. The downward trend in the overall level of violence has continued. There are several factors contributing to this: expanded coalition and Iraqi Security Forces operations, changes in the coalition's operational strategy to emphasize population security, and contributions of tribal and former insurgent local citizens groups commonly referred to as the Sons of Iraq have weakened al-Qaeda in Iraq (AQI). Together, these changes have helped us gain critical support from the populace, disrupt insurgent networks, and displace militants from former strongholds.

Despite these gains, a number of internal factors continue to undermine Iraq's security. Sectarian distrust is still strong throughout Iraqi society, and

AQI remains capable of conducting operations and occasional spectacular attacks despite disruptions of its networks. Intracommunal violence in southern Iraq continues as Shiite groups compete for advantage. The return of Iraqi refugees and internally displaced persons to their former homes and neighborhoods as security improves could rekindle ethnosectarian tensions in mixed communities and create an additional strain on the Iraqi government's ability to provide security and basic services.

Efforts by some of Iraq's neighbors to exert influence within the country also endanger Iraqi security. Iran, for example, continues to provide weapons, funding, and training support to certain Iraqi Shiite militants designed to increase Tehran's influence over Iraq and ensure the United States suffers setbacks. Bridging differences between competing factions and communities and providing effective governance is also critical for achieving a successful state, but progress on that road has been tough for Iraq.

Prime Minister Nouri al-Maliki's government has had limited success in delivering government services and improving the quality of life for Iraqis. Political accommodation will continue to be incremental and uneven. Iraq's political leaders have made progress on key legislation but remain at odds over many issues, including the powers of the central government and the division of oil resources. Further progress depends on the ability of political leaders to negotiate these potential flashpoints.

But, Mister or Madam President, Iraq is not the only nation struggling with sectarian tensions. I turn now to Lebanon and Syria. Events in Lebanon since May 7 demonstrate that Hizballah—with the full support of Syria and Iran—will in fact turn its weapons against the Lebanese people for political purposes. The group sought to justify its attacks against fellow Lebanese as an attempt to defend the resistance against attacks by the government. In a May 8 speech, Hizballah leader Hassan Nasrallah called the cabinet decisions to declare the group's private communications network illegal and remove the head of security at Beirut International Airport a "declaration of war" and an unacceptable first step toward disarmament.

The Hizballah-led opposition, backed by Syria and Iran, sought to parlay ground gained during the recent fighting into political advantage. Participants in the Doha negotiations were faced with the implicit threat of further violence if opposition demands were not met. Leaders of the ruling "March 14" coalition cited their awareness of public fears about continued violence as a motivation for making the compromises necessary to reach an agreement at Doha. In doing so, they showed a maturity of national leadership not demonstrated by Hizballah. The Doha agreement notwithstanding, Hizballah's early May actions inflamed the Sunni "street" in Lebanon and contributed to a dramatic increase in sectarian tensions. Lebanon has seen an upswing of rearmament among all factions during the past year or more, and the events of early May will no doubt increase this trend. The way ahead in Lebanon is uncertain. We hope that the agreement reached in Doha brings a measure of stability to Lebanon. But the sides remain deeply polarized and may be tempted to focus on undercutting each other in the run-up to the 2009 parliamentary elections, rather than on effective governance.

Iran continues to provide weapons, funding, and training to certain Iraqi Shiite militants.

Concern  
persists over  
the Palestinian  
Authority's  
ability to meet  
its security  
obligations and  
win popular  
support for an  
eventual deal.

Let's speak now about Syria, because the situation there is closely linked with the one we see in Lebanon. The regime in Damascus continues to undermine Lebanon's sovereignty and security through its proxies, to harbor and support terrorists and terrorist organizations opposed to progress on peace talks, and to allow terrorists and criminals to cross its borders into Iraq and Lebanon.

The Syrian regime, Hizballah, and pro-Syrian opposition elements in Lebanon have attempted to stymie international efforts to disarm militia groups that threaten Lebanese security and sovereignty. In addition to Hizballah, Damascus continues to support Palestinian rejectionist groups, including Hamas and Palestinian Islamic Jihad. These organizations continue to base their external leadership in Syria, and despite repeated demands from the international community, Syria refuses to expel them or their leaders from their safe haven in Damascus.

Last week, the Israeli and Syrian governments announced that they have begun indirect peace talks through Turkey. However, Syria has not dropped its longstanding precondition for direct talks, namely that Israel essentially agree in advance to a complete withdrawal from the Golan Heights. While the resumption of dialogue could help reduce tensions between the two countries, Syria's unwillingness to stop supporting terrorists and distance itself from Iran is a key obstacle to a peace agreement.

You cannot have a discussion about Israel, though, without some analysis of the Palestinian territories. Despite continuing high-level Israeli-Palestinian discussions on final-status issues since the Annapolis meeting in November 2007, concern persists over the Palestinian Authority's ability to meet its security obligations and to win popular support for or implement an eventual deal.

President Mahmoud Abbas and other moderates remain vulnerable to actions by Hamas and other groups aimed at subverting an agreement, and tensions between Abbas and Hamas remain high. Hamas feels increased pressure over a weakening economic situation and an accelerating humanitarian crisis in the Gaza Strip. That said, its popular support has remained stable since its June 2007 takeover of Gaza, and the group remains fairly unified and has consolidated its security and administrative control there.

In the West Bank, we see signs of progress by Fatah, including improved security and law enforcement cooperation with Israeli forces in taking more effective action against Hamas. The Palestinian public has not seen tangible positive changes in key areas, however, such as improving freedom of movement and freezing Israeli settlement expansion. Recent polling data indicates that popular support for the Palestinian government has slipped significantly.

I turn now to Iran—a nation that has consumed much of our attention in Washington. Supreme Leader Ali Khamenei remains Iran's dominant decision-maker on both foreign and domestic issues, but the consolidation of power in the hands of Iran's conservative faction over the past several years has changed the country's domestic political environment. The regime has become more authoritarian—government opponents face a greater threat of repression, and Iran's reformers are largely marginalized. That said, the conservatives' consolidation of power has revealed deep factional differences between supporters of President Mahmoud Ahmadinezhad's hardline administration and less



ideological forces opposing it. Khamenei publicly supports Ahmadinezhad for now, but the president has faced increasing criticism from conservative rivals over his economic policies and aggressive posturing on foreign policy issues.

Ahmadinezhad is perhaps most vulnerable on economic issues. Despite rising oil income, Iran's economy is plagued by high inflation and unemployment. Ahmadinezhad's populist policies have fueled inflation—providing his critics with ammunition to question his competence. Meanwhile, Iran's foreign activities constitute a direct and immediate threat to American interests. Public comments by Iranian leaders indicate that they believe regional developments—including the removal of Saddam Hussein and the Taliban, challenges facing the United States in Iraq and Afghanistan, and the increased influence of Hamas and Hizballah—have given Tehran more opportunities and freedom to achieve regional power. This perception—and the increasing political influence of conservatives, who distrust the West and favor an uncompromising approach to international and security issues—is driving a more assertive Iranian foreign policy.

At the same time, Iranian leaders remain concerned that Washington intends to isolate and militarily encircle the Islamic Republic. In response, Iran is pursuing a range of efforts to undermine U.S. influence. Tehran is especially focused on expanding ties in Iraq and the Levant to better position Iran to influence and exploit regional political, economic, and security developments.

In Iraq, Iran appears to want a Shiite-led central government that is receptive to Iranian economic and diplomatic influence but lacks the strength to challenge Iran's aspirations for regional leadership. Tehran has forged ties with Iraqi Shiite leaders through diplomatic, economic, and security relationships. Tehran is also willing to tolerate near-term instability as it continues to support Shiite militants who attack coalition and Iraqi forces. These attacks are intended to raise the political and human costs to the United States to ensure that it does not maintain a permanent military presence in Iraq. The U.S. military continues to find caches of Iranian-made weapons in Iraq, including rockets, small arms, and explosively formed penetrator devices, including some manufactured in the past year.

Iran provides support to Hizballah and Hamas as part of its broader efforts to challenge Israeli and Western influence in the Middle East. It continues to rearm and financially support Hizballah to strengthen the group's ability to control Lebanon and threaten Israel. Tehran's aid and backing made possible Hizballah's recent attacks on pro-government forces. Tehran also seeks to exploit developments in the Gaza Strip to demonstrate leadership over resistance to Israel and bolster Palestinian opposition to peace. Tehran is exploiting international efforts to isolate Hamas since its seizure of Gaza by providing financial aid and arms to the group.

In talking about Iran, we must also talk about the nuclear issue. Over the past year, we have gained important new insights into Iran's activities related to nuclear weapons, and in November 2007, the Intelligence Community published a National Intelligence Estimate (NIE) on Iranian intentions and capabilities in this area.

I want to be very clear in addressing the Iranian nuclear capability. There are three parts to an effective nuclear weapons capability: (1) production of fissile

Iran's foreign activities constitute a direct and immediate threat to American interests.

We are convinced that North Korea assisted with Syria's nuclear reactor, which was destroyed by Israel in early September 2007.

material; (2) design, fabrication, and testing of the nuclear warhead itself; and (3) effective means for weapons delivery. In our NIE, we judged that Iranian military entities were working under government direction to develop nuclear weapons until fall 2003. But we also judged that in fall 2003, Tehran halted its nuclear weapons design and weaponization activities—one of three essential requisites for an effective nuclear weapons capability—as well as its covert military uranium conversion and enrichment-related activities. We also assessed that Tehran had not restarted these activities as of mid-2007. But given that the halted activities were part of an unannounced secret program that Iran attempted to hide, we do not know whether it has been restarted since our last assessment.

Overt uranium enrichment efforts were suspended in 2003 but resumed in January 2006 and continue despite UN Security Council resolutions to the contrary and multiple rounds of UN sanctions. These efforts, which can be used to produce power-reactor fuel, will also provide Iran with the technological capacity to produce fissile material—the first and most difficult component of an effective nuclear weapons capability. Iran made significant progress in 2007 installing centrifuges in the production-scale facility at Natanz, and continues doing so. It also is conducting research and development of more advanced centrifuges. However, we continue to judge that Iran still faces significant technical problems operating centrifuges, and that the earliest possible date it would be technically capable of producing enough highly enriched uranium (HEU) for a weapon is late 2009. Even that early date is very unlikely. We judge that Iran would probably be capable of producing enough HEU for a weapon sometime during the 2010–2015 timeframe.

Iran's efforts to deploy ballistic missiles capable of delivering nuclear weapons, and to develop longer-range missiles, were not interrupted in 2003, and its activities related to the third component of an effective nuclear weapons capability continue today unabated.

We assess with moderate-to-high confidence that Tehran, at a minimum, is keeping open the option to develop nuclear weapons. In addition to its overt enrichment efforts and ballistic missile activities, we assess with high confidence that since fall 2003, Iran has been conducting research and development projects with commercial and conventional military applications—some of which would also be of limited use for nuclear weapons.

We assess that convincing the Iranian leadership to forgo the eventual development of nuclear weapons will be difficult given the linkage that many within the leadership see between nuclear weapons development and Iran's key national security and foreign policy objectives, and given Iran's considerable effort from at least the late 1980s to 2003 to develop such weapons.

As you are now well aware, Iran is not the only country in the Middle East of nuclear concern. We recently announced that Syria was nearing operational capability of a nuclear reactor that would have been able to produce plutonium for nuclear weapons, which was inconsistent with peaceful nuclear applications. We are convinced that North Korea assisted with this reactor, which was destroyed by Israel in early September 2007 before it was loaded with nuclear fuel. We remain watchful for signs that other countries in the Middle East will seek nuclear weapons or weapons capabilities, most likely in response to an

Iranian nuclear weapons capability. A number of countries in the region have recently expressed renewed interest in nuclear power.

In discussing the Middle East, it is easy to adopt an “over there” mentality: the wrongheaded view that what happens an ocean and many time zones away doesn’t affect us here in the United States. Let me tell you a little story I read recently. After the initial drafting of Franklin Roosevelt’s “Four Freedoms,” one of his speechwriters, a gentleman named Harry Hopkins, challenged them:

“That covers an awful lot of territory, Mr. President. I don’t know how interested Americans are going to be in the people of Java.”

“I’m afraid they’ll have to be someday, Harry. The world is getting so small that even the people in Java are getting to be our neighbors now.”

That “someday” is upon us—those words were indeed prophetic. Events in one part of the world—in this case, the Middle East—can clearly have an effect on us here in the United States. We need only remember September 11 to realize that.

Mister or Madam President, I can’t conclude this briefing without a discussion of the terrorist threat. Let me begin simply: there has been no attack against our homeland since September 11. This was no accident. In concert with federal, state, and local law enforcement, the Intelligence Community helped disrupt cells plotting violent attacks. For example, last summer, we and our allies unraveled terrorist plots linked to al-Qaeda and its associates in Denmark and Germany, and earlier this year our allies disrupted a network plotting attacks in Turkey. We were successful because we were able to identify key personalities in the planning. We worked with our European partners to monitor the plotters and disrupt their activities. One of the intended targets was a U.S. facility.

Our partners throughout the Middle East and elsewhere continue to aggressively attack terrorist networks involved in recruiting, training, and planning to strike American interests. In Pakistan—which has helped us more than any other nation in counterterrorism operations—authorities are increasingly determined to strengthen their performance, even during a period of heightened domestic political tension exacerbated by the assassination of Benazir Bhutto and the formation of a new government after the February elections.

Al-Qaeda remains the preeminent terrorist threat to the United States at home and abroad. Despite our successes, the group has retained or regenerated key elements of its capability, including its top leadership, operational lieutenants, and a de facto safe haven in Pakistan’s border area with Afghanistan known as the Federally Administered Tribal Areas (FATA), used to train and deploy operatives for attacks in the West. Al-Qaeda’s plotting against the U.S. homeland is likely to continue to focus on prominent political, economic, and infrastructure targets designed to produce mass casualties, visually dramatic destruction, significant economic aftershocks, and fear among the population.

That, Mister or Madam President, was your first PDB. Now, in real life, there are many more details, it’s much longer, and, well, you’re actually the president, but you get the general idea.

The presidential election isn’t that far off, and, for some people, the natural inclination is to just slow down and wait. The next administration, they figure, will have its own ideas, and there’s no sense doing something that will only be undone by the next occupant of the Oval Office.

Despite our successes, al-Qaeda has retained or regenerated key elements of its capability.

In the Intelligence Community, we don't make policy. We tell the truth as best we know it.

In the late 1950s, author Allen Drury wrote about Washington as a city “built on the shifting sands of politics.” What was reality one day could be only a faint memory the next. For most of Washington, that’s probably true. It’s not the case, though, for the Intelligence Community. The Middle Eastern threats and challenges I’ve laid out today are nonpartisan in nature and will confront our nation regardless of who is in the Oval Office to receive this briefing on January 21. We in intelligence sit right in the middle of a unique Venn diagram where priorities aren’t Republican, aren’t Democratic—they’re all, each and every one, American. In the Intelligence Community, we don’t make policy. We tell the truth as best we know it. And I’m honored to have had the chance to share my views with you tonight.

### Question-and-Answer Session

**Robert Satloff**, *The Washington Institute*: Thank you very much, Dr. Kerr, for this tour d’horizon, and I think all of us take as a personal compliment merely the idea that we could be the next president of the United States of America. [Laughter.] I would like to open a question-and-answer session with you by asking whether there are any opportunities to advance American interests in this sea of challenge and threat you’ve just described.

**Kerr**: Well, in fact, I think the first thing to tell you is that a real president wouldn’t let you get away with a simple recitation; there would be questions along the way. And what might have been wanting in terms of depth and accuracy would soon come to the fore.

The opportunities, of course, lie in a domain outside of intelligence. We can talk about the relative strength or weaknesses of parties or factions. We can talk about issues of resources, their availability and what that leads to. But the thing we do not do is try to lay out policy agendas. That is for others. We do talk about opportunity costs. That is probably as close as we get to that kind of interaction because, at some point, we have to recognize that our job is to be as honest a broker of information as we can and leave to the policymakers the part of the job that’s theirs.

