

**STATEMENT OF**

**MR. JAMES Q. ROBERTS**

**ACTING DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR SPECIAL  
OPERATIONS AND COMBATING TERRORISM**

**BEFORE**

**THE HOUSE ARMED SERVICES SUBCOMMITTEE ON TERRORISM,  
UNCONVENTIONAL THREATS, AND CAPABILITIES**

**AND**

**THE HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS**

**28 JULY 2005**

STATEMENT OF MR. JAMES Q. ROBERTS, ACTING DEPUTY ASSISTANT  
SECRETARY OF DEFENSE FOR SPECIAL OPERATIONS AND COMBATING  
TERRORISM POLICY

BEFORE THE HOUSE ARMED SERVICES SUBCOMMITTEE ON TERRORISM,  
UNCONVENTIONAL THREATS AND CAPABILITIES AND THE HOUSE  
FINANCIAL SERVICES SUBCOMMITTEE ON OVERSIGHT AND  
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**Madame Chairman Kelly, Chairman Saxton, Ranking Members Gutierrez and Meehan and distinguished members of the House Financial Services Subcommittee on Oversight and Investigations and House Armed Services Subcommittee on Terrorism, Unconventional Threats & Capabilities:**

Thank you for the opportunity to speak today on terrorist and insurgent financing. My colleagues from the Treasury Department and the Defense Intelligence Agency have just provided you with a detailed report outlining how Iraqi insurgents fund their activities and what the U.S. is doing to assess and attack that problem. The DoD appreciates and applauds the outstanding interagency cooperation which is a hallmark of this effort.

I would like to briefly describe the Department of Defense's ongoing work to address terrorist finance exploitation beyond Iraq. Although DoD sees the Treasury Department as the lead federal agency in this arena, the Department of Defense has work underway to support these efforts in two major areas: "terrorist financing" and "threat financing." While terrorist financing focuses on organizations, cells, and individuals directly linked to terrorism, threat financing is a broader-based concept and includes WMD funding, narco-trafficking, organized crime, and human trafficking. We are convinced that "following the money" (in all forms) is a key element to mapping the network and understanding relationships between nodes and a key enabler for achieving DoD objectives.

These clandestine activities threaten U.S. interests and can generate large amounts of revenue. A portion of these funds may directly or indirectly fund terrorist and insurgent activities. This greatly increases the complexity of identifying, tracking, and disrupting financial targets.

Terrorists use a wide, imaginative, and quickly evolving series of tactics, techniques, and procedures to transfer money throughout their networks, from high-tech means such as sophisticated bank transactions to low-tech/no-tech means such as couriers. The nature of the problem mandates that we focus on more than just the formal financial mechanisms traditionally associated with terrorist financing, as the international community has done since 9/11 through the Financial Action Task Force and the eight regional bodies, comprised of more than 150 countries and territories.

Driven largely by the U.S. and its partner countries, the international community continues to address “threat financing,” focusing on money service businesses such as wire transfers, insurance, and brokerages, informal wire services such as hawala, diversions of charitable contributions, trans-border cash transfers through the postal service or FedEx, and falsified trade documentation. The international community needs to focus more on precious metal and gem transfers, smuggling, and the like. Identifying global linkages between networks, including witting and unwitting coalitions of convenience, is part of the challenge for the Intelligence Community. Ideally, actions taken against a local target should have network-wide effects.

The Secretary of Defense’s National Defense Strategy, signed in March of this year, describes our counterterrorism national defense objectives as: first, protect the homeland; second, disrupt and attack terrorist networks; and third, counter ideological support for terrorism. With this in mind, the Department of Defense has developed a National Military Strategic Plan for the War on Terrorism<sup>1</sup> which provides specifics on how to achieve these national defense objectives.

