

AN OVERVIEW OF INTERNATIONAL TERRORIST ORGANIZATIONS

HEARING BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TERRORISM, NONPROLIFERATION AND HUMAN RIGHTS OF THE COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED EIGHTH CONGRESS

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AN OVERVIEW OF INTERNATIONAL TERRORIST ORGANIZATIONS

WEDNESDAY, MARCH 26, 2003

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL TERRORISM,
NONPROLIFERATION AND HUMAN RIGHTS,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 1:33 p.m. in Room 2172, Rayburn House Office Building, Hon. Elton Gallegly [Chairman of the Subcommittee] presiding.

Mr. GALLEGLY. Today, the newly created Subcommittee on Terrorism, Nonproliferation and Human Rights is holding its first hearing. I would like to take this opportunity to welcome all Members of the Subcommittee as we begin to work on three distinct, but very critical, foreign policy issues for our nation.

Let me now turn to today's hearing, which will be an overview of international terrorist organizations. On September 11, 2001, the United States suffered the worst terrorist attack in recorded history. More than 3,000 people from over 80 countries were killed in those attacks on our country.

Immediately, President Bush galvanized the United States and the international community in a global coalition against terrorism. This war has been fought and continues to be fought on many fronts with diplomatic, law enforcement, intelligence, financial and military components.

As a result of these efforts, tremendous progress has been made in the war against terrorism. The Taliban regime in Afghanistan has been overthrown. The terrorist infrastructure that operated in that country has been decimated. Al-Qaeda and its affiliate groups are being pursued in every corner of the world by aggressive intelligence and law enforcement actions.

More than 3,000 al-Qaeda members have been apprehended or killed, and the military action taking place in Iraq will prevent any international terrorist group from obtaining material, support, sanctuary or weapons of mass destruction from Saddam Hussein and his regime.

Despite the success, the battle against international terrorism is far from over. The United States continues to be threatened by al-Qaeda, as well as numerous other terrorist organizations operating throughout the world. Today's hearing will focus on the groups that pose the greatest danger to both the U.S. homeland and our interests in foreign countries. The hearing will discuss which organiza-

tions have the capability to strike at America and which nations continue to provide support to terrorist groups.

We will also examine the international effort being led by the United States to cut off the funding sources for terrorist groups, and we will explore the likelihood of terrorist groups obtaining weapons of mass destruction either from a state or by developing these weapons on their own.

We are very fortunate today that we have before us two State Department witnesses that are critical in the battle against international terrorism. We have Ambassador Cofer Black, who is Coordinator for Counterterrorism at the State Department. Ambassador Black's office has primary responsibility for developing, coordinating and implementing U.S. counterterrorism policy.

We are also very fortunate to have with us today Tony Wayne, the Assistant Secretary of State for the Bureau of Economic and Business Affairs, which formulates and carries out U.S. foreign economic policy. It is also the office within the State Department with expertise on the sources of financing for international terrorist organizations and leads the effort to develop greater international cooperation in attacking terrorist financing sources.

I look forward to the testimony of our witnesses today, but before we go to that I would turn it over and yield to my friend from California, the Ranking Member, Mr. Brad Sherman. Mr. Sherman?

[The prepared statement of Mr. Gallegly follows:]

PREPARED STATEMENT OF THE HONORABLE ELTON GALLEGLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON INTERNATIONAL TERRORISM, NONPROLIFERATION AND HUMAN RIGHTS

Today, the newly-created Subcommittee on International Terrorism, Nonproliferation and Human Rights is holding its first hearing. I would like to take this opportunity to welcome all the members of the subcommittee as we begin our work on three distinct but very critical foreign policy issues for our nation.

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I look forward to hearing from our witnesses and I will now turn to Mr. Sherman, the Ranking Member on this subcommittee, for any remarks he may wish to make.

Mr. SHERMAN. Thank you, Elton. It shows real wisdom on the Majority side of this Committee to create this new Subcommittee and even more wisdom to select its Chairman.

I want to thank you for holding these hearings. Few people in this room know that you and I have represented adjoining districts for roughly 6 years, and now about a quarter of my old district has the finest Republican Member that they could ask for in my good friend Elton Gallegly. Perhaps we should have some of the hearings of this Subcommittee in the Civic Arts Plaza at Thousands Oaks, noting that many of the Members of the Subcommittee happen to come from the Los Angeles area.