**David Makovsky**, *The Washington Institute*: Dr. Kerr, two questions. When you talk about Iran and its relationship with Syria, what are the odds, in your view, that Syria might peel off from Iran and rejoin an Arab coalition, which it has not been a part of lately? What would it take to get Syria at least out of the Iranian military orbit, if not economic orbit?

And on the Lebanon question, it’s been said that the Lebanese Armed Forces didn’t stand up to Hizballah, which in turn led Lebanon to capitulate in Doha. In your view, was the problem with the Lebanese army merely one of capability, or was there a motivational problem—namely, a high percentage of Shiites in the Lebanese Armed Forces that will never stand up to Hizballah, allowing the group to continue pressing its advantage?

**Kerr**: Well, those are two large and important questions. With regard to opportunities to cause a divergence between Syria and Iran, there may be some—and we certainly spend a lot of effort looking for those sorts of opportunities. I would

think, for example, that the present mediated discussions between Israel and Syria over the Golan Heights, if they were pursued to a successful conclusion, might be a step along that path. Whether there are certain kinds of economic or other pressures that could be brought to bear should also be explored. And, of course, one of the important things is how do we convince Syria to be less supportive of the Iranian-financed Hizballah presence. So I can't fully answer your question; I can only talk about the things that we have to be alert for and keep watching as we go forward.

With regard to the Lebanese Armed Forces, of course part of the problem there is that the army is itself made up of the different factions in Lebanon. And to some great degree, I think they elected to stay out of the conflict to avoid breaking into the factions themselves. As many of you know, the recently elected president of Lebanon is the former commander of the armed forces. And whether his ability to keep that coalition in the army together can translate into an ability to keep some of these factions together in governing, I don't know. His most difficult problem is that Hizballah used the Doha negotiations to achieve its objective of having a blocking minority in the government. And so a week after that summit, I would be hard pressed to give you any factual answer other than to tell you what the landscape looks like.

**Michael Stein**, *The Washington Institute*: Dr. Kerr, since you made me president, I'm going to respond to you as if I were. And as you will find out as you continue to work for me—[laughter]—I am interested in more details than the very beautiful but general panoramic picture you gave. You know, I realize I'm new on the job, but I really do want to know some more of the details. For example, you told me that the Iranians will have fissile material suitable for a bomb sometime between 2010 and 2015. How do you know that? And five years is too long of a range—can you be more precise about it? And do you know exactly where those production facilities are—[laughter]—and how we can target them or what kind of weaponry will produce the result we want? I would hope also that you have some boots on the ground and you've done some mapping for us and can give us precise directions of where to go and what to do. And, finally, at what point would you suggest to me that the Iranians have gone too far in this development and that I better do something about it before we pass the point of no return? [Laughter, applause.]

**Kerr**: Well, Mr. Stein, I think you'll make a fine president. [Laughter.] And, obviously, you've gained support right here. [Laughter.] Some of the details we would of course include in the real brief. We know through the presence of the International Atomic Energy Agency inspectors and other means, including public displays, some of what the Natanz enrichment facility is capable of doing. We also know from those inspections what I told you earlier about the fact that it may not operate as well as the owners would like. We know through the inspections that it's set up to produce material that's enriched to about 3.5 percent, which is suitable for power reactors.

Now, that said, what don't we know—which I think is what you really asked—is whether there is a facility we have yet to discover doing things that

How do we convince Syria to be less supportive of the Iranian-financed Hizballah presence?

Iran's investment in enriching nuclear materials is the key, and that's the process we're focused on.

would lead them closer to weapons-grade material. And that's one of the major intelligence challenges that we and our partners in this endeavor continue to work very hard on.

At this point in time, we haven't found anything that would change the 2010–2015 estimate. But if you have access to what I'll call reactor-grade material, that which is enriched to about 3.5 percent, you've done an awful lot of the work to get you to what you would need to produce weapons grade. And so the key indicators for us really lie in the enrichment programs, the supply of materials, more than any concern with explosives and the engineering of a device—access to materials is, in fact, the critical thing.

Just as a historical point, I served as the fourth director of Los Alamos. And if you look back at the history of the Manhattan Project, the key issue turned out to be not how to assemble a supercritical mass, but how to get the enriched uranium or the plutonium for those first weapons. And you may recall that the plutonium device was first tested on July 16, 1945, and its mate was dropped on Nagasaki only weeks later, on August 9. So the weaponization part is an engineering job that many people know how to do, and relatively quickly. The investment of capital and everything else in enriching materials is the key, and that's the process we're focused on.

**Dennis Ross, *The Washington Institute*:** Dr. Kerr, I want to keep you on Iran if I could. But I'm going to do it based on what I heard you say. You conclude at this point that, given the nature of their regional objectives, the Iranians are determined to achieve a nuclear weapons capability. Now, the NIE said that the Iranians make decisions based on a cost-benefit analysis. Given that, what combination of costs and benefits might dissuade them from pursuing that nuclear weapons capability?

**Kerr:** I think there are two points to make in answer to your question. I pointed out—and others could parse it differently—that there were three important factors to think about as Iran approaches a nuclear weapons capability. And one way to look at it is that the absolute most important factor is producing the material. And so you could imagine that they might slow other parts of the program in order to achieve the right timing in what they're trying to do.

The ballistic-missile delivery capability is dual use and could be aimed at delivering conventional explosives, for example, so you could imagine they'd work on that capability as part of a military program. In terms of costs and benefits, then, how do we and the international community put enough pressure on Iran—economically, politically, diplomatically—to make the cost high enough that they might look for another path?

On the reactor-fuel issue, the Russians, who are now completing the German-initiated civilian power reactor at Bushehr, have offered to both give fuel to Iran and remove the reactor's waste. And so, what we need to think about is, what pressures can we and our partners in this endeavor bring to bear on Iran to make that sort of deal more attractive than a path that will lead them to a weapons capability?

There's no single answer to that. I think it's a matter of putting pressure on all 360 degrees, all directions that we can think of. One of the things that our policymakers now and in the future have to think about is, what kinds of sanctions are most effective? What are the pressures that, brought together, would raise the cost enough so that Iran might take a step back?

**R. James Woolsey**, *VantagePoint/Booz Allen Hamilton*: As someone who knows something about PDBs as well, I want to talk about the National Intelligence Estimate. As you said, the key element in producing a nuclear weapon is the enrichment of the fissile material. And then, of course, the delivery systems are vitally important—ballistic missiles. The aspect that is the short pole in the tent, the relatively short-term undertaking, is the design of the weapon itself, as you gave in the Nagasaki example.

Yet, the NIE, when it came out, didn't really mention up front, except in a footnote, the enrichment of uranium to produce fissile material or Iran's delivery vehicles, ballistic missiles. It put up front as the lead, as the headline, Iran's probable suspension of nuclear weapons design. And that emphasis on the slow-down or halting of the design process was identified with the Iranian nuclear weapons program as a whole. And that was the headline all over the world when the NIE was released.

A couple days after this estimate was released, Tom Friedman of the *New York Times* satirized it, saying that it was as if you had a drug dealer who had a fine crop of poppies, the raw material for his drugs, and was continuing to add to this crop. And he had a substantial number of delivery vehicles, trucks, and he kept adding to the number of trucks. But the police came by and said, "We've decided you have temporarily paused work on your laboratory in your basement, so we're going to give you a certificate that says you are no longer a drug dealer." In what regard, if at all, was the NIE undeserving of Tom Friedman's satire? [Applause.]

**Kerr**: Your friends always hurt you the most. [Laughter.] I would say, first of all, that to some degree, it's a poorly drawn analogy, because the poppies are not the equivalent of the high-enriched material. The poppies, in this case, are the low-enriched material. The trucks I'll take as the equivalent of the missiles. But it's the poppies that are the important products. You were talking about the red ones. The ones they need are the blue ones, the high-enriched material, which they don't presently have the capability to get.

The second thing that Tom Friedman might have done is to read the second sentence, which said that we still believed Iran had the intention of moving forward on a nuclear weapons program. And it was repeated several times throughout the estimate. Nevertheless, we had this incredible reaction. Maybe it's the press that's lazy; maybe it's the public that's lazy. But the first sentence isn't the whole story.

Now, retrospectively, maybe drafting it differently would have made more sense. We had another problem that most people haven't thought a great deal about: the real NIE, of course, is a thick document. It contains alternative analysis, all of the other scenarios we could think of to explain the information we

The key element in producing a nuclear weapon is the enrichment of the fissile material.

Once you have the fissile material in sufficient quantity, it's not long before an effective weapons capability might exist.

had. We laid all of that out. We laid out all of the sourcing, well over 1,200 different sources. No piece of information was single-sourced. We felt pretty confident in what we had.

We also had not written the NIE for public release—we were asked to do so only later. But even then, we knew full well there would be people who would have both the classified and the unclassified version. And so, we were obligated to basically declassify by deletion. What that did was lead to some awkwardness in language and some opportunity to perhaps mistake what we'd said.

The reason we didn't change that approach was very simple: we did not want to spur a roar from Congress saying, "You guys are spinning the story. You gave it to us in the classified version and we see an unclassified publicly released version that seems different to us." And we were not willing to take that on.

We did in fact meet with the press. We tried to explain what I talked to you about tonight, the three elements of a nuclear weapons capability. We thought they understood that pretty well. But they, of course, write for different audiences. And so, in the end, we had what you might call a perfect storm. Across the entire political spectrum, we had made somebody mad.

Some would take refuge in that and say, "We must have gotten it right." More realistically, we didn't do the job we should have in expressing the points we were trying to make. And that's why, for example, here and in other places, I've tried to focus attention on the key role that production of fissile material plays in this whole question, the key role that missile developments play, and the fact that once you have the fissile material in sufficient quantity, we're not talking about a long period of time before an effective weapons capability might exist.

I think we're doing better at clarifying that. Until we have new data, new facts, we're not going to change the basic NIE, the classified version. And, of course, we are working every day to find more facts, and that's an ongoing effort.

**Roger Hertog**, *The Washington Institute*: Dr. Kerr, I'd like to talk about a country we haven't spent a lot of time on: Pakistan, which has a large supply of nuclear weapons and a political situation that many would consider unstable. How knowledgeable are we of where those nuclear weapons are, how secure they are? What do we know about the Pakistani military and where its loyalties lie? And how do we know that another nuclear proliferator on the order of Abdul Qadir Khan couldn't come into being, or that a possible decomposition of Pakistani society couldn't occur and further open the door for such proliferation? In short, do we have enough knowledge about what is actually going on there? I apologize for all of these questions, but they're all really related to one central idea: what do we know, and do we have a lot of confidence in what we know?

**Kerr**: I think the easiest answer to give you is that we don't know enough, and that the set of questions you've posed is in fact the agenda we're pursuing every day in both collection and analysis relative to Pakistan. I think you're aware that the Pakistani weapons are under the control of the military. I suspect that's a good thing because that's an institution that has, in fact, withstood many of the country's political changes over the years. The stability of the military leadership has also withstood such changes in recent years.



With regard to Pakistan's future and where it's headed, this is something that concerns us greatly. For example, I spoke earlier about the safe haven afforded to al-Qaeda in Pakistan's Federally Administered Tribal Areas, partly because that is a region that's never been subject to central government law. It has basically been under a kind of self-governance by the tribes at the margins of the central government. One of the concerns we have is that as Pakistan looks inward and focuses on changes and political issues in Islamabad and the central parts of the country, its Wild West frontier, if you will—the northwest provinces and the FATA—will become more hospitable to those who would strike us and less hospitable to us as we try to root out that problem.

And so you've hit on a connected set of questions that are among the highest-priority issues we deal with every day. We do, as a matter of continuing high priority, try to keep track of the security of Pakistan's nuclear weapons in their various locations, and we're certainly sensitive to whether tripwires are crossed that would lead us to change our view about whether these weapons are secure or not.

**Martin Gross**, *The Washington Institute*: Dr. Kerr, I believe you said that in 2003, the weaponization component of the Iranian program was halted. But you didn't say why you think it was halted, and what inferences we might draw from the fact that, at a certain point in time, a particular part of their program was, in fact, halted.

**Kerr**: We don't fully know why. I'll hazard a personal guess—that the long pole in their program was the ability to produce fissile material, and they perhaps foresaw that it would be some years before they would be able to do so in sufficient quantity. And there may have been economic reasons at the time that compelled them to say, "We don't need to put resources against the engineering and development of a weapons design. We need to put our technical and financial resources into the material production problem."

That, perhaps, is too rational an answer. We're not inside their heads, so we don't know whether there were other things that might have affected their decision. As we and our partners in the intelligence business get more data and try to fit the picture together, we are certainly looking for improved answers on this issue, other than the sort I just gave you.

**Satloff**: Please join me in thanking Dr. Kerr for this fascinating discussion of a range of intelligence issues.

As Pakistan focuses on changes in Islamabad, its northwest provinces could become more hospitable to those who would strike us.

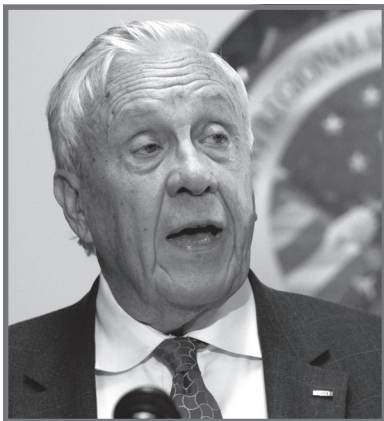
---

# Terrorism in the Twenty-First Century: Implications for Homeland Security

*Charles Allen*

---

MAY 6, 2008  
PREPARED REMARKS



■ *Charles Allen, undersecretary of homeland security for intelligence and analysis*

THANK YOU FOR THE OPPORTUNITY to speak on the subject of homeland security and the threat that terrorism poses for our country. I am aware that I am speaking in the wake of some very distinguished Americans who are indeed experts on counterterrorism—Ambassador Dell Dailey; Mike Leiter, the director of the National Counterterrorism Center (NCTC); assistant secretary of the Treasury Patrick O’Brien; and Juan Zarate, deputy national security advisor for counterterrorism. I am privileged to know these individuals and have great respect for their substantive expertise and leadership.

I bring, I regret to say, one attribute that the others do not have: longevity. I have labored in the intelligence vineyards longer than your other speakers, over a number of decades. Having entered the Central Intelligence Agency when Allen Dulles was director of central intelligence (DCI), and having worked for every subsequent DCI including the last, Porter Goss, I have witnessed many changes within the Intelligence Community—some good, and some not so good. Today, as Department of Homeland Security (DHS) undersecretary for intelligence and analysis, and as a member of Director of National Intelligence (DNI) Mike McConnell’s executive committee, I could easily spend this hour regaling you with endless “war stories” about the triumphs and failures of the agency and the Intelligence Community. Even today, I feel personally seared by my failure and the agency’s failure to warn of the Middle East war of October 1973. The indicators were there, but we failed to act on what were painfully obvious indicators—which we saw clearly *ex post facto*—that major conflict was about to erupt in the Middle East. But I will forego that impulse and speak to more contemporary matters.

## **Shift Away from State-Sponsored Terror**

In the 1980s, the United States and the West faced principally state-powered terrorism, which still exists today in a number of states, but overall as a reduced force. As the national intelligence officer for counterterrorism from January 1985 until February 1988, I saw first-hand and remember vividly the brutal actions of state-sponsored groups that took place during that momentous period. The center of gravity lay with a variety of Palestinian groups and Lebanese Hizballah, which remains with us today. Few of us can ever forget the horror of the bombings of the

U.S. Embassy in Beirut in April 1983 and of the U.S. and French military compounds in Lebanon in October of that year, when so many American and French officials and soldiers were killed by Hizballah. Even then, Hizballah's terrorist wing was led by Imad Mughniyeh. The April 1983 bombing was a particularly poignant time for those of us at the agency. I remember waiting on the tarmac at Andrews Air Force Base for the C-141 to bring home the body of Robert Ames, the CIA's national intelligence officer for Near East and South Asia, along with the bodies of almost every officer of CIA's Beirut station.

