

## 6. GOING AFTER THE JIHADISTS

**I**n addition to working to erode support for the jihadist terrorists, we must undertake actions using our law enforcement, intelligence, military, and financial capabilities to eliminate those terrorists and their organizations. This chapter outlines strategies that we should pursue in each of those four areas.

### **LAW ENFORCEMENT INCREASING CAPABILITIES WHILE PROTECTING CIVIL LIBERTIES**

The FBI is the leading U.S. counterterrorism law enforcement organization. Prior to 9/11, the FBI proved to be incompetent in pursuing al Qaeda in the United States but contributed significantly to investigatory activities abroad. Since 9/11, the FBI has slowly improved its domestic capabilities. But it still lacks sufficiently trained analysts and effective technology. Rather than creating a new domestic intelligence agency, it is best in the near term to create a new “agency within the bureau”—a completely different kind of organization—as a component of the FBI. This new unit must have its own budget, personnel, and procurement systems, and a different bureaucratic culture. To achieve the needed technological modernization, significant support functions should be completely outsourced with special incentive contracting. Within the new unit, analysts must be given priority over agents, and prevention over arrests. The new unit must develop sources and engage in agent penetrations of potential threat groups, as the FBI has done in the past with the Cosa Nostra and the Ku Klux Klan.

The “agency within the bureau” must be supported by police intelligence units in major metropolitan areas. These intelligence units should be subject to oversight by an office within the U.S. Department of Justice

to help avoid civil liberties abuses. Similarly, the 9/11 Commission's recommendation of an independent, outside, civil liberties oversight board should be adopted. The recently created civil liberties panel consists exclusively of federal bureaucrats and is advisory, rather than performing an oversight role. It cannot be relied upon to prevent excessive incursions on civil liberties.

## INTELLIGENCE

The 9/11 Commission's recommendations, and the subsequent detailed proposal by Senate Intelligence Committee Chairman Pat Roberts (R-Kansas), form a basis for reform of the U.S. intelligence community to more effectively fight jihadist terrorism. The key elements of these proposals are:

- ♦ One senior official should be accountable for all U.S. intelligence agencies.
- ♦ That senior official should have budgetary and personnel authority, not merely coordinating responsibilities.
- ♦ Control of the National Security Agency, National Reconnaissance Office, and National Geospatial Intelligence Agency should be shifted from the Defense Department to the national intelligence director.
- ♦ The new national intelligence director should direct the FBI's domestic intelligence agency.
- ♦ The current analytical unit within the CIA (the Division of Intelligence) should be renamed the Office of National Assessments and should be an independent agency, separated from the intelligence collection agencies.
- ♦ A separate human intelligence agency, on an equal standing with the other intelligence collection agencies, should be created from the CIA's current Directorate of Operations.

- ♦ An organization should be created dedicated to the exploitation of unclassified, public information—known as “open source” intelligence.

All of these proposals are workable, justified, and essential to intelligence reform. None of them would diminish the ability of intelligence agencies to support the needs of the “war fighter” in peacetime or during conflicts.

The separation of the analytical function from the human intelligence collection agency is key to the independence of the evaluation and assessment functions. Keeping analysts and human intelligence collection officers together has proven in the past to distort evaluations and make it difficult for the analysts to be critical of the shortcomings of the “spy” agency.

The “spy” capabilities of the Central Intelligence Agency (CIA) have been judged to be inadequate by the outgoing and incoming CIA directors, both of whom have suggested that it will take at least five more years to achieve an adequate capability. Much of the inadequacy stems from the overreliance on agents posing as diplomats and the shortage of “not official cover,” or NOC agents. Former agent Reuel Gerecht has proposed limited-term contract NOC agents (rather than career agents) compensated at much higher salaries (\$250,000, compared with current rates of about \$80,000) in order to recruit high-quality agents, who must live overseas for years without contact with their American families.

Much of the CIA’s failures to deal with al Qaeda in the 1990s stemmed from an institutional reluctance to engage in operations that risked personnel or the reputation of the agency. Both the president and the congressional oversight committees must make clear their desire that the intelligence agencies be less risk averse. They must be willing to accept failures and casualties.