I think it makes sense for us to look at the imminent threats that terrorist organizations pose to the United States and the world, and I also look forward to future hearings focusing on the proliferation of weapons of mass destruction and, of course, human rights.

I look forward to the testimony of our distinguished witnesses today. I know that Ambassador Black and Assistant Secretary Wayne are both dedicated public servants, and we are fortunate to have them in government service at this critical time at the State Department.

September 11 taught us what terrorist organizations can do if they have a home base, a friendly or at least acquiescent state in which to plan, train and conduct their often complex financial transactions, and so we know how important it is to make sure that both al-Qaeda and similar organizations are deprived of that kind of tolerant state base. Today, we are acting in Iraq, and I think we can be confident that worldwide terrorist organizations will not be based in Iraq in the future.

We have to use other approaches to deal with other state sponsors of terrorism. Often we will have to rely on sanctions, diplomacy and international cooperation. That is what has worked for the most part in dealing with Libya, which was once one of the top state sponsors of terrorism and now is certainly not among the top 10 state sponsors.

The Iran-Libya Sanctions Act and other sanctions of the United States, combined with the efforts of our allies, has created an attitude adjustment in the Libyan capital, or I should say for the country capitals since they have more than one capital.

We need to take a similar approach with Iran, which has been listed by the State Department as the number one state sponsor of terrorism this year, last year and in previous years. We need multilateral action, and instead we find a Europe that is not only doing business as usual, but going out of its way to court a regime in Tehran that is every bit as much of a threat to the United States as the Taliban regime or the Saddam Hussein regime.

The previous Administration opened up American markets to Iran's major non-energy exports, such as carpets, pistachios, caviar, and got nothing in return except a diplomatic attack, a blast at us for opening our markets.

Today, the European Union is looking for a new trade relationship with Iran and is looking to force the World Bank to send approximately \$180 million to that regime. I will have questions for the witnesses on how tolerant we will be of seeing tax dollars from Ventura County and from the San Fernando Valley go to Tehran simply because we are unable to persuade our European friends not to do that.

The Kashmir crisis also deserves the attention of this Subcommittee. Two Pakistani based groups have links to al-Qaeda. If there is a nuclear war in the near future, it will probably be on the Indian subcontinent, and probably the triggering event will be a terrorist incursion from Pakistan into India. Pakistan has been an ally of the United States in our efforts against al-Qaeda, but we have to take even more action to make sure that Pakistan ends its tolerance for terrorist organizations.

Finally, I want to address our foreign aid programs and especially the millennium challenge account, which will bring \$5 billion additional into the foreign aid budget by 2006. As you know, the millennium challenge account has three standards by which we judge states to determine whether they will be eligible.

I will be proposing, and I hope to have the support of this Subcommittee in adopting an additional standard focusing on whether the country has done everything it can, and I realize some countries are not in a position to be relevant to the war against terrorism, but that a country has done everything we have asked them to do against terrorism should be an important criteria.

For us to list as one of the criteria whether the Heritage Foundation approves of their policy in trade, we should have as a more important question does the State Department approve of their policy toward terrorism. I hope as that millennium challenge account legislation moves forward that we will add this important criteria.

Mr. Chairman, thank you for the time, and I look forward to working with you and sitting beside you for the next 2 years.

[The prepared statement of Mr. Sherman follows:]

PREPARED STATEMENT OF THE HONORABLE BRAD SHERMAN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

First, I want to thank Chairman Gallegly for holding these important hearings. I note that the Chairman and I have for the past six years shared adjoining Congressional Districts in Southern California. Mr. Gallegly's home county, Ventura, a portion of which was also in my district until recently, is well represented on this panel.

I am looking forward to confronting the imminent threats terrorist organizations pose to the United States and the world. I also look forward to focusing on the proliferation of weapons of mass destruction and human rights.

Of course, this will be the first of many hearings we will hold on international terrorism. But I am glad that we have the opportunity today to receive this broad overview from the State Department on where we stand globally in the war on terror, in the form of a review of terrorist organizations and the threat that they pose to US interests world-wide.