None of us, moreover, can forget the hijacking by Hizballah of TWA 847 in June 1985 and the tense and dramatic days that followed, and the horror of Navy diver Robert Stethem being dumped on the tarmac at Beirut International. I recall distinctly the unsatisfactory ending of this brutal hijacking of an American commercial airliner and how the Hizballah operatives escaped.

In the 1980s and into the 1990s, terrorism was driven principally by political ideology, whether it was Palestinian, Hizballah, or so-called indigenous European terrorism such as the Red Army Faction in Germany or the Red Brigades in Italy. Political goals, however unrealistic, were at the forefront of these groups' agendas, whether it was destruction of the state of Israel or a desire to see the rise of Marxist-Leninist states in Western Europe. An exception here was the deadly and extraordinarily brutal Lebanon-based Abu Nidal Organization; it accepted state-sponsored sanctuaries, but operated semi-autonomously and employed proprietaries, especially in Europe, to obtain funds for its operations.

Important structural changes were made in the U.S. government's counterterrorism community after the hijacking of TWA Flight 847, changes that should not be forgotten because they are still relevant today. President Ronald Reagan established a National Commission for Combating Terrorism under the leadership of then-Vice President George H. W. Bush. The commission reported out in December 1985, and President Ronald Reagan approved more than forty-plus recommendations, some of which involved covert action and other intelligence-driven actions. One principal structural change that came from the commission has had a lasting impact on the Intelligence Community: the president directed the formation of an "intelligence fusion center" to combat terrorism. This led to the formation of the CIA's famous Counterterrorism Center (CTC), of which I became deputy chief for intelligence. CTC, led by the legendary Dewey Clarridge, was staffed almost exclusively by CIA officers even though its concept of operations called for contingents of counterterrorism officers from other intelligence agencies. Although there were liaison representatives from other Intelligence Community agencies and the Joint Strategic Operations Command, CTC remained very much a CIA organization up to and through September 11, 2001. Although there were modest measures taken after the August 7, 1998, bombing of the U.S. embassies in Nairobi and Dar es Salaam, including a greater exchange of information and officers between the CIA and the FBI, the changes were surprisingly few, given the severity of the attack and the growing strength and reach of al-Qaeda. Further structural changes would have to await the 9-11 Commission Report and the Intelligence Reform and Terrorism Prevention Act of 2004.

Into the 1990s,  
terrorism  
was driven  
principally by  
political ideology.

Today, we are not only in a different century but also in a different world.

The more secular and politically driven Palestinian organizations began to decline in the latter 1980s and early 1990s, even though state-sponsored terrorism continued, including the destruction of Pan Am 103 in 1988 and UTA 772 in 1989, both attacks sponsored by the secular government of Col. Muammar Qadhafi. The Abu Nidal Organization by the late 1980s was under heavy attack by Western intelligence and security services. Its proprietaries in Europe were shut down and its operatives arrested or killed, with Abu Nidal eventually fleeing to Baghdad to the protection of Saddam Hussein, only to be mentored under mysterious circumstances. More religiously motivated Sunni terrorist organizations began to rise to the fore, such as the Islamic Resistance Organization (Hamas) and the Palestinian Islamic Jihad (PIJ). During this time, Hizballah continued to strengthen as a religiously driven political and paramilitary organization that conducted attacks against Israel in southern Lebanon. Although originally Palestinian groups and Hizballah did not attempt to cause mass casualties in their attacks, the Intelligence Community grew increasingly concerned that these groups would attempt chemical, biological, radiological, and nuclear attacks against the United States and the West. For example, as the national intelligence officer for counterterrorism, I coordinated an Interagency Intelligence Memorandum in 1986 forecasting that a biological or chemical attack on the United States would likely occur against U.S. interests within the next few years—an assessment that I am pleased to say proved incorrect.

### Twenty-First-Century Terrorism

Today, we are not only in a different century but also in a different world. Out of the vestiges of the Cold War and the collapse of the Soviet Union, we now face a violent, ideologically driven Islamic extremist movement that has metastasized across the world. Led by Osama bin Laden and other mujahedin leaders from the Afghan war against the Soviets, we now face an enemy unmatched by anything we saw or experienced among terrorist groups of the twentieth century. Al-Qaeda is a cultlike organization drawing to it youthful adherents from Muslim countries and communities around the world with the objective of restoring “the caliphate,” which stretched at one time from southern Europe through Indonesia. Adherents of this cult see a “culture of secular humanism” emanating from the West and fear the encroachment of the West in the form of globalization. Al-Qaeda remains a guiding hand in this worldwide movement but draws on affiliated Sunni networks in the Middle East, North Africa, Southeast Asia, and South Asia itself. It also reaches out through radical imams to the Islamic diaspora in Europe and North America. Despite abhorring many aspects of modernity, al-Qaeda has made significant and effective use of the internet to promote its unrelenting and violent ideology. Its immediate causes are many: Iraq, Afghanistan, Kashmir, and, increasingly, Palestine. Al-Qaeda employs the internet to transmit its messages globally, and the numbers of such messages have increased exponentially over the last eighteen months. They come not only from bin Laden, but in great number from his deputy, Ayman al-Zawahiri, and other top al-Qaeda lieutenants. The Intelligence Community counted ninety-seven messages in 2007 from al-Qaeda’s top leadership, an exponential increase over 2005 and 2006. Although the United States and other Western countries

have counter-radicalization initiatives underway, no Western state has effectively countered the al-Qaeda narrative.

Al-Qaeda, moreover, which was on “its back foot” in 2004 to 2007, has regained its equilibrium. It has a safe haven in the Federally Administrated Tribal Areas (FATA); its top leadership is generally intact; it has able new lieutenants; it has new recruits to train; and it is training operatives who were born in the West or who have lived in the West. In addition, al-Qaeda has a number of Sunni-affiliated terrorist networks in various stages of development in Iraq, North Africa, the Levant, and East Asia. The American-led coalition has made enormous progress in decimating al-Qaeda in Iraq, which appears to have passed its high-water mark and to be in permanent decline.

As indicated earlier, al-Qaeda’s leadership has delivered over the past twelve months an unprecedented number of audio and video messages and has increased its translation capability, diversity of subject matter, and media savvy to reach out to wider audiences globally. Its objective is to gain wide Muslim support, empathy, financing, and future recruits.

At the top of this sophisticated marketing machine, al-Qaeda leaders have carefully crafted and controlled their words. Al-Sahab produces the audio or videotapes; the al-Fajr online media network plays the messages on numerous electronic platforms to include messages that download onto iPods and similar electronic devices. The Global Islamic Media Front then translates, repackages, and re-disseminates these messages onto numerous—sometimes redundant—websites, with the capacity to regenerate any website if a government or private entity attempts to bring it down.

I find it particularly alarming that al-Qaeda is improving its ability to translate its messages to target Europeans and North Americans. A year ago, al-Qaeda leaders solicited for “English translators” and subsequently have ratcheted up the speed and accuracy of translated statements openly marketed to U.S. and other English-speaking audiences. Last month, al-Zawahiri released English translations of a two-part online interview to address questions from both extremists and mainstream Muslims around the world. To help al-Qaeda target U.S. citizens, several radical websites in the United States have repackaged al-Qaeda statements with American vernacular and commentary intending to sway U.S. Muslims.

Al-Qaeda media themes throughout 2007 were consistent with previous messages of building unity in the Muslim community while instilling a sense of duty to support violence in defense of Islam. This consistent drumbeat of “Muslim unity” could potentially resonate with some Muslims in the homeland who may already be pre-disposed to support extremist causes, although they will not resonate with the overwhelming majority of U.S. Muslims because they are well integrated into U.S. society.

## Homeland Security since September 11: Progress and Challenges

As I look back over the seven years since September 11, I am struck by how DHS has come together since 2003 to defend against the complex, borderless, and evolving threats we face today. We have worked tirelessly and innovatively to

I find it particularly alarming that al-Qaeda is improving its ability to translate its messages to target Europeans and North Americans.

The good news is that the heightened security we have worked to implement is having a positive effect.

strengthen our nation's defenses against those who would seek to do us harm. We have vastly improved our ability to protect our homeland from terrorist threats.

We know, however, that the job is far from over. The fight against the terrorist threat in the twenty-first century is a fight against an ideology of extreme, violent Islamic radicalism, which is not the same as Islam. It is not the Muslim religion. It is a cult that seeks to use the language and the rhetoric of Islam to justify a violent worldview that believes it will culminate in the domination of significant parts of the world, certainly in parts of the Middle East and South Asia, if not in other areas.

Last summer, my office published the inaugural Homeland Security Threat Assessment, sharing our best judgments on the full range of threats that affect the areas for which DHS is responsible. We tailored the assessment for release to state and local governments as part of the department's information-sharing efforts. On terrorism, we came to the same conclusion as the Intelligence Community's National Intelligence Estimate published in July 2007, namely that the threat from al-Qaeda remains high and that we are in a heightened state of sustained strategic warning.

The good news is the heightened security we have worked to implement is having a positive effect. Nonetheless, the extraordinary difficulty of penetrating individual cells means that we should not expect that we would have clear tactical warning of a forthcoming attack.

Let me share with you some of DHS's accomplishments in the struggle against those who seek to harm our nation and then tell you about the vital contribution of DHS intelligence to the department and to information sharing with our state, local, tribal, and private partners. Secretary Michael Chertoff categorizes the work of DHS in five bands:

- Keeping dangerous people out of the country
- Keeping dangerous materials out of the country
- Protecting critical infrastructures
- Building a capable response agency
- Integrating the department

With regard to the dangerous people, we have made significant progress at all of our ports of entry—land, sea, and air. For example, United States Visitor and Immigrant Status Indicator Technology (US-VISIT) with two fingerprints has become operational at all airports of entry. The department, moreover, is moving to a ten-fingerprint requirement overseas at consulates as well as at all U.S. airports. We have also strengthened documentation requirements at land borders to include the Western Hemisphere Travel Initiative that is now being implemented. We also have beneficial agreements with the European Union (EU), in particular, to give us a better idea of who is traveling to the United States through their airports; the U. S.–EU Passenger Name Record Agreement helps safeguard our country. There is no doubt about it, we have a far better handle on individuals we should let in, those we should scrutinize more carefully, and those we should keep out.

At our borders, we have strengthened surveillance and patrols, including even the use of unmanned aerial vehicles. With the secretary's Secure Border Initiative, we have challenges in harnessing new technology to improve border security, but our decisions are taken with the best interests of our citizens and the best use of our resources. Whether real or virtual fencing is involved, border security is steadily improving.

To keep out dangerous materials, we now scan for radiation almost 100 percent of the containers that come into the United States. As part of this effort, we are making progress getting advance information on who is flying private planes into the country, and we are working on a small boat strategy in order to get better control of foreign-registered boats under 300 tons.

To protect our infrastructure, we have begun to deal with some of the issues that have kept me awake at night for the past five years. Our new chemical plant regulations, for example, are helping us to work closely with the industry; chemical plants will have to submit security plans to us for our review and acceptance. Working with the rail industry, we have dramatically decreased the amount of time that toxic chemicals are held in idle tank cars, reducing the chances they could be used as a "weapon" by violent extremists.

One of the most challenging threats that we must face, in my opinion, is cyber, which will take us to the next level in safeguarding federal information systems from hostile attacks—whether they are state-directed or the work of non-state actors. The recently signed president's directive represents a game-changing approach that will take advantage of the capabilities of our intelligence collectors to prevent or minimize disruptions to our critical information infrastructure, thereby protecting the public, the economy, government services, and our national security. DHS is also prepared to consult with the private sector to help U.S. corporations protect their networks.

I want to emphasize that with regard to DHS's response and recovery to a terrorist attack, the Federal Emergency Management Agency (FEMA) is a completely different organization today, transforming itself from a part-time reserve system of disaster assistance employees to a corps of several thousand full-time employees with a vastly improved capability to track claims and maintain metrics. I cannot conceive of DHS functioning effectively without FEMA being a fully integrated component within the department.

Speaking of integration, we have made significant progress planning and tracking our costs, accomplishments, and impacts so that we can begin to manage DHS as an integrated department—not twenty-two different components. We are working hard and with increasing effectiveness to create integrated homeland security structures where the operating components and headquarter elements work together to achieve the secretary's priorities.

### **Homeland Security Intelligence as the Common Thread**

The common thread that ties together and supports all of these efforts is effective information collection, analysis, and sharing. Reliable, real-time information and intelligence allows us to identify and characterize threats, target our security measures, and achieve unity of effort in our response. Secretary

One of the most challenging threats that we must face is, in my opinion, cyber attack.

Intelligence is not only about spies and satellites. It is about thousands and thousands of routine, everyday observations.

Chertoff said it best on July 14, 2005, when he stated that “intelligence is at the heart of everything DHS does.”

Intelligence is not only about spies and satellites. It is about the thousands and thousands of routine, everyday observations and activities. Surveillance, interactions—each may be taken in isolation as not a particularly meaningful piece of information, but when fused together they give us a sense of the patterns and the flow that really is at the core of what intelligence analysis is all about.

What you may not know is that we at DHS actually generate a great deal of intelligence. We are virtually an “information factory” producing data based on thousands of interactions every hour at the border, in airports, and with the U.S. Coast Guard. To give you an idea of the scope of our activities, every single day:

- Customs and Border Protection processes over a million passengers and pedestrians; 70,000 containers; and over 300,000 air, sea, or land vehicles.
- The Transportation Security Administration (TSA) screens two million passengers and nearly as many pieces of checked luggage before they board commercial aircraft.
- Citizenship and Immigration Services naturalizes an average of 3,200 new citizens, conducts an average 135,000 national security background checks, and adjudicates an average of 200 refugee applications.
- The U.S. Coast Guard saves an average of fourteen lives, ninety-eight people in distress, and conducts seventy-four search-and-rescue operations.

And lest we lose sight of the threats to our country from dangerous people, think of the enforcement activities we carry out each day:

- Customs apprehends an average of 2,400 people crossing illegally into the United States. Some are individuals of special interest to the United States, and our job is to ensure they are interviewed. We harvest the intelligence information they possess.
- Immigration and Customs Enforcement seizes over \$700,000, makes 150 administrative arrests and 61 criminal arrests, removes some 760 aliens, and participates in an average of 20 drug seizures.
- TSA intercepts nearly 18,000 prohibited items at checkpoints, including almost 3,000 knives and 200 other dangerous items.
- The U.S. Coast Guard interdicts an average of 17 illegal migrants at sea, and seizes an average of 1,000 pounds of illegal drugs worth \$12.9 million.
- The U.S. Secret Service seizes an average of more than \$145,000 in counterfeit currency, seizes more than \$50,000 in illegal profits, and conducts nearly twenty arrests.

These encounters generate a treasure trove of data that we are just now learning how to report, collate, and share. This means that DHS is a collector, producer, and consumer of intelligence, which makes my work that much more challenging.



## The DHS Intelligence Enterprise

Let me share with you briefly the progress we have made in creating an integrated intelligence program and how we analyze, produce, disseminate, and share homeland security intelligence.

Very candidly, we are building a departmental intelligence organization out of nothing. We have had to recruit and train new cadres of intelligence officers, integrate existing intelligence functions, bring others up to standards recognized by the Intelligence Community, and fundamentally define the new realm of homeland security intelligence.

For example, customs intelligence in the “old days” was no more than a tip or a lead. It had little to do with analysis, with context, with warning, with strategic information, with looking beyond the current to what is about to happen next. Its three intelligence elements—field, border, and headquarters—had no common budget, and did not often talk to one another.

I have focused on building intelligence architecture and developing analytic cadres that can respond to and prepare for the kind of products the department and all its operating components need and at standards acceptable to the traditional Intelligence Community. I have organized DHS’s Office of Intelligence and Analysis to take advantage of the work of the NCTC’s all-source, integrated assessments of terrorist threats. But—and this is a very important point—we look at threat information from NCTC, from the FBI, CIA, and elsewhere in the Intelligence Community as well as from the DHS components through the prism of threats to the homeland writ large. This means my analysts and I take a broader view of threats than the organizations from which we draw our information.

I have structured our organization to align with the priorities the secretary has set for the department. My office not only supports DHS components, but also helps develop and feed intelligence back to the rest of the Intelligence Community.