## THE MILITARY

The U.S. military performed brilliantly in Operation Enduring Freedom and Operation Iraqi Freedom. Both campaigns saw the debut of new technology and new tactics that paid immediate benefits. One key component of those missions was the greater use of special operations forces (SOF) in all levels of combat. Gone were the days when SOF was rele-

gated to SCUD hunting or reconnaissance missions. In Afghanistan and Iraq, we witnessed an unleashing of SOF capability that provided an overwhelming advantage for the United States to win battles quickly and decisively.

But we are unlikely to see another large-scale military operation in the name of counterterrorism for the foreseeable future. The continued problems in Iraq and the force presence requirements there will severely hinder America's ability to conduct major operations against Iran or other state sponsors of terrorism. As a result, emphasis will shift to operations against non-nation-state targets, such as terrorist leadership and terrorist training camps, in both permissive and nonpermissive environments. This potentially means operations in nations such as Pakistan, Uzbekistan, Yemen, the Philippines, and Indonesia, as well as parts of Africa. Such missions will place a premium on SOF that are agile, independent, and fully equipped.

One of the major successes of the Afghanistan and Iraq campaigns was the use of the Predator Unmanned Aerial Vehicle (UAV). The Predator provided outstanding real-time intelligence to military forces and was able to conduct its own strike missions when armed with the Hellfire missile. This capability should be a cornerstone for future special operations counterterrorism missions. U.S. Special Operations Command (SOCOM) should be provided with a dedicated Predator UAV capability, for both reconnaissance and strike missions, and sufficient infrastructure so it can be deployed globally.

While Secretary of Defense Donald Rumsfeld and Deputy Secretary Paul Wolfowitz have extolled the performance of SOF in the Global War on Terrorism, they have not backed up their words with appropriate resource support. SOCOM remains understaffed and underresourced. A major priority in the next administration must be to provide SOCOM with the resources necessary to become a lead player in military counterterrorism operations. Moreover, the centrality of SOCOM's role means it must also become a truly "supported" command center in which the regional "CINCDoms," such as Central Command (CENTCOM) and Pacific Command (PACOM), provide manpower and assets to missions where SOCOM is the lead. This process began with the Pentagon's fiscal year 2004 budget; but it must be accelerated and broadened.

Another major innovation, especially in Afghanistan, is the cooperation between the CIA and SOF in prosecuting terrorism targets.

Sustaining and expanding this cooperation will be critical for success in both the permissive and nonpermissive environments in which the U.S. military will be working. This means more effective integration between SOF and the CIA Clandestine Service. To ensure a better understanding of the respective capabilities of SOCOM and the CIA and a dismantling of the bureaucratic and cultural barriers that hinder more effective joint operations, they should conduct more joint training, education, and exercises.

Even though stronger cooperation between the CIA and Defense Department is necessary, the military should not have to rely on the CIA's covert operatives to support military operations. In the past, this has made SOF too dependent on the CIA's bureaucracy. A proper SOF capability means the military must have its own cadre of covert operatives. This would be done through reconstitution of the military not official cover (NOC) program, which will give the special operations community a valuable asset to support its operations on a global basis. Special Forces must be expanded and must be encouraged to conduct small unit, covert anti-terrorist operations when local governments will not act. Such operations may result in U.S. casualties. Congress and the White House must make clear in advance that they understand and accept the casualty risks.

## **TERRORIST FINANCING**

As long as al Qaeda maintains a lucrative financial network, it remains a lethal threat to the United States. And al Qaeda still has money to fund terrorist operations. The financial network that currently supports al Qaeda is diverse and ever-changing, taking advantage of unprotected or undetected opportunities to raise, hold, and move funds. Yet there is a central "theory of the case" that characterizes U.S. understanding of the al Qaeda financial network and guides U.S. actions to disrupt it and track it back to specific terrorist cells and leaders.

The 9/11 Commission concluded that before the 2001 attacks, al Qaeda received about \$30 million per year. This sizable fund was not simply the wallet of just one man, Osama Bin Laden, no matter how rich he once was. If that were the case, it would be a much easier problem to address.