I look forward to hearing the testimony and answers from both our distinguished witnesses today. I know that Ambassador Black and Assistant Secretary Wayne are both dedicated public servants, and we are fortunate to have them at these two critical posts in the State Department.

I want to note in my opening remarks some of the main areas where I would like to see the focus of our administration in relation to terrorist organizations and the threat they pose to our security.

STATE SUPPORT FOR TERRORIST ORGANIZATIONS

Clearly, as September 11, 2001, demonstrated, terrorists do not necessarily need active state support in the form of materiel or financing in order to do horrific damage in the United States. No state actually provided those al Qaeda operatives with the financing or materiel they needed to conduct the single greatest act of terrorism in the history of mankind on that terrible day. We also know now that al Qaeda has gone about the business of trying to develop, largely on its own, chemical and biological weapons.

However, as September 11, 2001, also demonstrates, terrorists do need to have, at the very least, a base from which to operate, to train, a place to hide their assets—they need a safe haven if they are to have the ability to exist on the level needed to coordinate such a major attack. Al Qaeda received all of this and much more from the Taliban regime in Afghanistan.

Likewise, I firmly believe that if we face an attack which even comes close to the magnitude of September 11, it will be at the hand of a terrorist organization which is either state-sponsored or at least state-tolerated. If weapons of mass destruction are ever used by terrorists against the American homeland, there will be a state accomplice behind it.

However horrific the prospect of a state-sponsored campaign of terror against the United States may be, if there is a positive side to this, it lies in the fact that states are regular actors on the international scene—they can be sanctioned, they can be isolated, they can face military reprisal, and, in the truly extreme case, they can be dealt with preemptively. In other words, we can often prevent the worst threats from terrorism by dealing with the states which support or tolerate terror. These states are susceptible of very traditional means of encouragement and coercion.

Indeed, when we fight terror, we are most often asking states to cooperate in some way—to take some action such as freezing assets, making arrests, conducting surveillance, sharing intelligence. Notwithstanding the fact that terrorist organizations are the quintessential “non-state actors,” they are defeated by states working together; they succeed only when states fail to take concerted action or, worse, provide actual support for terrorist organizations.

The Taliban regime has been removed from power. The regime of Saddam Hussein is, of course, on its way out—albeit at a huge cost, including the loss of US and allied servicemen and women. But with that accomplished, two of the worst government sponsors of terrorism will be gone.

However, I would also point to the case of Libya, which for a long time had been among the leading state sponsors of terrorism. In addition to some military punishment, the regime of Qaddafi was isolated, sanctioned, and stripped of much needed investment and trade. The key lesson from Libya, however, is that these actions were effective because they were taken against that state on a multilateral basis. Today, as it seeks to reverse its position in the world as a true pariah state, Libya is not one of the top state sponsors of terrorism. It was forced to largely get out of the terrorism business by the concerted action of the civilized world.

THE NEED TO DEAL WITH IRAN—A KEY TO MIDDLE EAST PEACE AND US SECURITY

This same multilateral approach must also be taken against Iran, which has been listed by the State Department as the number one state sponsor of terrorism for the last several years. Multilateral action is needed if we are to be successful in convincing that regime to end its support for Islamic Jihad, Hizballah and radical elements in Yasser Arafat’s apparatus such as the al Aqsa Martyrs Brigade, and thus end Iran’s militant meddling in the Israeli-Palestinian dispute. The difficult task of building Middle East peace, which our European friends claim to care so much about, will be made much more difficult if Iran continues its support for terrorism.

And Iran’s mix of terrorism and the development of WMD, especially nuclear weapons, threatens the United States directly. I hope to persuade Chairman Gallegly to soon hold hearings on nuclear proliferation, especially the threats posed by North Korea and Iran.

But unlike Libya, which had made the unwise decision to support attacks in Europe, Iran currently supports groups which attack principally Israeli citizens (and visitors to Israel, especially Americans). Our European friends are not particularly keen to sanction Iran since they are not often the victims of Iranian terror—and since there is a good deal of money to be made in that country, perhaps.