To keep out dangerous people, my analysts look at the full range of threats to our borders from terrorists, but they also track the threat from narcotraffickers, alien smugglers, and transnational gangs. They look at special-interest aliens from countries that have weak counterterrorism programs and policies or are failed states.

My analysts also are concerned about dangerous people inside our borders, which equates to looking at those who are trying to recruit or engage in violent extremism. They work closely with the FBI, which is responsible for identifying and dismantling cells and networks. We focus primarily on the process of radicalization or the phenomenology of individuals who may have radical ideas but have not crossed that line to commit violence. I should add that we are not just concerned with Islamic extremists, but with white and black supremacists, anarchists, ecoterrorists, and animal rights radicals. We do this analysis while carefully ensuring that our citizens’ rights to privacy, civil rights, and civil liberties are protected.

My analysts also look at demographic movements around the world and into this country to get a handle on dangerous people who might come to our borders. We do this while carefully ensuring that people coming into the United

Very candidly,  
we are building  
a departmental  
intelligence  
operation out  
of nothing.

To counter al-Qaeda's single narrative, DHS has underway a program to inform and support government outreach.

States on student and work visas wish to do our country no harm. Similarly, we look carefully at nationals from countries where we have waived the requirement for visas. Based on what I have seen, some of these people, in fact, wish to do us harm.

Our demographic analysis is done in close cooperation with NCTC, the FBI, and demographic experts at the CIA, but we have the responsibility to connect what we know from overseas information with what we can learn from state and local officials here in the United States. Consider, for example, the significant movement of large segments of populations out of East Africa into U.S. cities like Minneapolis. We can learn much from state and local officials who are working issues on the ground, and we can help them understand how to deal with problems effectively. Think of the Midwest police force that had to deal with violent confrontations in public housing because they just did not know not to assign Serbs and Bosnians to adjoining units.

To counter al-Qaeda's single narrative, DHS has underway a program to inform and support government outreach programs. The lead within the department rests with its Office of Civil Rights and Civil Liberties, which has reached out extensively to Muslim leaders and organizations. Led by Dan Sutherland, who is well known for his work in this area, this office has held numerous meetings and roundtables with Muslim leaders throughout the country.

To protect our nation against dangerous materials brought across the borders, I have established a chemical, biological, nuclear, and radiological branch that looks at the threat in-bound, worldwide, and global. We also assess threats from pandemic diseases, such as the avian influenza, and other biological threats, such as foot-and-mouth disease, that could come across our borders and devastate our agricultural economy.

To protect our critical infrastructures, the Critical Infrastructure Threat Assessment Division follows the eighteen private infrastructure sectors in this country. We assess the threats to each of the sectors in detailed assessments, which help the rest of the department look at risk and vulnerability. For state and local governments that are competing for grants and other federal funds available for security assistance, these assessments support the grant process.

I firmly believe that this intelligence capability and the robust information that flows to support it are the glue that binds together the DHS as a single enterprise, binds DHS to the rest of the Intelligence Community, binds DHS to the broader community of law enforcement and state and local partners, and binds DHS to our foreign government partners. Let me share with you a few of the initiatives we have taken to cement these ties and working relationships:

- We have deployed dozens of officers—positions that we have eaten largely out of hide—to external organizations, including NCTC, the El Paso Intelligence Center (EPIC), and twenty-two of the fifty-eight fusion centers, at the state and local level, across the country. We will have officers in thirty-five fusion centers by the end of this year.
- We are sending trained reports officers to DHS components to get the information gleaned from contacts at the borders to the rest of the Intelligence Community in the form of Homeland Intelligence Reports (HIRs). As a result,

we have issued nearly 3,000 HIRs in the past year, sharing valuable information on transnational threats from the Caribbean and Latin America, sensitive information from ports of entry, and data from people who are given secondary screening or people who are denied entry into the United States.

- We have raised our visibility with the Intelligence Community, sitting as a full participant in Intelligence Community forums and working hand in hand with our partners at the DNI, FBI, and NCTC.
- With the FBI and NCTC, we have formed an interagency threat and coordination group (ITACG) that is located in NCTC, under NCTC management, but with DHS and FBI senior officers leading it. ITACG officers monitor the sensitive databases each day to determine what can be sanitized and sent to our state and local partners.
- We contribute to the National Terrorism Bulletin and President's Daily Brief and put out joint advisories with the FBI, mostly at the For-Official-Use-Only level to ensure maximum reach to our state, local, and private-sector partners.
- We are establishing a National Applications Office that will work to use satellite imagery not only for civil applications, but to support homeland security efforts. This effort has yet to reach operational status. Let me assure you this is an area where we will ensure that the privacy and civil rights and civil liberties of all Americans are protected.

### Homeland Security's Future Priorities

We have done a lot, but we face limitations in terms of resources and in terms of time. Secretary Chertoff has acknowledged we cannot attempt to protect this nation from every conceivable risk by taking every conceivable protective measure. We have therefore adopted a risk management framework of national priorities, goals, and requirements to protect critical infrastructure and key resources. At the core of this framework of setting priorities based on risk is the quality of the intelligence we have upon which to make judgments. What is the nature of the threat? What are the vulnerabilities? What are the available countermeasures? These are part of the foundation for deciding where to invest our limited resources.

No one agency of the U.S. government can protect the homeland on its own. Sharing information is not enough. We must work together—federal, state, local, tribal, and private sector—to recognize trends, anticipate changes, and plan for attacks that are coming, not those that have already occurred.

But we are facing a daunting network of adversaries who understand the power of information, and increasingly understand the power of the cyber realm. Soon it will be time for me to pass the baton to a new undersecretary and a new administration. But I am confident that Secretary Chertoff and DHS's leaders and dedicated personnel have established a firm base of protection for the homeland that will serve our successors, our citizens, and our country well.

At the core of this framework of setting priorities based on risk is the quality of the intelligence we have upon which to make judgments.

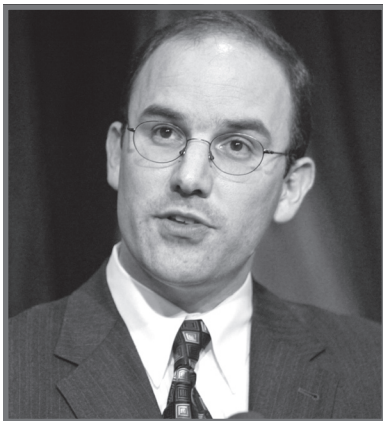
---

# Winning the War on Terror: Marking Success and Confronting Challenges

*Juan Zarate*

---

APRIL 23, 2008  
PREPARED REMARKS



■ *Juan Zarate, deputy national security advisor for combating terrorism*

TODAY, I WOULD LIKE TO do three things: highlight some counterterrorism innovations within the U.S. government; discuss certain core markers of success we are witnessing in the war on terror; and delineate the seminal challenges in bringing closure to the “long war.”

Since September 11, the president has laid out a clear strategy and vision—to wage a battle of arms and ideas—that has been implemented by thousands of men and women protecting our national and homeland security at home and abroad. It is an approach built on both an aggressive attack on the enemy and its ideology and a strong, layered defense.

This integrated strategy is supported by a counterterrorism architecture built by this president and Congress to enable the U.S. government to win the war on terror in the long term. Now, we have in place the structures—like National Counterterrorism Center (NCTC), the Department of Homeland Security, the Office of the Director of National Intelligence, NORTHCOM, the Department of Justice’s National Security Divisions, the FBI’s National Security Branch, and Treasury’s Office of Terrorism and Financial Intelligence (TFI)—that institutionalize the counterterrorism and homeland defense missions.

In addition, we have much of the legal framework—based on the Patriot Act, the Intelligence Reform and Terrorism Prevention Act (IRTPA), and other key administrative and legal provisions—to fight this long war effectively. A key piece of legislation—the modernization of the Foreign Intelligence Surveillance Act (FISA)—remains to be passed in Congress.

These efforts have had real-world effects and impact. In the first instance, they have saved lives. Along with our partners abroad, we have disrupted numerous al-Qaeda-led and inspired plots, made countless terrorism-related arrests globally, and disrupted the logistical and financial networks of al-Qaeda and its allies. The ongoing trial in London of the failed August 2006 airline plotters highlights the reality of the threats and disruptions plainly enough.

## **Counterterrorism Innovations**

These efforts have allowed us to remain innovative and on the offensive—along with our partners—against an adaptive transnational enemy. This innovation in our current strategy and approach has manifested itself in many ways:

- The information-sharing environment in which we now operate is vastly different from the one that existed just six years ago. The walls between intelligence and law enforcement, between federal, state, and local authorities, and even between foreign counterparts have fallen or been minimized in a way previously unimagined. In addition, more data is being gathered, shared, and analyzed. This has meant that more dots have and can be connected to identify suspect terrorist nodes, networks, and problematic trends.
- Today, the U.S. government's counter-threat-response infrastructure—led by NCTC—is a system in which all of the key departments and agencies convene three times a day to review threats, once a week at the White House in the Counterterrorism Security Group to ensure we are addressing the high-level threats of concern, and then at the most senior levels of government when warranted. The president's daily intelligence briefings routinely include strategic and tactical terrorism matters, and he receives regular counterterrorism and homeland security updates from cabinet secretaries and agency heads. This system—with top-level attention—ensures constant focus on emerging or lingering threats of concern.
- We have built an interlocking system of defenses, extending our borders and homeland security. This starts with strong overseas partnerships and focused programs, such as the Container Security Initiative, the Proliferation Security Initiative, and the Global Initiative to Combat Nuclear Terrorism, intended to prevent unwanted people and materials from reaching our shores. Such programs and relationships are backed by robust counterterrorist travel and screening efforts, which are then amplified by port and border security measures. This layer of defense is then backed by critical infrastructure protection in the homeland and joint partnerships with state, local, and tribal law enforcement. It is not just one part of our homeland defense that matters but instead the layered defense in depth that is critical to the success of this model—taking full advantage of international and local partnerships.
- This president has led the focus on preventing terrorists from acquiring, developing, or using weapons of mass destruction (WMD), in particular nuclear weapons. He has laid out a six-part strategy, backed by an in-depth implementation plan and related programs that link our counterproliferation and counterterrorism efforts and communities into a comprehensive approach. This includes everything from protection of nuclear materials globally and radiological screening overseas to interdiction efforts and building capabilities to attribute the source of any such attack. This approach has led to innovations such as rethinking how we can deter or dissuade elements of terrorist networks. This includes undercutting the moral and religious legitimacy of the use of WMD by terrorists against innocents.
- Our counterterrorism strategy has depended on the use of all elements of national power, now integrated in a common planning document, the National Implementation Plan. Our approach has led to innovations in the use of our resources. This has included targeted development assistance with allies in safe havens of concerns and core capacity building with law

The walls between intelligence and law enforcement have fallen or been minimized in a way previously unimagined.

We are seeing important signs that point to the eventual demise of al-Qaeda.

enforcement, intelligence, and military counterparts to ensure our partners have the indigenous capabilities to fight the sources and symptoms of terrorism. It has also included creative deployment of our powers and suasion, as in the case of our use of targeted financial sanctions to identify and isolate rogue actors and to rely heavily on the international financial community in doing so.

- In our tactical and strategic engagement in the battle of ideas, we have adapted our approach to focus not just on defending the image of America and encouraging the underlying values of free societies, but also on attacking and undercutting the image and ideology of the enemy. This includes working with key allies—in governments and the private sector—to ensure that the truth about al-Qaeda’s atrocities is revealed and understood. We are also connecting the private sector, nongovernmental organizations, and interested parties to develop grassroots initiatives throughout the world that provide hope to youth and allow moderate networks to connect and defend against violent extremist ideologies. These are innovative projects intended to grow the grassroots movement that will counter extremist ideologues and their message.

These are just a handful of innovations and efforts that mark the everyday work of the U.S. government to implement our counterterrorism strategy. No doubt, improvements and further innovations need to be made, but we now have a U.S. counterterrorism architecture that allows us to fight the long war effectively, using all elements of national power.

While we implement this strategy, a key question that we must consistently ask ourselves is whether we are on the right track toward winning the war on terror. I am paid to see and prevent the worst in the terrorism tea leaves. Sometimes daily setbacks or longer-term challenges appear to portend a protracted battle with a morphing enemy on numerous fronts. There may indeed be difficult streaks in the war on terror, but I am also an optimist. I think we are now seeing important signs that mark progress in the war on terror and point to the eventual demise of al-Qaeda.

### Nature of the Enemy

To understand whether we are winning, one must understand the evolving nature of the enemy. We continue to face an enemy, led by al-Qaeda, that is patient in its long-term strategic vision and willing to use any means to achieve its goals. Though its goals are global, it uses and co-opts local and cultural grievances and national movements and aspirations to fuel recruitment and establish its legitimacy. Its extremist and exclusive ideology preys on discontent and alienation, while providing a simple narrative that pretends to grant meaning and heroic outlet for the young. It is a terrorist movement that rejects elements of modernity while being fully devoted to using its implements, such as the internet.

Over the last three years, we have seen a hybrid face of this enemy emerge—with al-Qaeda core leadership setting the strategic direction for the movement and often directing attack planning. At the same time, al-Qaeda has aggressively and systematically moved to establish and use outposts, like al-Qaeda in Iraq or

al-Qaeda in the Islamic Maghreb, that serve as forward bases for al-Qaeda activity and strategic reach. In addition, al-Qaeda has identified and nurtured pockets of radicalized cells or individuals in Western Europe with the capability to carry out deadly attacks under al-Qaeda direction and in its name. Despite our disruptions and aggressive counterterrorism actions against al-Qaeda leadership, this movement has found ways of extending its reach beyond the Afghanistan-Pakistan border region.

This is an enemy that is morphing in structure and adapting to changing geopolitical landscapes, but one that retains the same radical vision and ideology and devotion to the use of terrorism.

## Markers of Success

Though this enemy appears to be reaching deeper into North Africa and Europe, there are a number of important developments that signal that al-Qaeda and the movement it represents are under greater stress and finding more opposition to their program, in particular from Muslims affected directly by al-Qaeda's tactics. The international environment for al-Qaeda, including in Muslim-majority countries, is growing more inhospitable. There are some basic markers to note.

The consistent and frequent terrorist-related arrests being made—and underreported—around the world are an important signal of the growing seriousness with which countries take the threat. European services have arrested and disrupted numerous terrorist networks over the past year, including operational cells wrapped up in Germany, Denmark, and Turkey. This is an indicator of both the awareness and growing effectiveness of countries' counterterrorism capabilities.

Countries are further addressing the counterterrorism threat themselves and with regional partners. This has entailed more than just classic counterterrorism work, to include more countries taking the field in the ideological battle space. It is seen most vividly in Southeast Asia, where the countries in the region have adopted full-fledged counterterrorism strategies—from “soft” counter-radicalization and jihadist rehabilitation programs to the development of “harder” special-forces capabilities to address militants and terrorists on the battlefield. This approach and related regional partnerships signal an important graduation for the international community in reducing the global reach of the terrorist groups in the region.

Most important, there has been a growing rejection of the al-Qaeda program and message. This is manifesting itself in several important ways. This is seen most vividly in Iraq, with the heart of al-Qaeda's supposed constituency—the Sunni Arab tribes—openly and violently rejecting al-Qaeda's presence and ideology. The al-Anbar Awakening—with its broader ramifications for a rejection in the Arab heartland of al-Qaeda itself—represents an existential threat to the al-Qaeda program. Its long-term strategy of establishing an “Islamic Caliphate,” galvanizing a broader anti-Western Muslim movement and driving the United States out of the region, stands at risk. Combined with our military surge and the tactical pressure we have put on anticoalition forces in Iraq, we have al-Qaeda in retreat in Iraq. This is precisely why we have seen al-Qaeda trying to regroup with targeted attacks on the tribal sheikhs and a flurry of messages

This is an enemy that is morphing in structure and adapting to changing geopolitical landscapes.

from senior al-Qaeda leadership about the need for unity and concentrated and primary effort in Iraq.