The first of six military strategic objectives outlined in the National Military Strategic Plan is to “deny terrorists the resources they need to operate and survive.” Our list of “resources,” which includes funds, also addresses:

- Leadership (capture/kill key terrorist leaders or degrade their standing with followers and potential recruits)
- Safe havens (deny or disrupt access to both geographic and virtual safe havens)
- Funds (disrupt and deny funds from all sources)
- Communications and movement (deny communications and movement between terrorists/insurgents and protect U.S. communications and movement)
- Weapons (counter asymmetric use of technologies; deny access to WMD)
- Foot soldiers (counter returning foot soldiers from Afghanistan, Pakistan, and Iraq. Also counter “home grown” foot soldiers motivated by extremist ideology – especially among disenfranchised Muslim immigrant populations marginally integrated into Western societies)
- Access to targets (protect potential U.S. and Allied targets), and
- Ideological support (de-legitimize extremism; bolster voices of moderation and tolerance within the Islamic world)

As you know, the U.S. Special Operations Command (SOCOM) has been designated to lead this DoD Global War on Terrorism campaign. It is synchronizing the counterterrorism plans of the five geographic military commands as components of a global campaign. SOCOM is also working closely with U.S. Strategic Command on these missions. The geographic commands are currently assessing both the ability of terrorists and insurgents to finance operations and the effectiveness of the U.S. military to deny resources to terrorists. Initial data from these assessments indicate that the DoD, while enjoying some successes in tracking and disrupting funds to terrorists and

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<sup>1</sup> 4 March 2005

insurgents, is progressing slowly in combating the problem on a global scale. And although each of these commands have had notable successes against this target, I have chosen to highlight U.S. Pacific Command (PACOM) and U.S. Central Command (CENTCOM) initiatives to demonstrate how DoD is working with other U.S. and international partners to address this problem.

The Interagency Regional Action Plan for the PACOM area of responsibility discusses the complexity of eliminating sources and channels of terrorist financing. Part of the plan's focus includes suspect charities, alternative remittance systems, cash couriers and bulk cash smuggling, trade-based terrorist financing, and kidnapping for ransom. The Treasury Department's Financial Crimes Enforcement Network is providing invaluable assistance to PACOM's regional financial intelligence operations. PACOM and its interagency partners are working with partner nations to:

- Identify financial support networks of terrorists and insurgents
- Help partner nations develop prosecutorial expertise in money laundering and terrorist financing
- Encourage those nations with strong expertise in this area to provide technical and administrative assistance to less capable nations

Other successful initiatives include CENTCOM's Threat Finance Exploitation Unit or TFEU. As DIA has already described, the unit works with DoD and non-DoD intelligence, law enforcement, and regulatory agencies that are responsible for taking actions against terrorist and insurgent financial networks, with a particular emphasis on Iraq. The success of this unit has created interest among other Combatant Commands who would like to create similar organizations for their respective areas of responsibility. To that end, the Office of the Secretary of Defense is working closely with the Joint Staff and Combatant Commands to more clearly delineate the roles and responsibilities for Threat Finance Exploitation organizations. This will enable the other Geographic Combatant Commands to build on CENTCOM's success.

*Conclusion:*

Much has already been done – using all instruments of national power – to deny terrorist networks and insurgents the financial resources they need to operate and survive. From a Department of Defense perspective, SOCOM's integration of Regional Command Plans into a comprehensive and synchronized global campaign plan is clearly a big step forward and will enable the U.S. and partner nations to maximize the effectiveness of counterterrorism operations.

The problem of high-tech versus low-tech/no-tech tactics, techniques, and procedures employed by these terrorists and insurgents does present a major challenge for the Department of Defense and the rest of the Interagency. One key to success is flexibility at all levels – strategic, operational, and tactical – and close cooperation both within the Interagency and internationally.

A key concept which figures prominently throughout DoD's National Military Strategy Plan for the War on Terrorism is the requirement for building capacity for improved governance. Our goal, at the DoD and USG levels, is to work with partners across all elements of their national power (diplomatic, informational, military, economic, financial, intelligence, and law enforcement) to improve their ability to detect and disrupt these often interlinked, illegal, clandestine non-state actor networks. Our partner nations need these capabilities on their borders, within their national territories, and in their coastal waters.

This may require changes to how the U.S. currently aids and trains foreign troops, police, and other security forces to combat terrorism within their regions. It may also mean training soldiers and other security officials "on the ground" in new ways to identify, collect, and report relevant information on enemy tactics, techniques, and procedures.

It will certainly mean reinforcing bilateral and multilateral relationships with partner nations. Local law enforcement agencies operating in targeted areas can potentially provide key data on low-tech/no-tech tactics, techniques, and procedures. Combined, these measures will improve our abilities and those of our allies to disrupt and attack terrorist resource networks.

I look forward to your questions.