The previous Administration made a similar mistake. It open up the American market to Iran's main non-energy exports, such as carpets, pistachios and caviar, without any guarantee that we would receive anything in return, or an improvement in Iran's deplorable record on WMD proliferation, support of terrorism and human rights. We should reverse this policy to set the right example for our friends.

I note with concern the continuing trade talks between the EU and the Iranians and with special concern pending World Bank loans to Iran. The Bank is actually considering a loan of approximately \$180 million to the Islamic Republic, and a vote on this loan package could come as early as next month at the Bank's Board of Directors. This package and other loans to Iran are being pushed primarily by European members of the IBRD. I have made my concerns known to the World Bank President, all EU governments, and the State and Treasury Departments. I know American staff at the Bank are lobbying against these loans, but I am afraid we must take stronger action against these Western efforts to rehabilitate the government of Iran.

We need to make certain our friends in the EU and Asia know that support for this Iranian regime, whether in the form of cheap loans, or increased trade or investment, will be tantamount to support for international terrorism.

THE KASHMIR CRISIS

We have in this dispute between India and Pakistan the real possibility of open conflict between two nuclear powers, and two friends of the US, two of our most important allies in the war against terror. An India-Pakistan war would be an unmitigated disaster. While the underlying conflict over Kashmir is indeed one of the most intractable and long-running territorial disputes in the world, the spark that sets these two states off, if it comes, will probably be an act of terrorism or terrorist incursion from Pakistan into India.

Two Pakistani-based groups, Lashkar-e-Taiba and Jaish-e-Muhammad, have links to Al Qaeda, and are designated as Foreign Terrorist Organizations by our government. These groups have been linked to attacks against the Indian government in October and December of 2001, including the deadly assault against the Indian Parliament. India and Pakistan came extremely close to war in 2002, largely as a result of dispute over the terrorist activities of these Pakistani groups. Tensions remain very high to this day.

Pakistan promised to end incursions in the Summer of 2002, a pledge which served to take both countries back from the brink of war. US diplomacy, especially the work of Deputy Secretary of State Richard Armitage, was critical in defusing that 2002 crisis. However, the Indian government continues to complain about incursions across the Line of Control (LoC) from Pakistan.

I want to note that it could take just one more serious terrorist attack in India or Indian-controlled Kashmir to cause a war between these two friends of the US. I know that the State Department will continue to urge Pakistan in the strongest terms to seal off the LoC to terrorist incursion, and I hope that Pakistan will take all necessary measures to prevent a repeat of the 2002 crisis. Pakistan has been a valuable ally in the war against terror, but lack of vigilance against terrorist incursion across the LoC, to say nothing of actual support for those incursions, threatens to undue all that we have accomplished and much more.

THE NEED TO TIE NEW AID PROGRAMS TO HELP IN THE WAR ON TERROR

Finally, I want to address our foreign aid programs and the need to shape them to assist the war against terror. The President has proposed the creation of a bold new foreign aid initiative. For this he is to be commended. The Millennium Challenge Account (MCA) has the laudable goal of bringing as much as \$5 billion in additional funds into our foreign aid budget by 2006, to be distributed to countries whose governments have adopted the right kind of economic policies, are free of corruption, care for their people, and respect basic freedoms.

What is missing from the proposal is the need for our government to take into account a country's cooperation in the war against terrorism when making aid eligibility decisions. As proposed, we could end up providing MCA funds to states which have fine economic policies and public health programs, but which have not assisted, even when asked, in the war against terror; at the same time, we could end up ignoring states which have done an excellent job in supporting our efforts against terror, but have not, according to the Heritage Foundation, opened up their economy enough to foreign trade.

I hope that as legislation creating the MCA moves forward, it will contain provisions to ensure that states which balk when called upon to provide assistance in the war on terror are not rewarded, while states which have helped us, sometimes

at great costs politically as well as economically, are not excluded from the MCA program due to their following economic policies with which we do not agree. I have urged that such a provision be included in the bill and will work to see it adopted.

Thank you again, Mr. Chairman, for holding these hearings.

Mr. GALLEGLY. I thank the gentleman from San Fernando Valley, California. I particularly want to thank him for his generous comments toward the Chair, and I am particularly pleased that it is a part of the record of this hearing.