Importantly, this rejection has started to emerge within extremist circles as well. Recently, former jihadist leaders of the Egyptian Islamic Group published a series of books highly critical of jihadists and al-Qaeda, to which Ayman al-Zawahiri has felt compelled to respond directly. The prominent Saudi cleric Sheikh Salman bin Fahd al-Awdah, who is well respected in extremist circles, condemned al-Qaeda's actions and their impact on Islam in an open letter to Osama bin Laden, asking, "How much blood has been spent? How many innocent people, children, elderly, and women have been killed, dispersed, or evicted in the name of al-Qaeda?" And in London just yesterday, former extremists launched the Quilliam Foundation, an organization dedicated to exposing and discrediting the ideology and voices of violent extremism.

This rejection is not isolated to Iraq or to extremist circles. More and more Muslim and Arab populations—including clerics and scholars—are questioning the value of al-Qaeda's program, its fomenting of chaos, and its justification for the killing of Muslim innocents. In an article published in the *Washington Post*, the grand mufti of al-Azhar Mosque in Egypt noted that "attacking civilians, women, children, and the elderly by blowing oneself up is absolutely forbidden in Islam. No excuse can be made for the crimes committed in New York, Spain, and London, and anyone who tries to make excuses for these acts is ignorant of Islamic law, and their excuses are the result of extremism and ignorance." In October 2007, the Saudi grand mufti, Sheikh Abdul Aziz, delivered a speech warning Saudis not to undertake unauthorized jihadist activities and blaming "foreign elements" for exploiting the religious enthusiasm of young men for illegitimate purposes. The grand mufti also strongly warned wealthy Saudis to avoid funding causes that "harm Muslims." These are just some examples of concrete opposition to al-Qaeda emerging around the world.

It is significant that there is notable and consistent opposition in Arab country polling to the targeting of civilians and use of terrorism. As David Pollock recently noted in one of The Washington Institute's sessions, "Since 2004, the most striking new trend in regional opinion is the steady surge toward greater popular opposition to any attacks on American civilians anywhere among all Arab publics polled on such questions by different pollsters, many times over." This trend is reflected in popular culture. For example, popular musicians in Pakistan and Indonesia are performing anti-terrorism songs that have become anthems for Muslims who want to distance themselves from extremism and violence. The tactics and methods of al-Qaeda are more and more being rejected. We know that all of this matters to al-Qaeda and that its senior leadership is sensitive to the perceived legitimacy of both their actions and their ideology. They care about their image because it has real-world effects on recruitment, donations, and support in Muslim and religious communities for the al-Qaeda message.

In his recent question-and-answer session, al-Zawahiri had to address the question of the legitimacy of targeting civilians. Interestingly, he sidestepped the question in part by claiming al-Qaeda does not target civilians and arguing that loss of innocent Muslim life was accidental or that Muslims mixing with

Attacking  
civilians, women,  
and children by  
blowing oneself  
up is absolutely  
forbidden  
in Islam.



non-Muslims were fair game. That is a hard argument to sell among the Muslim victims of al-Qaeda terrorism in Baghdad, Riyadh, Casablanca, Amman, Algiers, and Istanbul. In fact, victims of al-Qaeda terrorism are beginning to organize and are exposing the human toll of al-Qaeda's tactics.

These challenges from within Muslim communities and even extremist circles will be insurmountable at the end of the day for al-Qaeda for two fundamental reasons. The baseline ideology to which its members are committed is violently exclusionary, and the terrorist tactics with greatest potential strategic benefit to al-Qaeda are precisely the ones that are most rejected and unpopular, including among Muslims.

Combined with the tactical and strategic "soft" and "hard" pressure placed on this movement by the international community, I believe that it is the moral pressure gaining momentum across the globe that will ultimately help dismantle al-Qaeda. Al-Qaeda's downfall and the end of the broader movement that it represents will follow inherently from their dark vision and terrorist tactics.

### Persistent Challenges

This is not to say that the war on terror is won or that we will not need to endure setbacks. Indeed, there are some critical challenges that we are attempting to address that will require long-term commitments and attention from the U.S. government.

Senior al-Qaeda leadership and trainees have found safe haven in the Pakistan-Afghanistan border area, in particular in Pakistan's Federally Administered Tribal Areas (FATA). This safe haven allows al-Qaeda to plot and train, and provides a physical environment in which like-minded terrorist groups and operatives can mingle and create alliances of convenience. This is a direct threat to Pakistan, Afghanistan, and the rest of the world, given the planning and training occurring there every day.

We are engaged now with the new government in Islamabad to ensure they understand the criticality of this issue for us and our commitment to working closely with them to ensure that the FATA does not remain in the long term an international terrorist safe haven. This is a complicated issue and part of the world in which tribal dynamics dominate and in which the writ of the Pakistani central government does not extend. Our efforts with the Pakistanis include training and equipping their local, indigenous forces (the Frontier Corps) and the military, as well as providing development aid and economic assistance targeted to areas in need. This is part of an evolving, comprehensive strategy that will take time to succeed.

Indeed, the problem of the FATA safe haven will not be solved overnight, but it is clear that this is not just a Pakistani or American problem. It is one that affects the entire world and must involve key countries to help find solutions. For example, the British have pointed to numerous plots in the United Kingdom with direct links back to al-Qaeda in Pakistan. Coalition forces in Afghanistan and NATO countries have a direct interest in what happens in the FATA. We are addressing the need to internationalize the approach with organizations like the G8, in which the leaders have committed to working jointly with Pakistan to develop the FATA through economic assistance and investment.

Al-Qaeda's  
baseline ideology  
is violently  
exclusionary.

Al-Qaeda should be revealed as *itself* being at war with Muslims, especially those who do not believe as it does or subscribe to the al-Qaeda agenda.

In addition, the al-Qaeda movement benefits from the seeming acceptance of a broader narrative that the “West” is at war with Islam, regardless of the reality that al-Qaeda has led the slaughter of thousands of Muslim innocents around the world. Al-Qaeda has artfully woven itself into the fabric of this narrative. We have difficulty breaking through this impression—regardless of the goodwill or efforts by the U.S. government and American citizens to help Muslims and non-Muslims alike as in the Pakistan earthquake, the South Asian tsunami, or even in the Balkans, and in Afghanistan. The cartoon incidents or isolated events and comments are often used by al-Qaeda and its adherents to foment a greater sense of assault on the part of the West and values associated with broader globalization.

Part of the challenge is shifting this paradigm, so that the myth of such a conflict is debunked. Part of this is explaining that Muslims are a part of the “West” and breaking the notion of a clash of cultures. Even if we cannot effect this broad narrative quickly, we must ensure that al-Qaeda is not portrayed as the defender or vanguard for Muslims. Al-Qaeda and its ideology need to be divorced from this broader narrative and defined clearly as enemies of humanity who thrive on the misery and chaos they perpetuate, especially among Muslims. Al-Qaeda should be revealed as *itself* being at war with Muslims, especially those who do not believe as it does or subscribe to the al-Qaeda agenda.

Much of this will require credible voices, outside of the U.S. government, to confront this false narrative. We are starting to see glimmers of precisely this, with some Muslims in Europe starting to reclaim what it means to be a faithful Muslim living in the “West.” In response to the recent Geert Wilders film, *Fitna*, Dutch Muslims launched a viral “Hug Wilders” campaign instead of reacting violently to the film. This is the type of action—if replicated in various communities and in different ways—that will help reframe the narrative and isolate violent extremists.

The international community is further hampered by a lack of consensus on what type of legal model and rules should apply to address the twenty-first-century terrorist threat represented by al-Qaeda. What standards of proof, evidence, procedures, and sentences should apply against those who are trained or associated members of this loosely tied global terrorist movement intent on possibly using apocalyptic means to achieve their long-term strategic goals?

Clearly, this is not a classic criminal problem to which traditional criminal rules should apply, and the multiple theaters in which these terrorists operate make it difficult to apply any one standard or procedures. This legal and policy debate is starting to emerge in earnest in Europe, where the fixation to date has been on the U.S. attempts to fashion a legal construct and solution to address this problem. The international community—especially jurists and academics—needs to engage in good faith to develop realistic options for a robust legal paradigm that allows for the protection of our national and collective security while respecting the rights of suspected individuals.

Finally, Iran and Syria’s state sponsorship of terrorism presents immediate challenges to our counterterrorism policies and national security. We know that Iran’s Islamic Revolutionary Guard Corps Qods Force supports terrorism around the world—and has done so historically in Lebanon and in attacks such

as the bombing of the Argentine-Israeli Mutual Association in Buenos Aires in 1994. This assistance is not restricted to Hizballah and the Palestinian rejectionist groups. We know that the Qods Force provides weapons and financial support to the Taliban to support anti-U.S. and anticoalition activity in Afghanistan, as well as to Iraqi Shiites who target and kill coalition and Iraqi forces.

With Syria, we know that it continues to be a center for terrorist activity, including serving as the primary pipeline for foreign suicide bombers into Iraq through the Damascus airport. These suicide bombers represent a strategically important threat to Iraq's stability and the safety of Iraqi civilians and our soldiers. We need to continue to pressure and expose the ongoing state sponsorship of these two regimes, which have an interest in not only opposing U.S. interests but also sowing instability wherever they see an advantage for their interests.

Such state sponsorship is dangerous because these countries provide weapons, training, financing, and logistical support to unaccountable terrorist actors. Such sponsorship also provides some legitimacy to those still wedded to the dying orthodoxy that terrorist acts can be justified.

## Conclusion

We are attempting to address all of these challenges with the varied tools at our command and by innovating new areas in our counterterrorism approach. We know the war on terror—with its embedded struggle against a violent extremist ideology—is a generational calling that requires the entire U.S. government and the international community to act. There will be challenges and setbacks, but there is no doubt in my mind that we will see victory in this struggle, with markers and key indicators of that success emerging even today. There is also no doubt that we will see al-Qaeda defeated, imploding from its own moral hypocrisy and strategic missteps. That said, we must remain focused and committed to ensuring the safety and security of this country against an enemy that remains committed to the destruction of our way of life. That has been the work of this administration, and it will no doubt be the work of administrations to come.

State sponsorship provides some legitimacy to those still wedded to the dying orthodoxy that terrorist acts can be justified.

---

# U.S. Financial Pressure on Terrorists and Rogue Regimes

*Patrick O'Brien*

---

FEBRUARY 27, 2008  
PREPARED REMARKS



■ *Patrick O'Brien, assistant secretary of the Treasury for terrorist financing and financial crime*

GOOD MORNING, LADIES AND GENTLEMEN. Thank you for your time and the opportunity to speak today. I also would like to thank The Washington Institute for hosting me. The Institute and the Treasury Department have had a long and fruitful relationship. My colleagues and I continue to benefit significantly from your excellent analysis and research on a regular basis. In particular, I am pleased to be reunited with two outstanding former colleagues, Matthew Levitt and Michael Jacobson, two of my hosts today.

Last year, Treasury's deputy secretary Robert Kimmitt spoke to you about a Treasury transformed. Today, I would like to build on those remarks and provide further detail on Treasury's Office of Terrorism and Financial Intelligence (TFI). I will explain TFI's perspective and strategic approach for combating not only terrorist financing, but also other threats to our national security, including weapons of mass destruction proliferation, rogue nations, kleptocracy, drug trafficking, money laundering, and organized crime more generally. I would then like to spend some time on TFI's efforts to combat terrorist financing and how those efforts advance the broader U.S. counterterrorism mission. Finally, I want to briefly update you on TFI's efforts to address the particular threats that we face from Iran, with respect to proliferation and its role as a state sponsor of terrorism. These efforts illustrate TFI's broad range of statutory authorities, its effective government and private-sector relationships, and substantive expertise in developing a comprehensive strategy to disrupt the ongoing threat posed by Iran.

## **TFI: An Overview**

When Deputy Secretary Kimmitt spoke to you last year, he described the birth of TFI and broadly explained how TFI has given the Treasury Department and the executive branch new and enhanced capabilities to combat borderless, asymmetric threats.

In the broadest sense, TFI has a threefold mission:

1. to safeguard the financial system from criminal and illicit activity;
2. to produce financial analysis and information through the Bank Secrecy Act (BSA) to assist law enforcement and counterterrorism authorities; and

3. to take targeted economic and financial action against threats to our national security or foreign policy interests.

To advance this mission, TFI, led by Undersecretary Stuart Levey, relies upon several offices that fall under its authority—the Office of Intelligence and Analysis (OIA), the Office of Foreign Assets Control (OFAC), the Financial Crimes Enforcement Network (FinCEN), the Executive Office for Asset Forfeiture (TEOAF), and my office, the Office of Terrorist Financing and Financial Crimes (TFFC).

**OIA.** Allow me to begin with the Office of Intelligence and Analysis. As the 9-11 Commission and others have rightly noted, actionable and timely intelligence is required to combat terrorism and its financiers. Our intelligence office, led by Assistant Secretary Janice Gardner, was created to provide expert, all-source analysis on financial and other support networks for terrorist groups, proliferators, and other key national security threats. Matt Levitt and Mike Jacobson were instrumental in standing up this office and building its operational capacity to serve TFI and Treasury's growing intelligence needs.

Treasury relies on analysis from OIA to identify and take targeted economic or financial action against those who threaten our national security and seek to abuse our financial system. OIA analysis is the backbone behind the designation of individuals or entities engaged in terrorist activity, financing, or support pursuant to Executive Order 13224. OIA is not simply the end user of raw data, but informs the intelligence community's perspective on financial information, shaping the manner and type of information gathered. In combination with information and analysis from TFI partners, OIA's all-source intelligence analysis also contributes to:

- designation of those who threaten our national security pursuant to executive orders on proliferation and other national security threats,
- issuance of advisories to financial institutions to protect against heightened risks to the financial system,
- targeted outreach to jurisdictions or financial institutions about particular threats or bad actors, and
- actions under Section 311 of the Patriot Act to designate a jurisdiction, financial institution, class of transactions, or type of account as a "primary money laundering concern."

The Office of Intelligence and Analysis represents a Treasury asset that is unique among finance ministries around the world. In fact, one of the primary challenges we face in strengthening our global approach to combating terrorist financing and other threats lies in encouraging and assisting our allies to develop similar capabilities. Furthermore, the success of OIA serves as an example to our partners of the critical need for a designated competent authority that has the capacity and willingness to utilize intelligence in support of targeted financial measures, based on clear national legal authority.

The Office of Intelligence and Analysis represents a Treasury asset that is unique among finance ministries around the world.

## Targeted economic sanctions must be operationally implemented and enforced.

**OFAC.** The Office of Foreign Assets Control is another unique asset that is critical in advancing our efforts to combat terrorist financing and other national security threats. Led by Director Adam Szubin, OFAC is the office responsible for implementing, administering, and enforcing Treasury's wide range of economic-sanctions programs in support of the U.S. government's (USG's) national security and foreign policy interests. With respect to terrorist financing, OFAC implements and administers Executive Order 13224, a principal authority by which the USG designates those individuals and entities engaged in or otherwise supporting terrorist activity. It has similar authorities for narcotics trafficking and proliferation.

While the immediate legal effect of these designations—freezing any assets the target has under U.S. jurisdiction and preventing U.S. persons from doing business with them—is relatively straightforward and largely understood, the actual impact of these targeted economic sanctions is less visible and often misunderstood. Broadly speaking, these sanctions are preventive in nature. In simplest terms, they prevent terrorists from obtaining the resources and support they require to conduct their operations and execute attacks. Targeted economic sanctions also serve the following purposes:

- deterring nondesignated parties who might otherwise be willing to finance terrorist activity,
- exposing terrorist-financing “money trails,” which may generate leads to previously unknown terrorist cells and financiers,
- dismantling terrorist-financing networks by encouraging designated persons to disassociate themselves from terrorist activity and renounce their affiliation with terrorist groups,
- terminating terrorist cash flows by shutting down the pipelines used to move terrorist-related funds or other assets,
- forcing terrorists to use more costly, less efficient, and riskier means of financing their activities, which can make them more susceptible to detection and disruption, and
- fostering international cooperation and compliance with obligations under UN Security Council Resolution (UNSCR) 1267 and its successor resolutions, and UNSCR 1373.