Instead, al Qaeda obtained money continuously from a variety of sources. Money was—and is—raised through Islamic charities and notable financial facilitators, and also through legitimate businesses and criminal enterprises. It is moved through formal banking channels; less formal alternative remittance systems, such as the centuries-old *hawala* network; and the very oldest method—bulk cash couriers and other smugglers. More recently, al Qaeda and its affiliates appear to be relying more on other methods to support their operations. Funding for the cell responsible for the Madrid bombings earlier this year, for example, appears to have depended on common criminal activity and drug trafficking.

The best publicly available descriptions of the al Qaeda financial network can be found in two publications of the 9/11 Commission—its report and its subsequent “Monograph on Terrorist Financing”—and in the 2002 and 2004 reports of the Council on Foreign Relations Independent Task Force on Terrorist Financing, which anticipated many of the findings and recommendations of the 9/11 Commission.

For years, U.S. policymakers were poorly served by weaknesses in their intelligence on al Qaeda’s finances. As the 9/11 Commission’s monograph accurately described, “even after the September 11 attacks, the intelligence community could not estimate the total income or the relative importance of any source of bin Laden’s revenue stream” and even to this day “the U.S. government still has not determined with any precision how much al Qaeda raises or from whom, or how it spends its money.”

The CIA had “incomplete understanding of al Qaeda’s methods to raise, move, and store money, and thus hampered the effectiveness of the overall counterterrorism strategy.” And the FBI “did not systematically gather and analyze the information its agents developed” and “as an organization failed to understand the nature and extent of the problem or to develop a coherent strategy for confronting it.” Before 9/11, the CIA was trying, but failing. The FBI wasn’t even trying.

## THE PARTICULAR PROBLEM OF SAUDI ARABIA

Still, what we knew then—and know now—about this financial network showed that it is global in its reach, including into the United States. Yet historically, individuals and organizations based in the Gulf region have

been the single most important source of funds for al Qaeda, as well as other terrorist groups such as Hamas.

As the 9/11 Commission concluded in its final report this year: “Al Qaeda appears to have relied on a core group of financial facilitators who raised money from a variety of donors and other fund-raisers, primarily in the Gulf countries and particularly in Saudi Arabia.” And back in 2002, a Council on Foreign Relations task force concluded that “for years, individuals and charities based in Saudi Arabia have been the most important source of funds for al-Qaeda; and for years, Saudi officials have turned a blind eye to this problem.”

Has the Saudi Arabian government itself funded terrorism? Perhaps to “pay off” al Qaeda to prevent domestic attacks, knowing that the regime itself is the group’s primary target? These allegations have been made for years, but no convincing evidence has yet emerged. However, widespread interest in searching for a “sin of commission” tends to obscure the Saudis’ glaring “sin of omission”—their astounding negligence. As the 9/11 Commission’s monograph found regarding Saudi Arabia, “a lack of awareness of the problem and a failure to conduct oversight over institutions created an environment in which such activity has flourished.”

Before the 2001 attacks in the United States, Saudi Arabia resisted any real cooperation with the United States on terrorist financing. And even later, as the 9/11 Commission’s monograph aptly described, “from the 9/11 attacks through spring 2003, most U.S. officials viewed Saudi cooperation on terrorist financing as ambivalent and selective”—all this while the president, his spokesperson, and a chorus of his top advisers publicly expressed their satisfaction with Saudi efforts. Only after al Qaeda bombed targets within the kingdom in May and November 2003 did the Saudis finally focus on the problem and improve their cooperation with the United States.

At its core, efforts to combat terrorist fund-raising also require a successful “war of ideas” to denounce and discredit the ideology that attracts foot soldiers, supporters, and potential donors. Here, too, Saudi Arabia is a central front, as the government and Saudi-based organizations spend huge amounts of money supporting madrassas, Islamic centers, and mosques around the world that all spread a particularly intolerant and anti-Western version of Islam.

The bottom line, as the 9/11 Commission Report noted, is that “Saudi Arabia has been a problematic ally in combating Islamic extremism.”