I do look forward to working with Brad. We have been friends for a long time. On issues that we disagree on, we have agreed to disagree on those things, and we focus more on the things we agree on than the things we disagree on. I look forward to working with him.

If any other Members of the Subcommittee have opening statements, I would ask that they be made a part of the record without objection.

With that, we will go to our first witness. As I mentioned, we are very fortunate to have two very distinguished members with us today, Ambassador Cofer Black, who I think I did mention is Coordinator for Counterterrorism at the State Department. His principal responsibility is developing, coordinating and implementing U.S. counterterrorism policy.

With that, Ambassador Black, we welcome you.

STATEMENT OF THE HONORABLE J. COFER BLACK, AMBASSADOR-AT-LARGE, COORDINATOR FOR COUNTERTERRORISM, U.S. DEPARTMENT OF STATE

Ambassador BLACK. Thank you very much, Mr. Chairman and Subcommittee Members. I appreciate the opportunity to testify on the international terrorism threat. This is the first hearing by your new Subcommittee, and I am honored to testify before you this afternoon.

First, I would like to give you a brief overview of hot spots in the international war on terrorism. Second, I would like to describe the groups, threats and trends we consider to be the most dangerous. Third, provide a brief regional overview, and, fourth, a quick sketch of our policies and programs designed to counter the threat.

With your permission, sir, I have a longer statement I would like to submit for the record.

Mr. GALLEGLY. Without objection, it will be made a part of the record at hearing.

Ambassador BLACK. We now are concerned particularly about several sources of attacks—al-Qaeda and associated related groups, terrorists operating at the behest of or in sympathy to Iraq.

Mr. Chairman, we are concerned that Iraqi intelligence officers are assuming top authority in Iraqi diplomatic missions overseas and may be instructed to take actions against the U.S. or coalition interests. We have been urging other countries to expel Iraqi diplomats in order to minimize this threat.

We also are concerned about attacks from groups or individuals who have no ties with Iraq or al-Qaeda, but feel strongly enough against the U.S. or the west and believe this is a good time to strike. During the 1991 conflict with Iraq, there were about 200 such incidents. Most of them were minor, with several major excep-

tions, conducted primarily by groups or individuals with no known connections with Iraq.

In past years, the major threat came from secular groups, such as the Abu Nadal organizations or the Palestinian Front for the Liberation of Palestine, PFLP—groups that enjoyed the backing of such state sponsors of terrorism as Libya, Syria, Iraq and Iran.

Today, we also face the enhanced threat represented by radical fundamentalist groups such as al-Qaeda. The bulk of the funding for these latter groups has been raised through supporters, diversion of charitable contributions, criminal activities and front companies.

Let me talk very briefly about al-Qaeda. Now that bin Laden's Taliban protectors have been driven out of Afghanistan, al-Qaeda has been dispersed, and its capabilities have been seriously degraded, certainly in comparison to where they were before 9–11. It is not the organization that it was previously. It is under stress, and its leaders spend more time attempting to avoid capture than initiating multiple, large-scale attacks.

Khalid Sheikh Mohammed's arrest was a major setback for this organization, a gain for our side. We have been making very good progress in undermining the group. We are on the offensive. We are going after their men, we are going after their money, and we are going after their hideouts.

The bad news is we cannot relax. al-Qaeda and associated groups are still very dangerous and vicious. There are indications they are planning large-scale as well as small-scale attacks. We would expect al-Qaeda to launch attacks against U.S. interests and assert they were defending Muslims and the people of Iraq. They have shown an interest in obtaining weapons of mass destruction. I do not think that they would hesitate to use chemical, biological or even radiological weapons if they could.

Al-Qaeda has also shown an interest in chemical, biological and improved radiological dispersion devices. There have been reports in recent months of suspicious activities around military facilities, ports and other facilities such as bridges and power plants that have economic, as well as symbolic significance.

Al-Qaeda is a threat to more than Americans and other westerners. The citizens of more than 90 countries, as you pointed out, Mr. Chairman, were murdered in the World Trade Center bombing. Africans were the primary victims of three major attacks in Kenya and Tanzania. Australians and Indonesians were the major victims in the attacks in Indonesia.