To accomplish these objectives, targeted economic sanctions must be operationally implemented and enforced. OFAC is unique in that it is the only office in the world that is significantly resourced and dedicated exclusively to advancing these interests through licensing, outreach, compliance, and enforcement. As with TFI's intelligence office, encouraging our partners to set up administrative bodies similar to OFAC represents another crucial challenge that we face in effectively globalizing our campaign against illicit finance. Operational capability is an essential tool for the international community to identify, disrupt, and help dismantle illicit networks.

**FinCEN.** Led by Director Jim Freis, FinCEN is primarily responsible for administering and enforcing the Bank Secrecy Act. This is one of the primary authorities that we rely upon to promote transparency in the U.S. financial system. Systemic transparency is a necessary precondition for advancing the threefold mission of TFI. In short, financial transparency provides the visibility required to safeguard the financial system, identify and extract information useful to law enforcement and counterterrorism authorities, and take targeted action against those threats that operate within the financial system.

FinCEN promotes transparency through the BSA by promulgating and enforcing regulations that generally require covered financial institutions to develop and implement customer identification, recordkeeping, reporting, and anti-money-laundering (AML) programs. In addition, FinCEN conducts analysis of the information that it receives from financial institutions to assist law enforcement and counterterrorism authorities in initiating or advancing financial investigations. Finally, FinCEN works with counterparts from over a hundred countries through the Egmont Group to facilitate the cross-border exchange of financial information in support of financial investigations. FinCEN serves as a gateway to financial intelligence units (FIUs) in foreign jurisdictions to assist in these financial investigations.

Key challenges that we face in effectively globalizing our counterterrorism campaign lie in better utilizing these FIU relationships to advance terrorist-financing investigations and promoting multilateral implementation of financial measures against terrorist organizations and their support networks.

**TEOAF.** Treasury's Executive Office for Asset Forfeiture serves as a mechanism for reinvesting forfeited illicit proceeds by funding cooperative initiatives among federal, state, and local authorities. Funds administered by TEOAF can be used to test new ideas and approaches to combat illicit finance. It is important, particularly for developing jurisdictions, to adopt sound forfeiture authorities and management mechanisms that exploit the ill-gotten resources of money launderers and terrorist financiers and invest in much-needed personnel, training, and equipment for supervision and enforcement of anti-money laundering and countering the financing of terrorism (AML/CFT).

**TFFC.** Finally, let me say a word about my office, the Office of Terrorist Financing and Financial Crimes. TFFC develops and implements policies, strategies, and initiatives to (1) identify and address vulnerabilities in the U.S. and international financial system, and (2) take targeted economic and financial action against security threats and their support networks. We also provide direct support to TFI's undersecretary, Stuart Levey, and Treasury leadership on issues that implicate TFI's interests, particularly with respect to the activities of the National Security Council. In fulfilling these responsibilities, TFFC works closely with all elements of TFI and the Treasury, as well as with the interagency community, the private sector, and government ministries from around the world. We do this both bilaterally and through multilateral organizations such as the G7, the international financial institutions, the Financial Action Task Force (FATF), and the various FATF-style Regional Bodies (FSRBs).

These efforts are truly interagency.

## Combating the financing of terrorism is part of the broader war on terrorism.

As I turn now to a specific discussion of our efforts to combat terrorist financing, I want to emphasize at the outset that these efforts are truly interagency and that we are not in this fight alone. I'll focus on Treasury's role, but as the discussion will hopefully make clear, effective efforts to attack terrorist support networks involve all interagency elements working together: intelligence, law enforcement, diplomatic, and military. We benefit in this endeavor from strong relationships with our interagency partners, specifically the National Security Council's planning and coordination through its Counterterrorism Security Group and its Sub-group on Terrorist Financing, and the efforts of the National Counterterrorism Center (NCTC).

### Defining Terrorist Financing

**Context and scope of terrorist financing.** In order to combat terrorist financing, one must first understand what terrorist financing actually is in a broader context. Combating the financing of terrorism is part of the broader war on terrorism. As such, our counterterrorist financing efforts must focus not only on the relatively narrow perspective of finance, but also on the wider landscape of terrorist support, including those structures and organizations that terrorists rely upon to execute their attacks and advance their agendas.

Such a broad view of terrorist financing and support is essential in understanding the importance of our work. We have all heard the arguments posed by those who question the effectiveness of counterterrorist financing efforts. These critics point to the minimal costs and relative ease of procuring materials that are often used in terrorist attacks, such as precursor chemicals or suicide belts. However, as many scholars in this room have pointed out, these arguments ignore the much larger and sustained expenses required to finance the terrorist life cycle—to include propaganda, radicalization, recruitment, and popular support gained through the delivery of welfare and social services and the development of organized media and political campaigns among vulnerable populations. They ignore the training, travel, and operational support that terrorists require to be successful. They ignore the costs of securing and protecting safe havens from which terrorists can plan and organize their operations. And perhaps most important, they ignore the massive devastation that terrorists could inflict if they were to have the financial and logistical means to acquire weapons of mass destruction.

**Elements of terrorist financing.** This understanding of the broader costs required to sustain and make operational the terrorist threat explains the USG's focus on terrorist organizations and their support networks. It also informs our perspective in focusing on the elements of terrorist financing. These elements can be roughly divided between sources and conduits of terrorist financing or support.

Experience indicates that terrorist operatives, cells, and organizations rely on three general sources of financing and support: (1) donors—particularly ideologically motivated individuals, but also funds raised by or through charities from witting or unwitting donors; (2) criminal proceeds; and (3) state sponsorship.

Experience also indicates that terrorist operatives, cells, and organizations—like many criminal organizations—exploit all three fundamental ways to move



value as conduits of terrorist financing and support. These conduits include (1) the formal financial system, (2) the physical movement of currency, and (3) the physical movement of goods through the trade system. In exploiting these three fundamental ways of transferring value, terrorist organizations and their support networks may employ several different mechanisms, including wire transfers, cash couriers, charities, and informal value transfer systems, which include alternative remittance systems such as *hawala*. *Hawaladars*, like operators of other informal value transfer systems, may conduct transactions and settlement activity through all three ways of moving value—the formal financial system, cash, or trade.

The challenge inherent in this broad recognition of how terrorist operatives, cells, and organizations raise and move funds and support is that it demonstrates the complex, dynamic, and global nature of terrorist financing. The various sources and conduits of funds also illustrate how interdependent our global financial system is, and the critical need to work with our foreign partners and the private sector, including in nonfinancial industries such as the charitable sector and in traditionally unregulated sectors such as *hawala* and remittance systems. Terrorist financing is not static—it adapts and constantly seeks to exploit vulnerabilities in our financial and trade systems.

Nonetheless, this emphasis on the elements of various terrorist-financing sources and conduits provides a useful framework for developing and applying TFI's general strategic approach to combating this threat.

## Combating Terrorist Financing

Consistent with our general strategic mission and perspective, TFI has adopted a comprehensive approach to combat the various sources and conduits of terrorist financing and support. This comprehensive approach includes:

- developing, implementing, and globalizing measures and initiatives to close systemic vulnerabilities,
- targeting, i.e., identifying critical nodes of terrorist support,
- developing, implementing, and globalizing targeted actions and initiatives against those nodes, and
- enhancing implementation through private-sector outreach.

**Systemic measures and initiatives.** Systemically, in order to better protect against, identify, and intercept terrorist support networks, TFI focuses on enhancing the transparency of the financial system and those industries and financing mechanisms particularly vulnerable to those networks.

Domestically, TFI has generally strengthened and expanded the BSA through FinCEN's implementation of Title III of the Patriot Act to promote greater transparency across the financial system since the terrorist attacks of September 11. These efforts have included a host of regulations that strengthen preexisting AML controls in banking and other financial sectors, as well as regulations that extend AML customer identification, recordkeeping, reporting, and AML programmatic requirements to new industries. This has improved

Terrorist financing is not static—it constantly adapts and seeks to exploit vulnerabilities.

our overall ability to identify not only terrorist-financing-related transactions, accounts, and actors, but also other illicit-financing threats.

Internationally, through our leadership of the USG delegation at the FATF and the various FSRBs, TFI has assisted in substantially improving the global transparency of the financial system. These efforts have focused on setting standards—as evidenced by the adoption and development of the FATF Special Recommendations on Terrorist Financing—and creating accountability and capacity for implementing those standards through mutual evaluations, training, and technical assistance.

TFI has focused systemic efforts on the mechanisms and industries particularly vulnerable to terrorist financing, including cross-border wire transfers, charities, cash couriers, and trade-based systems.

For example:

- **Cross-border wire transfers.** TFI has collaborated with industry to improve the transparency of cover payments and automated clearinghouse payments. We have also led international efforts through the FATF to develop an international standard requiring the inclusion of originator information on cross-border wire transfers.
- **Charities.** TFFC has worked together with the IRS to promote greater transparency through stronger reporting requirements for those charities seeking tax-exempt recognition from the IRS. TFFC has also led TFI's engagement with the charitable sector and developed Treasury's *Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities*. More broadly, TFFC has led a USG and global approach through the FATF to combating terrorist exploitation of charities by developing an international standard, which includes strengthening oversight, enforcement, outreach, and international engagement. TFFC has also led USG and international efforts to publish ongoing threat information and typologies regarding this threat.
- **Cash couriers.** TFFC has worked with Immigration and Customs Enforcement (ICE) to promote transparency and detect the use of cash couriers by leading a global approach requiring cross-border declaration or disclosure of currency and bearer negotiable instruments. This is illustrated by the adoption of a new international standard and associated guidance by the FATF.
- **Trade transparency.** TFFC is also working with ICE to facilitate transparency across the global trade-based system by proposing a new international standard at the FATF. Moreover, TEOAF has funded the development of ICE's innovative trade transparency unit, which is working to establish similar counterparts in other countries to exchange trade data for purposes of detecting trade-based money laundering.

**Targeting.** We are working constantly to focus Treasury's substantial authorities and resources on selecting terrorist-financing targets that can have the most impact. Several times a week, staff of TFI offices gathers with TFI leadership to discuss specific targets. OIA, using all-source intelligence, develops a picture of the target complemented by OFAC and FINCEN data and analysis. The group

TFI has assisted in substantially improving the global transparency of the financial system.

then reviews what courses of action available to Treasury—administrative, regulatory, formal, or informal—could disrupt or shut down the threat. Courses of action are then developed and coordinated through the sub-Counterterrorism Security Group on Terrorist Financing and other mechanisms, as necessary.

**Globalizing targeted actions and initiatives.** The United States is most effective in combating terrorist support networks when it can act multilaterally. On this front, OFAC and TFFC have led TFI's efforts to globalize targeted sanctions against terrorist financing by providing substantive expertise to the State Department in the successful development of global terrorist-financing sanctions regimes through UN Security Council Resolution 1267 and its successor resolutions, as well as UNSCR 1373. TFFC has facilitated global implementation of these sanctions' regimes by leading the development of an international standard and associated guidance at the FATF.

Challenges remain, however, in facilitating global compliance with these sanctions' obligations. To address this, TFI has led the development of workshops at the FATF and the Asia Pacific Group—the largest FSRB—as well as with the European Union. These efforts have led to a better understanding of the operational components of a sanction's regime at a national level in accordance with UNSCR 1373. TFFC and OFAC are also engaged with the State Department to strengthen the 1267 sanction's regime at the UN. Additional challenges include how to strike the appropriate balance between due-process concerns regarding independent review of UN designations and the need to generate more robust targeting submissions from member states. Lastly, efforts are continuing to streamline the execution of designations by the al-Qaeda and Taliban Sanctions Committee.

**Private-sector outreach.** The private sector is also a critical partner in the effective implementation of sanctions and thus outreach, and dialogue with that sector is extremely important. Within TFI, OFAC conducts ongoing outreach across the U.S. financial system and vulnerable nonfinancial industries to facilitate sanctions implementation. FinCEN similarly engages in constant outreach to all financial industries covered under the BSA through a variety of efforts, including the Bank Secrecy Act Advisory Group (BSAAG). These ongoing efforts are essential to facilitating domestic implementation of the targeted and systemic authorities that TFI possesses.

Another example of our outreach efforts is Treasury and our USG partners' engagement with the charitable sector and affected communities in the United States concerning terrorist organizations' exploitation of charities. Almsgiving is an important expression of religious faith for Muslims throughout the world, and charity is one of the pillars of Islam. It is also a core American value and integral part of American culture and society. It is a sad reality, but terrorist organizations continue to effectively exploit charity to finance their operations and to cultivate broader support from vulnerable populations. In response to this ongoing threat, TFI has worked with its inter-agency partners to develop a multipronged strategy to combat such exploitation, a key element of which is raising awareness of terrorist-financing threats

The private sector is also a critical partner in the effective implementation of sanctions.

Domestic and international actions have been accompanied by Treasury's unprecedented outreach to the international private sector.

and risk-mitigation practices in the charitable sector through comprehensive and sustained outreach.

Internationally, TFFC is working with a number of partners from the private sector, multilateral organizations, and bilateral counterparts to promote private-sector implementation of sound AML/CFT controls in banking communities across the Middle East/North Africa and Latin American regions. TFFC is advancing these efforts through the creation of private-sector dialogue (PSD) initiatives that bring representatives of U.S. banks together with private-sector counterparts from key regions. PSD allows us to raise awareness of money-laundering and terrorist-financing risks; to facilitate a better understanding of effective practices and programs to combat such risks; to strengthen implementation of effective AML/CFT controls; and to exchange information and improve understanding of business cultures and norms.

### Iran

Given The Washington Institute's extensive work on Iran, I also wanted to take this opportunity to briefly remark on some of the major developments that have occurred since Deputy Secretary Kimmitt's last visit. In May 2007, the deputy secretary noted that the United States has employed a twofold sanctions strategy utilizing domestic authorities and engaging in intense international outreach highlighting deceptive conduct by Iran and its state-owned banks.

To date, in addition to a variety of domestic U.S. actions, multilateral efforts have yielded critical success in the adoption of two Chapter VII UN Security Council Resolutions—1737 and 1747—imposing significant sanctions on Iran. These resolutions target Iran's nuclear and missile programs and, among other requirements, obligate states to freeze the assets of named entities and individuals associated with those programs. Perhaps most significantly on the finance side, the Security Council recognized the role that Iran's state-owned banks have played in facilitating Iran's proliferation activities, in particular with the designation of Bank Sepah.

As the deputy secretary noted, domestic and international actions have been accompanied by Treasury's unprecedented outreach to the international private sector, including meetings with more than forty banks around the world to share information and discuss the risks of doing business with Iran.

**New developments.** Since May 2007, there have been some significant developments both on the domestic and international fronts. In October, FATF issued a public statement confirming the extraordinary systemic risks that Iran poses to the global financial system. The FATF also issued guidance to assist countries in implementing the financial provisions of the UN resolutions on Iran. That guidance identified customers and transactions associated with Iran as representing a significant risk of involvement in proliferation finance. Consistent with the FATF statement, jurisdictions all over the world have begun issuing warnings to their financial institutions of such risks.

## Conclusion

Our financial enforcement efforts have come a long way from sanctions measures we have applied to threats in the past. As demonstrated by our recent experience in the context of Iran, we have learned that the most effective measures are carefully targeted at illicit conduct, are multilateral in scope, and are combined with private-sector and foreign-government outreach.

These principles hold true with respect to all illicit financing threats, be they terrorism, proliferation, narcotics, or other criminal conduct. While in the past our broad-based country sanctions have been criticized by some as an inappropriate extension of U.S. law, these new targeted efforts have the effect of engaging our allies. Sanctions have the most comprehensive impact when applied cooperatively and collectively. We are working hard internationally, with governments and the private sector, to build consensus and capacity to do just that.

These new  
targeted efforts  
have the effect  
of engaging  
our allies.