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## WHAT HAS BEEN DONE

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Immediately after 9/11, the United States took a number of actions to combat terrorist financing, including a prominent series of “blocking actions” against suspected terrorist assets. These tend to capture only a small amount of actual funds but are very useful in “encouraging” other countries to take their own actions against suspected terrorist financing elements. The issue became prominent in U.S. diplomacy, international law enforcement, and intelligence activities. The United States also worked through multilateral organizations like the Financial Action Task Force to build a global consensus on the oversight of charities, among other issues. And at home, despite Republican opposition, Congress added anti-money laundering provisions to the Patriot Act.

Momentum slowed notably only months later, however, as the Bush administration put this issue on the proverbial “back burner,” calling on a subcabinet official at the Treasury to coordinate interagency efforts and publicly announcing a “second phase” in the effort that would be characterized by fewer public designations of terrorist financiers. As preparations for the war on Iraq took center stage, the heat was turned down on Saudi Arabia. An implicit arrangement allowed the United States to continue to impose “blocking actions” against Saudi persons and institutions, but only in the context of a “joint” designation with Saudi Arabia. As the 9/11 Commission’s monograph put it, during this period “U.S. efforts to overcome Saudi recalcitrance suffered from our failure to develop a strategy to counter Saudi terrorist financing, present our requests through a single high-level interlocutor, and obtain and release to the Saudis actionable intelligence.”

However, in response to the May 2003 terrorist attacks, Saudi officials started to address the mindset that enables and condones acts of terrorism. These measures have included steps toward educational reform and limited measures intended to discipline (or “reeducate”) certain extremist Islamic clerics—at least those operating in Saudi Arabia. There has been less decisive action taken to curb the billions of dollars funding the extremism abroad.

Saudi Arabia has taken important actions to disable domestic al Qaeda cells and has increased its tactical law enforcement and intelligence cooperation with the United States. Interior Ministry and other Saudi law enforcement and intelligence officials are now regularly killing al Qaeda members and sympathizers in violent confrontations. Saudi



Arabia has also largely improved its legal and regulatory regime. Since 9/11—and particularly since the May 2003 Riyadh bombings—Saudi Arabia has announced the enactment or promulgation of a plethora of new laws and regulations and the creation of new institutional arrangements to combat money laundering and terrorist financing.

But Saudi Arabia has not fully implemented its new laws and regulations. The first step toward the creation of an effective anti-money laundering and counterterrorism financing (AML/CTF) regime is the passage of laws and regulations—but that is just the first step. Just as important—and more important over the longer term—is effective implementation and execution of these laws. Some aspects of that effort, such as comprehensive compliance with record-keeping provisions, may take time. But other aspects of implementation, such as standing up and funding new organizations and oversight bodies, can be accomplished more readily.

Additionally, Saudi enforcement actions directed against al Qaeda have largely avoided financiers. There is no evidence that since 9/11, Saudi Arabia has taken public punitive actions against any individual for financing terror. Although Saudi Arabia says that it has taken nonpublic actions against financiers, responses taken in the shadows may have little consistent or systemic impact on ingrained social or cultural practices that directly or indirectly threaten the security of the United States.

The Bush administration remains unusually and unconstructively reluctant to criticize Saudi Arabia on this subject. President Bush even remained silent when the Saudi crown prince publicly announced that Israel, not al Qaeda, was responsible for the bombings in his country.

## THE WAY FORWARD

The U.S. government is still not organized properly to combat terrorist financing at home or abroad. For several years after 9/11, the general counsel of the Treasury Department led the Bush administration's efforts. Even the most competent Treasury general counsel is poorly equipped, from an institutional standpoint, to lead such important work. This is a job for the White House. Therefore, the president will first need to take steps that relate to the organization and operations of the U.S. government. He should then build a fundamentally new framework for U.S. relations with Saudi Arabia. Finally, he should also build a structure that

will force the U.S. government to take a hard look on an enduring basis at the level of cooperation from all countries, not just Saudi Arabia, with U.S. efforts to curtail the financing of terrorism.