Al-Qaeda and its related groups were loosely knit to begin with, and this trend will continue, creating a major challenge in detecting and deterring future attacks. Since 9/11, al-Qaeda affiliated groups have been able to conduct attacks in far-flung corners of the world such as the one against the French oil tanker off the Yemen coast and against the synagogue in Tunisia where many Germans were killed.

The unsuccessful attempt last November involving a shoulder-fired missile to shoot down an Israeli passenger plane at Mombasa, Kenya, during a simultaneous attack on an Israeli-owned hotel shows the continued vulnerability of countries in the developing world. We have programs, especially our antiterrorism training as-

sistance or ATA programs, to help these countries. They are described in my written submission.

The terrorists have the luxury of picking their targets at a time and place of their choosing. It is not possible to protect everything everywhere, whether at home or overseas. Al-Qaeda is probably the group with the broadest international reach, but there are regional based groups that continue to pose a threat to American lives and America's friends. A quick regional review hopefully will help to explain what I mean.

Regionally, in Latin America the Revolutionary Armed Forces of Colombia, or FARC, is the most dangerous terrorist group. FARC has between 9,000 and 12,000 members. It engages in various attacks, murders, kidnapping, extortion and hijacking, as well as guerilla and conventional military activity against Colombian military and economic targets.

Since 1980, the FARC has murdered at least 10 U.S. citizens and currently holds three United States Government contractors hostage. The FARC has a well-documented tie to narcotics traffickers, particularly through the provision of armed protection. Colombia's three terrorist organizations—the FARC, the National Liberation Army, or ELN, and the United Self-Defense Forces of Colombia, AUC—were responsible for some 3,500 murders in 2002.

International terrorist groups have used Latin America to advance their causes elsewhere, such as the bombings of the Israeli Embassy in Buenos Aires in 1992 and the Argentine Jewish Cultural Center, or AMIA, in 1994. The Argentine Government recently moved forward on indictments in the AMIA case against four Iranian officials, and the Israeli Government has implicated the Iranian regime in the bombing of its Embassy.

We have no confirmed information of an al-Qaeda presence in Latin America. However, terrorist fundraising continued to be a concern, particularly Hezbollah's fundraising efforts in the tri-border region of Argentina, Paraguay and Brazil.

In the Middle East, Iran continues to fund terrorism by providing funding and weapons to Palestinian rejectionist groups such as the Palestine Islamic Jihad, or PIJ, and Hezbollah, which is based in Lebanon. Hezbollah continues sporadic missile or mortar launchings across the border against Israel.

The Iranian supply flights come in through Damascus Airport, and supplies are shipped through Syrian control areas in Lebanon. As you may recall, Hezbollah conducted terrorist attacks against the U.S. Marine barracks and Embassy in Lebanon that claimed more U.S. lives than any other group prior to the al-Qaeda attacks in the United States.

Hamas, PIJ and the Al-Aqsa Martyrs Brigades continued their suicide attacks against Israeli targets, including attacks in which at least 10 Americans were killed in a variety of attacks last year. The motivation of these groups is the replacement of Israel with a fundamentalist Islamic state. Iraq has offered payments to families of suicide attackers in order to encourage attacks and reassure these potential attackers that their families will be provided for if they become martyrs.

In Europe, just last week, Mr. Chairman, French authorities found in a Paris railway station storage area small flasks with

traces of ricin, a deadly poison that could be used for terrorist attacks. In January, the British police discovered traces of ricin and cyanide during a raid on a London apartment. These discoveries increase concern about the possibility of poison plots on western targets.

Italy disrupted suspected terrorist cells and captured al-Qaeda suspects in Milan and elsewhere who were providing support to terrorist operations and planning attacks. An Italian court last year sentenced members of the Tunisian combat group to prison terms, marking the first conviction of al-Qaeda associates in Europe since September 11, 2001.

Germany also placed several high-profile terrorists on trial, including a member of the Hamburg cell involved in the September 11 attacks and four North Africans accused of plotting to attack the Strausbourg Christmas Market in 2000. Turkey arrested a number of individuals with ties to al-Qaeda.