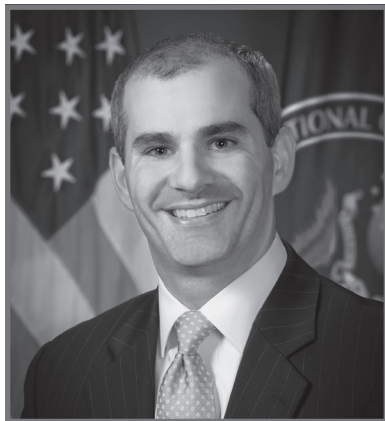
---

# Looming Challenges in the War on Terror

*Michael Leiter*

---

FEBRUARY 13, 2008  
PREPARED REMARKS



■ *Michael Leiter, director,  
National Counterterrorism Center*

THANK YOU FOR THE KIND INTRODUCTION and warm welcome to this prestigious forum. It is a pleasure to be with all of you today. I look forward to having a conversation with you about the “looming challenges in the war on terror.” I rarely get a chance to discuss these issues in public, since—oddly enough—it turns out that it is not really a popular topic at parties. I bring it up, and suddenly everyone is excusing themselves to go chat with the guy who works for the IRS.

It has been six and a half years since September 11, 2001, more than seven years since the attack on the USS *Cole*, almost ten years since the attacks on the U.S. embassies in Kenya and Tanzania, nearly fifteen years since the first attack on the World Trade Center, and twenty-five years since the bombing of the U.S. Marine Corps barracks in Beirut. Over that quarter century, the threat we face from terrorism has constantly mutated, sometimes in tragically unexpected ways. This has compelled us to adapt and evolve as well. Today, I would like to speak to you about some components of that evolution—in particular, the enhancements brought about by the creation of my organization, the National Counterterrorism Center (NCTC). I also want to speak to the challenges and changing landscape we anticipate in the future, and what we know we must do, going forward to defeat this enemy.

## **The National Counterterrorism Center**

The creation of NCTC was a deliberate break from the government’s history of creating “stovepiped” agencies to address what were frequently crosscutting problems. Terrorism involves such a range of activities and enablers—from propaganda campaigns to gain new recruits, to organized camps to train terrorists, to smuggling and drug operations to provide funding, to potential suicide bombers that sow fear—that to combat the threat requires leveraging all elements of national power. From domestic intelligence and law enforcement to foreign intelligence and military action, the Federal Bureau of Investigation (FBI), the Central Intelligence Agency (CIA), the Drug Enforcement Administration, the Department of Homeland Security (DHS), the Department of Defense, the Department of State, and even seemingly unlikely departments such as the Department of Agriculture and the Department of Interior, must

work in a coordinated fashion to address the threat. It has not, as you might guess, been an easy task. But it has been a successful one. We have made significant progress and have enjoyed a number of successes, some of which—in fact, I dare say, too many of which—you have seen in the newspaper and on television. But many other crucial successes must and do go unheard of by the public. Even though I cannot tell you what they are, I can tell you that what we do at NCTC helps make those success stories happen.

First and foremost, NCTC is the principal organization responsible for terrorism analysis, for ensuring information sharing among federal agencies, for providing terrorism situational awareness for senior policymakers and military commanders, and for overseeing counterterrorism activities and programs across the intelligence community. Our second mission, on behalf of the president, is to conduct strategic operational planning for the U.S. government's war on terror. This planning underpins our country's efforts to defeat terrorists at home and abroad, to prevent terrorists from acquiring weapons of mass destruction, and to counter violent Islamic extremism—the war of ideas. We are, in short, intended to be a one-stop shop for mapping out the terrorism threat and designing a plan for the U.S. government to counter it—whether it is immediate, emerging, or long-term.

Let me begin by describing NCTC's responsibility for analyzing and integrating all counterterrorism intelligence from across the U.S. government. Our analytic capabilities rest on a critical foundation: NCTC's role as the single focal point where all terrorism-related information available to the government comes together. This means NCTC analysts have unprecedented access to an array of classified information networks, databases, and intelligence sources. Using this vast pool of information, NCTC analysts, working closely with their counterparts from throughout the intelligence community, produce daily reports and products that focus on both long-term, strategic terrorism analysis to support policy development and on tactical threat analysis that supports operations in the field, both overseas and domestically.

As I have already noted, there have been successes. This past year, NCTC worked closely with our national and international partners to disrupt an imminent threat by Islamic extremists in Germany. This was a concerted effort to help our allies uncover, analyze, and enumerate complex relationships among the suspects. We produced finished intelligence products to support the Germans, and our policymakers and affected military commanders.

## Our Mission

Our intelligence mission extends beyond traditional counterterrorism analysis to include supporting “watchlisting” of terrorists. NCTC maintains the government's central database on known or suspected international terrorists. The database, known as the Terrorist Identities Datamart Environment (TIDE), contains all-source intelligence information provided by all the various members of the intelligence community, up to the very highest levels of classification. The classified information in TIDE is used to produce an unclassified extract that goes to the FBI's Terrorist Screening Center. That information, in turn, is used to compile the Transportation Security Administration's no-fly list, the State Department's

NCTC is the principal organization responsible for terrorism analysis.

Our task is to translate U.S. government counterterrorism policy into coordinated, actionable tasks.

visa and passport database, DHS's border system, and data for the FBI's National Crime and Information Center. While the system is not yet foolproof or perfect, it represents a major step forward for our government in the effort to solve the problem of disparate, incomplete, and disconnected watch lists.

As you may suspect, it is one thing to bring everyone together during a crisis; it is another to bring all elements of national power to bear on a strategic plan. The job of ensuring all cabinet-level departments and agencies across our government are focused on the counterterrorism mission falls to NCTC's innovative and, dare I say, revolutionary Directorate of Strategic Operational Planning. This responsibility was assigned to NCTC under the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), which mandated NCTC's role as the government's strategic operational planner and integrator for the war on terror. IRTPA mandates that all elements of national power, not just the intelligence or military elements, be leveraged in the fight.

Our task is to translate U.S.-government-wide counterterrorism policy and strategy into coordinated, actionable tasks for individual departments and agencies. This task is realized in a landmark document, the National Implementation Plan, or NIP, produced by NCTC and approved by the president in June 2006. The NIP is the first-ever comprehensive U.S.-government-wide strategic war plan for countering terrorism. The document lays out who is responsible for what, and ensures accountability for results through an assessment and evaluation process.

It is with this backdrop that we face the challenge of violent extremists, and I regret to say that the al-Qaeda threat still looms large. I would like, therefore, to offer "looming challenges" on two fronts: first, what the intelligence tells us about al-Qaeda and related movements, and second, challenges to our side—the government's response to the threat.

### Looming Challenges

Let me just note that while I will focus today on our principal threat, that of al-Qaeda and al-Qaeda-inspired groups, we need no better reminder of the significant threats posed by violent Shiite extremists—most notably Hizballah—than today's reported death of Imad Mughniyeh. Mughniyeh, Hizballah's military leader, was responsible for violence such as the Beirut barracks bombing, the bombing of Jewish targets in Argentina, and the murder of U.S. Navy diver Robert Stethem during the hijacking of a TWA airliner.

**Challenges abroad.** The discussion of al-Qaeda must begin in one place: the Federally Administered Tribal Areas (FATA) of Pakistan, where al-Qaeda maintains a relatively strong profile. The FATA has provided al-Qaeda with a safe haven from which it can recruit, train, and send operatives to the West. It also uses the relative sanctity of the region in order to produce media statements and maintain the pace of al-Qaeda propaganda to the Muslim and, increasingly, Western worlds. While we have seen al-Qaeda's ability to find common cause with extremists across the globe, metastasizing itself outside of its traditional safe havens, its most sophisticated plotting against the West is still guided by a smaller cadre of extremists working out of these frontier areas of Pakistan.



Al-Qaeda proper is not, however, solely in the FATA. As many of you are aware, al-Qaeda's global reach has expanded, with strategic partnerships across the Middle East and North Africa. Of these partnerships, Iraq remains a focus, even as regional initiatives—a combination of Sunni tribal initiatives, coalition force actions, and Iraqi Security Forces actions—have reduced al-Qaeda in Iraq's (AQI's) strength and capabilities since late 2006. However, AQI retains the capability to conduct high-profile terrorist attacks. Al-Qaeda may also seek to leverage the contacts and capabilities of AQI as a visible and capable affiliate, and the only one known to have expressed a desire to attack the U.S. homeland.

North Africa is also high on our list of priorities. In November, Ayman al-Zawahiri and now-deceased Libyan Islamic Fighting Group (LIFG) leader Abu Layth al-Libi announced LIFG's merger with al-Qaeda, a largely symbolic gesture designed to reinvigorate the jihad in Libya. This is the second North African group to join with al-Qaeda in the past year or so. Al-Zawahiri announced in 2006 that al-Qaeda merged with the Salafist Group for Preaching and Combat (GSPC), which is now called the al-Qaeda in the Islamic Maghreb (AQIM). In December, AQIM conducted near-simultaneous suicide bombings in Algiers, marking the deadliest attack AQIM has conducted against a foreign entity. AQIM attacked the Algerian Supreme Court and offices of the UN. Unofficial estimates place the death toll at more than sixty-seven, including eight UN employees. We assess that AQIM is capable of more such attacks.

The countries outside North Africa have proven to be a very attractive operating environment for a number of foreign and domestic terrorist organizations as well. Many of those countries have poor border security, allowing for recruits, supplies, and capital to cross without detection. Since the Ethiopian invasion of Somalia in December 2006, the threat environment in the Horn of Africa has shifted: Ethiopia's military victory has dismantled the political wing of the Council of Islamic Courts (CIC); however, other elements of CIC, including the radical wing al-Shabaab militants and their al-Qaeda associates, are largely intact and continue to wage violent jihad.

Southeast Asia continues to be a concern, although not nearly that which we might have envisioned two or three years ago. Jemaah Islamiyah (JI), the region's broadest terrorist network, still has both the capability and interest to carry out attacks in multiple countries. While JI's strategic goal of uniting the region's Muslims under a new caliphate still inspires extremists in Indonesia, the situation in Southeast Asia continues to be a bright spot in the war on terror. With one of the largest Sunni Muslim populations in the world, and with potential safe havens from which to operate, the governments in the region have still been able to effectively counter, deter, and incapacitate extremists and their plans.

Of course, violent extremism in Europe remains at the center of our concerns—both for the danger it poses to our European allies and our interests, as well as the potential danger it poses to the United States, as vividly illustrated by the disrupted transatlantic airline plot in 2006. Recent disrupted European plots were, at the very least, inspired by Osama bin Laden's public call to wage war against the West. A terrorist cell disrupted in Barcelona last month, disrupted terrorists attacks this past summer in Denmark and Germany, and the

Violent  
extremism in  
Europe remains  
at the center of  
our concerns.

botched car bomb attacks last year in London and Glasgow are recent examples. In addition, bin Laden's recent video message addressed to Europe further reinforces our belief that al-Qaeda is attempting to divide Europe from America by appealing to the large Islamic émigré population in Europe to pressure their leaders to leave Afghanistan. In all of the above cases, the bulk of those charged were legal citizens of the countries they allegedly targeted, in stark contrast to the September 11 bombers.

**Challenges at home.** In contrast to some of the dangers I have just described, the United States is relatively fortunate: our analysts do not assess that we face the same level of threat from al-Qaeda, or al-Qaeda-inspired, cells as Europe. The scope of al-Qaeda and al-Qaeda-inspired terrorist plotting in countries like the United Kingdom is something we thus far appear to have avoided. That is the good news. This is not, however, to say the United States is uniquely immune to such threats, and we remain vigilant in our efforts to detect either core al-Qaeda plots or those inspired by its ideology. Above all, the United States remains the top target for al-Qaeda's operational commanders, who continue to look for ways to smuggle Western-savvy operatives into our borders or to inspire those already here to act.

Over the past several years we have faced a handful of homegrown plots, and thankfully, these have tended to be less sophisticated than those we have witnessed overseas. They have, however, often been uniquely "American" groups—crossing ethnic and religious lines that mark them as at least partially different from their overseas counterparts. Moreover, we remain concerned that those very few Americans who travel overseas and gain training and connections overseas might return to the United States and apply their skills here.

What I have thus far described are geographically based threats, but at the center of all of them lies an overarching question: how do we and our allies counter the ideology that supports violent extremism? Our goal in this struggle is, ultimately, to prevent the next generation of terrorists from emerging. This is the long struggle in the fight against ideological extremists. And we must win this struggle not by attacking religious or cultural traditions, but by highlighting the poverty of extremist thought, by working together with mainstream adherents of all faiths, by building a future of justice, security, and progress for all people, and by using all our elements of national power—diplomacy, foreign aid, nongovernmental organizations, and the like—to show that it is al-Qaeda, not the West, that is truly at war with Islam.

This global ideological engagement, referred to by some as a "war of ideas," constitutes a key center of gravity in the battle against al-Qaeda, its associates, and those that take inspiration from the group. Terrorist leaders aggressively employ messages related to current events, leverage mass media technologies, and use the internet to engage in a communications war against all who oppose their oppressive and murderous vision of the world. We must engage them on this front with equal vehemence—and we can do so in a way that makes quite clear how bankrupt their ideology is. On this point, let us not forget that it was al-Qaeda that killed innocent Muslims when it blew up the Golden Mosque in Samarra. It was al-Qaeda that targeted innocents at a wedding ceremony in Amman.

The United States remains the top target for al-Qaeda's operational commanders.

In short, it is clear that al-Qaeda is—in the end—its own worst enemy. And we have seen at least some indications that there is a growing recognition of this. A Pew Foundation study found that acceptance for targeting civilians fell in countries as diverse as Pakistan, Indonesia, Morocco, and Lebanon from previous levels in 2002. Showing the barbarism of groups like al-Qaeda in the light of truth is, ultimately, our strongest weapon in this “long struggle.”

And no barbarism could be greater than the use of weapons of mass destruction (WMD) by terrorists groups such as al-Qaeda. In this regard, we must keep in mind al-Qaeda’s stated desire and efforts to acquire WMD. Thus, we must continue to pursue a comprehensive plan that seeks to learn our enemies’ plans and capabilities, intelligently harden our borders against the possibility of smuggling a weapon into the United States, and continue to work with our allies and adversaries to prevent terrorist acquisition of such a lethal weapon. We must also think imaginatively as to how we can deter the states, facilitators, and terrorists who might be involved in the acquisition of WMD.

Having discussed the threat posed by al-Qaeda, I also want to touch upon some of the additional challenges we, as a government and as a nation, face in the war on terror. One particular organizational challenge we face is effectively sharing information with our partners on the state, local, and tribal level. This issue is well-trodden ground, but we must continue to find ways to get meaningful information to local officials, as well as to ensure that meaningful information moves from local officials to the federal government. Today, NCTC supports state, local, and tribal counterterrorism officials through the Interagency Threat Assessment and Coordination Group (ITACG), which was created by law in fall 2007. The unit now serves as the intelligence community’s focal point, in coordination with DHS and FBI, to guide the creation of federal intelligence products to state, local, tribal, and private-sector partners. Although we still have a long way to go in this regard, we now have the structure to get our state and local partners the information they need.

It is also often noted in forums such as this that the FBI must undergo a revolution of sorts to become an effective intelligence service. Rather than delving into the relative merits of this view, let me simply note that from my perspective as a former prosecutor, proactive criminal law enforcement is not inconsistent with proactive intelligence work. In fact, many of the tools used in the former can be quite useful in the latter. There is little doubt—and senior leadership at the bureau has been the first to admit—that the FBI is continuing to change to address effectively the challenges of counterterrorism post-September 11. But let us not think that the absence of attacks in the homeland since September 11 is an accident. The bureau, regardless of where one thinks it is along the spectrum of change, has been—and continues to be—indispensable to keeping our country safe.

Foreign Intelligence Surveillance Act (FISA) reform, too, is an integral step in fighting terrorism. It is a subject about which both sides are appropriately passionate. Although I will not venture into the intricacies of this very complex subject, let me be clear on a single point: from my vantage, it is essential that FISA be modified to keep pace with changing technology, as such collection is an indispensable tool in the war on terror. Without effective FISA reform, we will continue to be hindered in our efforts.

Al-Qaeda is—in  
the end—its own  
worst enemy.

To combat the threat requires leveraging all elements of national power.

## Conclusion

Finally, I want to offer what I believe is a single, overarching challenge—and the one that I believe looms largest: institutionalizing all of the progress we have made in working across the U.S. government on counterterrorism. As I touched on in my opening comments, the creation of NCTC was a deliberate break from the government’s history of creating “stovepiped” agencies. Terrorism involves such a range of activities and enablers that to combat the threat requires leveraging all elements of national power.