The next president should designate a special assistant to the president for combating terrorist financing at the National Security Council with the specific mandate to lead U.S. efforts on terrorist financing issues. Such an official would direct, coordinate, and reaffirm the domestic and international policies of the United States on a day-to-day basis and with the personal authority of the president of the United States. He or she would report to the president through the national security adviser. From good organization comes good policy.

In practice, responsibilities for this coordination have recently shifted back from the Treasury Department to the White House. However, there has been no formal designation of the National Security Council's lead role. That should happen forthwith, so leadership on this important issue becomes a matter of institutional permanence rather than a function of individual personalities and relationships. Moreover, such a designation will go a long way toward putting issues regarding terrorist financing front and center in every bilateral diplomatic discussion with every "frontline" state in the fight against terrorism—at every level of the bilateral relationship, including, on a consistent basis, the highest.

No one knows how much money is being spent to combat terrorist financing or whether these expenditures are efficient and effective. Accordingly, the National Security Council and the White House Office of Management and Budget (OMB) should conduct a crosscutting analysis of the budgets of all U.S. government agencies as they relate to terrorist financing. Because we do not today have a clear sense of how many financial and human resources are actually devoted to the various tasks involved in combating terrorist financing, it is impossible to make fully informed, strategic decisions about whether functions are duplicative or resource allocations are optimal. A crosscutting review will enable the president to gain clarity about who is doing what, how well, and with what resources.

In conducting that analysis, provisions should be made to incorporate classified material, so that the full range of activity underway is considered: (1) intelligence collection, analysis, and operations; (2) law enforcement operations (including related operations against money laundering, drug trafficking, and organized crime); (3) regulatory activity,

including policy development, enforcement, and international standard setting and implementation; (4) sanctions, including an analysis of their effectiveness as an interdiction and deterrence mechanism; (5) diplomatic activity in support of all of the above; and (6) contributions made by the Defense Department.

U.S. policymakers should seek to build a new framework for U.S.-Saudi relations. The 9/11 Commission, mirroring the Council on Foreign Relations task force, concluded: "The problems in the U.S.-Saudi relationship must be confronted, openly. The United States and Saudi Arabia must determine if they can build a relationship that political leaders on both sides are prepared to publicly defend—a relationship about more than oil. . . . It should include a shared interest in greater tolerance and cultural respect, translating into a commitment to fight the violent extremists who foment hatred."

Congress should enact, and the new president should support, an interagency, Treasury-led certification regime on terrorist financing. Many countries have taken steps to improve their anti-money laundering and counterterrorist fighting regimes, but many have not. Certification regimes have the ability to quickly galvanize action consistent with U.S. interests. Moreover, they require official findings of fact that have the effect of compelling sustained U.S. attention to important concerns. For these reasons, Congress should pass and the president should sign legislation requiring the executive branch to submit to Congress on an annual basis a written certification (classified, if necessary) detailing the steps that foreign nations have taken to cooperate in U.S. and international efforts to combat terrorist financing.

Major changes are needed in the law enforcement, intelligence, military, and financial functions of the U.S. government to strengthen our hand in fighting the jihadists. In addition to speedily implementing the recommendations of the 9/11 Commission, the United States should modify personnel policies in intelligence and law enforcement agencies (notably the CIA and FBI) to facilitate noncareer tracks. The domestic intelligence activities of the FBI should be performed by a distinctly separate new organization within the Bureau. And an independent, outside oversight board, as recommended by the 9/11 Commission, should be established rather than the internal advisory group recently created by executive order.

The U.S. military's special operations forces for counterterrorism activities should be greatly expanded and should be supported by a military

organization that maintains a covert—not official cover—presence in other nations to support U.S. military action against terrorists. The military must enhance its capabilities and modify its policies to facilitate small-unit special forces operations, including covert operations, against terrorists. Congress must make clear that it will accept casualties in such operations.

In addition, a special assistant to the president for combating terrorist financing should be designated at the National Security Council with the specific mandate to lead U.S. efforts on terrorist financing issues. Congress should pass and the president should sign legislation requiring the executive branch to submit to Congress on an annual basis a written certification detailing the steps that foreign nations have taken to cooperate in U.S. and international efforts to combat terrorist financing.