In South Asia, remaining al-Qaeda and Taliban cells and sympathetic groups continue to present a danger throughout Afghanistan. Pakistan has become a favored destination for fleeing terrorists. The Pakistanis' support in going after them has been excellent as the areas of high profile al-Qaeda members such as Khalid Sheikh Mohammed and Ramsiben Al Sheb show.

Extremist violence in Pakistan continues to claim more Pakistani lives than westerners, who are its ostensible targets. Meanwhile, extremist violence in Kashmir, fueled by infiltration from Pakistan and across the line of control, threatens to become a clash point for a wider India-Pakistani conflict.

On the upbeat side, there is reason for guarded optimism in Sri Lanka. The Liberation Tigers of Tamil Eelam in Sri Lanka have entered into peace negotiations with the government. The Maoist insurgency in Nepal has also declared a cease fire for their ongoing campaign to overthrow the government there. We are watching carefully for signs that they may choose to return to violence.

In South Asia, the terrorist group Jamiah Islamia, JI, is believed to be responsible for the October bombing of a nightclub in Indonesia that killed more than 200 persons. This was the largest attack since 9/11. Indonesia arrested Abu Bakar Bashir, spiritual leader of the JI, on several charges, including attempting to assassinate the President of Indonesia and charges related to a string of bombings around Christmas 2000. The Indonesian bomb blast investigations have proceeded quickly and remain very professional, but concerns about future attacks are possible.

In the Philippines, there has been an increase in violence by the Communist People's party and its armed wing, the New People's Army, and by the Moro Islamic Liberation Front, or MILF. The Abu Sayyaf group is of particular concern. Abu Sayyaf has kidnapped several hundred Filipinos and foreigners in the last few years and has been responsible for the deaths of three Americans, including a U.S. soldier.

It appears that the Abu Sayyaf group is no longer interested in just kidnap for ransom, but is also attacking, bombing and other traditional terrorist type activities. We are concerned at the growing evidence of links between the Abu Sayyaf group and terrorist groups, including al-Qaeda and JI. Similarly, our two governments

are concerned there could be a link between the Abu Sayyaf group and Iraq.

Africa. As noted, coordinated attacks against a commercial airliner and a hotel in Mombasa, Kenya, in November killed 12 Kenyans and three Israeli tourists. Al-Qaeda is believed to be responsible for the Mombasa attacks, as well as the 1998 attacks of U.S. Embassies in Nairobi and in Tanzania.

We are fighting terrorism on five fronts—diplomatic, financial, intelligence, law enforcement and military. Terrorists and their organizations cannot be defeated for force of arms alone. As Secretary Powell has stated, diplomacy constitutes the nation's first line of defense and also one of the most potent offensive weapons in the war on terrorism.

Diplomacy is the instrument of power that builds political will and strengthens international cooperation. Diplomatic exchanges promote counterterrorism cooperation with friendly nations that serve our mutual interest. We build capacity that supports the capabilities of our allies. Diplomacy helps us to take the war to the terrorists to cut off resources they need and depend upon to survive.

The Departments of Justice, Treasury, Homeland Security, Defense, CIA and many other Federal agencies have critical missions in this regard. As the lead foreign affairs agency, the Department of State, through my office, serves as the statutorily appointed coordinator and overall clearinghouse for the counterterrorism activities conducted overseas by the United States Government.

Strong Embassies and active diplomacy facilitate our efforts to disrupt terrorist networks and to apprehend terrorist individuals. I have much admiration and respect for the men and women who serve at our missions overseas. It is this diplomatic readiness, to use Secretary Powell's phrase, that is vital to our ability to fight terrorism.

In the financial area, in the campaign against terrorist financing our Embassies provide critical information on terrorist organizations. Such information serves as the basis of our imposing legal and administrative sanctions against such organizations.

The Secretary of State currently has designated 36 foreign terrorist organizations. Among other consequences, the U.S. citizens and residents are prohibited from knowingly providing any organization with financial and other forms of material support.

Meanwhile, working with the Departments of Treasury and Justice and with other countries, the Department of State has also designated more than 250 individuals and entities linked to terrorism under Executive Order 13324 and under applicable U.N. Security Council resolutions, resulting in the worldwide seizure of more than \$125 million. Assistant Secretary Wayne will further describe the financial actions the United States Government has taken.