Every day that we move farther from September 11, however, we run the risk of falling back into old (and, I believe in this case, bad) habits. Our greatest challenge, and I hope our greatest success, will therefore be in institutionalizing truly cross-government cooperation and solutions, so that future leaders have the programs and resources they need to work hand-in-hand with their inter-agency partners for the benefit of the larger U.S. government—and the American people.

All of this—al-Qaeda’s changes, the actions of groups inspired by al-Qaeda’s message, and the U.S. government’s efforts—means that we are safer. But we are not safe. This will be a long war, fought with the military, intelligence, law enforcement, homeland security, diplomacy, financial measures, international cooperation, and every other element of national power. While we have accomplished much, there is still much more to do. Six-plus years after September 11, I remain optimistic that we are on the right path—but we must also recognize that our path has changed in the past and it will undoubtedly change in the future. We must continue to engage in a thoughtful, national debate on how this war and struggle should be fought, so that we can, as a nation, take whatever measures are necessary for us to defeat a determined foe while simultaneously maintaining the character of our nation that all of us prize so highly.

# An 'All Elements of Power' Strategy for Combating Terrorism

*Dell Dailey*

DECEMBER 12, 2007  
PREPARED REMARKS

IN TODAY'S INTERCONNECTED WORLD, it is impossible to draw neat, clear lines between security interests, development efforts, and our support for democracy. American diplomacy must integrate and advance all of these goals together. Thus, our strategy to defeat terrorists is multistructured: a global campaign to counter violent extremism and disrupt terrorist networks; a series of regional collaborative efforts to deny terrorists safe haven; and numerous bilateral security and development assistance programs designed to build liberal institutions, support law enforcement and the rule of law, address political and economic injustice, and develop military and security capacity.

Our most important task in the war on terrorism is not the "destructive" task of eradicating enemy networks, but the "constructive" task of building legitimacy, good governance, trust, rule of law, and tolerance. Systems that are characterized by an absence of political choice, honest governance, economic opportunities, and personal freedoms can create incubators for extremism. Ignoring human-development problems is not an option.

It is imperative that we find ways to encourage and nurture democratization in societies where a lack of freedom destroys hope and leaves some feeling they are justified to lash out in rage and frustration at those they have been led to believe are responsible for their plight. Another key objective is galvanizing worldwide public opinion to reject as absolutely unacceptable the murder of innocent people to promote a cause.

## **We Have Made Progress**

Together, the international community has created a less permissive operating environment for terrorists. A key achievement is antiterrorism legislation, upgraded by scores of countries around the world since September 11. Many countries have now passed anti-money laundering and counterterrorism finance legislation, making it more difficult for terrorists to operate.

We have made progress in securing borders and transportation, enhancing document security, strengthening law enforcement capabilities, disrupting terrorist financing, and restricting the international movement of terrorists. We have likewise increased our own awareness and understanding of the terrorist threat, and we have inflicted serious setbacks on our adversaries.



■ *Dell Dailey, coordinator for counterterrorism, Department of State*

We are engaged  
in the first  
war of the  
information age.

The international community has captured and incarcerated or killed numerous senior operatives in al-Qaeda and affiliated terrorist groups, and has thus degraded the ability of terrorists to plan and mount attacks.

The failure of al-Qaeda-inspired bombings in London and Glasgow, and the thwarted attempt to mount attacks using passenger jets operating out of British airports in the summer of 2006, provide good examples of this. It is important to note these shared successes to demonstrate that when we work cooperatively, we get results that benefit all of us.

### **More Work Remains to Be Done**

We should not be complacent about these successes, however. Core elements of al-Qaeda are adaptable and resilient. We have recently witnessed a shift in terrorist tactics, from building a terrorist team remotely to growing a team closer to target, usually made up of nationals of the target country. By making use of local cells, terrorists have been able to sidestep many of our border and transportation security measures.

Counter-radicalization is another key policy priority for the United States, particularly in Europe, given the potential of Europe-based violent extremism to threaten the United States and its key interests directly. And, make no mistake about it, the leaders of al-Qaeda and its affiliates are extremely interested in recruiting and deploying terrorists in Europe—people familiar with Western cultures and able to travel freely. We cooperate closely with our European allies on counterterrorism measures, but we need to intensify efforts to counter the extremist ideology that drives terrorism.

Communication can be a strategic weapon of mass influence to assure allies and dissuade and deter adversaries. Strategic communication, therefore, is a vital tool in our counterterrorism efforts. Using strategic communications, we can shape perception and counter terrorists in the information sphere; such efforts can influence attitudes and, ultimately, behavior.

We are living in an entirely new information environment and are engaged in the first war of the information age. We are fighting our first networked enemy, and that enemy has a highly professional and sophisticated propaganda machine that exploits electronic media, most notably the internet, to disseminate messages globally, to recruit adherents, and to provide pre-recorded videotapes and audiotapes to sympathizers. Al-Qaeda and other terrorists' center of gravity lies in the information domain, and it is there that we must engage it.

And, while we sometimes have trouble acknowledging this, it is clear that opposition to U.S. and Western policies in the Middle East, including support for Israel and the wars in Afghanistan and Iraq, can be exploited for purposes of propaganda and recruitment. We are working to more effectively rise to this challenge.

### **State Sponsors of Terrorism (Iran and Syria)**

Al-Qaeda is not our only challenge. Certain states continue to sponsor terrorism. Iran remains the most significant state sponsor of terrorism. It continues to threaten its neighbors and destabilize Iraq by providing weapons, training,

advice, and funding to select Iraqi militants. As President Bush has said, some of the most powerful improvised explosive devices we are seeing in Iraq today include components that came from Iran. Iran has also expanded its lethal assistance and funding for militant organizations, most notably Hizballah, Palestinian Islamic Jihad, and Hamas, who oppose reinvigorated Arab-Israeli peace efforts. Iranian defiance of UN Security Council resolutions by providing weapons and assistance to Hizballah demonstrates that Tehran continues to be the most dangerous enabler of terrorism in the region.

Syria, both directly and in coordination with Hizballah, has attempted to undermine the democratically elected government of Lebanon and roll back progress toward democratization in the Middle East. Foreign fighters and terrorists continue to transit Syria's borders into Iraq. Syria also continues to provide political and material support to Hizballah and political support to Palestinian terrorist groups, including Palestinian Islamic Jihad and Hamas, who base their external leadership in Damascus.

### The Pursuit of Middle East Peace

Peace between Israelis and Palestinians is a national interest for the United States, and Annapolis provided a real opportunity to make progress. Success is vital for securing a future of peace, freedom, and opportunity in the Middle East. As you know, Prime Minister Ehud Olmert and President Mahmoud Abbas announced that they will begin vigorous, ongoing, and continuous negotiations to establish a Palestinian state and to achieve Israeli-Palestinian peace, with the goal of concluding an agreement by the end of 2008. A Palestinian state will never be born through terror, but rather through the commitment of responsible Palestinian leaders like President Abbas and Prime Minister Salam Fayad to fundamental principles of peace.

We must now work with the international community on next steps. On December 17, 2007, the French government will host a donor's conference in Paris to support Palestinian reform and institution building. This conference will be an essential opportunity for the international community to pledge tangible and generous assistance to the economic development of Palestinian society and to provide maximal resources for the Palestinian Authority's program of institution building in preparation for statehood. We expect broad international attendance at this meeting.

### Moving Forward: A Holistic Approach

Defeating terrorism will require a comprehensive effort executed locally, nationally, regionally, and globally. We are working with partner nations to eliminate terrorist leadership. But I will stress that incarcerating or killing terrorists will not end terrorism—it only buys us time.

We must tailor regional strategies to disaggregate terrorist networks, eliminate terrorist safe havens, and disrupt all terrorist links, including financial, travel, communications, and intelligence. Finally, and most challenging, we must address the underlying conditions that terrorists exploit at the national and local levels and use to induce alienated or aggrieved populations to become sympathizers, supporters, and ultimately members of terrorist networks.

A Palestinian state will never be born through terror.

## Al-Qaeda and its affiliates gain strength from making local conflicts their own.

In addition, we have yet to fully harness the power of the private sector, which offers enormous potential, such as economic might and fast and flexible responses to market and security conditions. We need to find better ways to deploy this energy against terrorists. The private sector, of course, has a vested interest in partnering against violent extremists to secure its existing and future investments and economic opportunities.

Al-Qaeda and its affiliates gain strength from making local conflicts their own—we saw this in the last few al-Qaeda video releases, where Osama bin Laden held forth on the topic of global warming. Besides appropriating every conflict from Darfur to the environment, al-Qaeda is working at the local level in many locations. We must destroy these terrorist networks and we must create resistance to terrorist propaganda.

We can destroy terrorist leadership, disrupt terrorist networks, and eliminate terrorist safe havens, but unless we prevent al-Qaeda from recruiting new members and expanding its global reach, we will not be truly successful. Al-Qaeda exploits many Muslims around the world whose grievances are legitimate. The international community—governments and international organizations, politicians, academics, religious and community leaders—in general, needs to do better at disputing terrorist propaganda and misinformation. We need to tackle head on the false narrative that the West is at war with Islam, with both our words and our deeds.

At the same time, we must galvanize worldwide public opinion to reject violence and the murder of innocent people as a means of addressing any type of grievance or promoting any cause. There is no political cause that justifies the murder of innocent people. The terrorist message of hate and death holds no promise for anyone's future.

All humans belong to networks of trust, based on family, societal, religious, cultural, and economic links. Building trusted networks of allies and partners—state, non-state, and multilateral—who support the rule of law and oppose the use of terrorism to resolve grievances will allow us to replace an ideology of hatred with an ideology of hope.

We must find ways to address local grievances, and we must think flexibly and creatively. Different situations require different responses. The tools we have to address a lack of political choice are different than the ones we have to build a free-trade region, or to promote rule of law, or to assist countries in modernizing education. More importantly, we must work cooperatively to identify ways in which we can provide substantive educational, social, and recreational alternatives that will divert impressionable young people away from the recruitment process. These kinds of solutions allow us not only to break down terrorist networks, but—more important—to offer something better than what terrorists offer, which is nothing but death and destruction.

Our counterterrorism operations need to be partner-led, homegrown initiatives wherever possible—developed with local partners to meet their needs and to address the real conditions on the ground. They cannot be imposed from outside or tailored to address conditions as they are perceived in Washington or other international capitals.



The kinetic aspect of our counterterrorism policy represents about 15 percent of the overall effort. Globally, we need to work together to eliminate terrorist leadership by arresting and incarcerating terrorists. About 20 percent of the U.S. counterterrorism effort focuses on regional diplomatic efforts, bilateral security and training programs, and law enforcement, all aimed to disrupt terrorist networks and to sever terrorist financial, travel, communications, and intelligence links. It will deny terrorists the safe havens they require to indoctrinate, recruit, coalesce, train, and regroup.

The remaining 65-or-so percent of our overall effort focuses on addressing the conditions that terrorists exploit. We can marginalize violent extremists by addressing people's needs and grievances, by giving people a stake in their own political future, and by providing alternatives, both physical and ideological, to what the terrorists offer. This element of our counterterrorism efforts is our greatest challenge. Let me outline some other thoughts for consideration:

- Aid offers at-risk populations a better choice; terrorists exploit despair and hopelessness to win recruits. Systems that are characterized by an absence of political choice, honest governance, economic opportunities, and personal freedom can create incubators for extremism. Economically disadvantaged people are vulnerable to recruitment by extremists and by criminal "quick-fix" livelihoods, such as the poppy production that finances terrorism in Afghanistan. Combating corruption and fostering good governance in host governments are indispensable to our efforts to strengthen host government oversight of terrorist financing, and the longevity of our other training programs, such as those that help border guards interdict dangerous goods and people.
- Mitigating conflict between groups: terrorists exploit weakness, most notably sectarian violence, to create greater instability and to piggyback onto the conflict for propaganda purposes. Fostering reconciliation and strengthening community mechanisms are vital to eliminating terrorism.

We must delegitimize terrorism as an acceptable avenue for political change by bringing forth more appealing alternatives. Again, our efforts must be multifaceted: we will need to work with our allies to connect European Muslims with the societies in which they live and to resist the lures of extremist recruiters. At the same time, we need to find ways within immigrant communities to sustain moderate voices and to fulfill the obligations of life in democratic and largely secular societies. We must engage the youths themselves, as they understand the challenges and the needs of their demographic better than any local or foreign government. Achieving these goals will likely take time and require difficult choices. But we really have no alternative.

### The Regional Strategic Initiative

We have developed the Regional Strategic Initiative (RSI) as an effort to develop flexible regional networks to address safe havens and crossborder flows of people, money, ideas, and technology. We work with our ambassadors and interagency representatives in key terrorist theaters of operation to collectively assess the threat, pool resources, and devise collaborative strategies and policy

We must  
delegitimize  
terrorism as  
an acceptable  
avenue for  
political change.

Tactical and operational counterterrorism battles will be won and lost, but we must look at terrorism within a strategic context.

recommendations. We work through our partners at every level, whenever possible. For example, we work with Malaysia, Indonesia, and the Philippines as they confront terrorist transit across the Sulawesi Sea; or with Mauritania, Algeria, Morocco, Niger, Chad, and Mali to counter terrorist activity in the desert that sits astride national borders.

This is a long-term fight. Over time, our global and regional cooperative efforts will reduce the enemy's capacity to harm us and our partners, while local security and development assistance will build our partners' capacity. Once partner capacity exceeds threat, the need for close U.S. engagement and support will diminish, and the threat will be reduced to a level that our partners can manage for themselves over the long term.

RSI strategy groups are in place for Southeast Asia, Iraq and its neighbors, the eastern Mediterranean, the western Mediterranean, East Africa, the trans-Saharan, South Asia, and Latin America.

### Conclusion

Al-Qaeda and its affiliates are promoting a world vision that is drastically at odds with our own. Where we promote hope and opportunity, they promote fear and hatred. To counter their efforts, we must support civic institutions, free speech, democratic organizations, free market forces, and a law-abiding society characterized by freedom and tolerance, prosperity, and hope. These are values we are fighting for.

Fighting for these values will take time and will involve using a broad array of tools of national statecraft. We must measure counterterrorism success in the broadest perspective. Tactical and operational counterterrorism battles will be won and lost, but we must look at terrorism within a strategic context. We must fight terrorists with precise, calibrated force in order to buy space and time to transform the environment and the conditions that terrorists exploit, and to build enduring solutions that transcend violence.

Above all, we must enlist the support and cooperation of a growing network of partners. If we are to be successful, we must all work together toward our common goal in a strategic and coordinated manner. The war on terror will be won over time with dedicated commitment by us all. Our vision will win in the long run.

---

# The Washington Institute

## *Executive Committee and Advisors*

---

### **Executive Committee**

*President*

Howard P. Berkowitz

*Chairman*

Fred S. Lafer

*Chairman Emeritus*

Michael Stein

*Founding President and Chairman*

*Emerita*

Barbi Weinberg

*Senior Vice Presidents*

Bernard Leventhal

James Schreiber

*Vice Presidents*

Charles Adler

Benjamin Breslauer

Walter P. Stern

*Secretary*

Richard S. Abramson

*Treasurer*

Martin Gross

*Committee Members*

Richard Borow

Maurice Deane, *emeritus*

Gerald Friedman

Robert Fromer

Roger Hertog

Peter Lowy

Daniel Mintz

Fred Schwartz

Dimitri Sogoloff

Merryl Tisch

Gary Wexler

*Next Generation Leadership Council*

Jeffrey Abrams

Anthony Beyer

David Eigen

Adam Herz

Viki Rivkin

Zachary Schreiber

Jonathan Torop

### **Board of Advisors**

Warren Christopher

Lawrence S. Eagleburger

Alexander Haig

Max M. Kampelman

Samuel W. Lewis

Edward Luttwak

Michael Mandelbaum

Robert C. McFarlane

Martin Peretz

Richard Perle

James G. Roche

George P. Shultz

R. James Woolsey

Mortimer Zuckerman