In terms of intelligence and law enforcement, the gathering of intelligence about al-Qaeda's infrastructure in Afghanistan helped enable us to dismantle or scatter much of its memberships and organizations. Last month's arrest of Khalid Sheikh Mohammed, the third ranking al-Qaeda official, represents a major part of our intelligence and law enforcement efforts. An impressive global dragnet

has tightened around al-Qaeda. Since 9/11, more than 3,000 al-Qaeda operatives or associates have been detained in over 100 countries, largely as a result of cooperation among law enforcement agencies.

The military. Military actions to disarm Saddam Hussein's regime in Iraq are a major attempt to alleviate the threat that weapons of mass murder will be put to terrorist purposes. We are concerned particularly about biological, chemical and radiological dispersion devices. In Afghanistan, Operation Enduring Freedom last year liberated the bulk of Afghan territory from Taliban control, the al-Qaeda sanctuary, within a matter of weeks.

The ultimate success of this global counterterrorism campaign will hinge in large part on two factors. Two factors. Sustaining international political will and effective capacity building. First, we must sustain and enhance the political will of states to fight terrorism. The secret of maintaining a coalition is showing them every day that the fight is not over and that a sustained effort is clearly in their long-term interest. My meetings with government officials in every region of the world have convinced me that we have made tremendous progress on that score.

Second, need to enhance capacity of all states to fight terrorism. The United States cannot investigate every lead, arrest every suspect, gather and analyze all the intelligence on its own, effectively sanction every sponsor of terrorism, prevent the proliferation of weapons of mass destruction and find and fight every terrorist cell.

We have various programs to support our capacity to fight international terrorism, and with your permission I would like to put them into the record.

[The information referred to follows:]

STATE DEPARTMENT COUNTERTERRORISM PROGRAMS

Terrorist Finance Programs. This is a core function of the State Department's efforts to counter international terrorism. We seek to interrupt and deny the flow of funds going to terrorists and their operations and to strengthen the financial and regulatory sectors of vulnerable coalition partners against manipulation and penetration by the financiers of terror.

The groundwork for our counterterrorism finance offensive was actually laid many years before 9/11, with provisions that the State Department proposed and the Congress enacted as part of the Antiterrorism and Effective Death Penalty Act of 1996. The Act authorizes the Secretary of State, in consultation with the Attorney General and the Secretary of Treasury, to designate Foreign Terrorist Organizations (FTOs). Among other provisions, the Act prohibits U.S. persons and persons subject to the jurisdiction of the United States from knowingly providing material support or resources to an FTO, or attempt or conspire to do so. Among other consequences of a designation, any financial institution that becomes aware that it has possession of or control over funds of a designated FTO must retain possession of or control over the funds and report the funds to the Treasury Department's Office of the Foreign Assets Control (OFAC). Currently 36 groups are designated.

Following September 11, the President signed Executive Order 13224, which requires U.S. persons to freeze the assets of individuals and entities designated under this E.O. for their support of terrorism. There are currently over 250 individuals and entities designated under E.O. 13224. The White House also established an interagency mechanism to coordinate terrorist financing policy among USG agencies.

Each embassy has identified a Terrorism Finance Coordination Officer to lead the effort to work with the host governments to detect, disrupt and deter terrorist financing. Internationally, the UN has also stepped up its own efforts in the area of fighting terrorist financing in a major way following September 11, requiring countries to freeze the assets of those included in its consolidated list of entities and individuals with ties to al-Qaida and the Taliban. This list continues to expand as

countries join us in submitting new names of individuals and entities linked to al-Qaida to the UN. So far, USG and coalition freezing actions have netted over \$120 million in assets of persons or entities with ties to terrorist networks, and in many cases to al-Qaida.

We are working with the Financial Action Task Force (FATF)—a 31-member organization that sets international standards to combat money laundering and more recently to combat terrorist financing. Last month the FATF elaborated on two of its earlier recommendations on terrorist financing to make the use of cross-border wire transfers and alternative remittance systems (such as *hawalas*) more transparent, and less subject to exploitation by terrorist groups. On the bilateral front, inter-agency teams led by the State Department are traveling to states critical to our counterterrorism efforts to evaluate their financial systems, identify vulnerabilities, and develop and implement comprehensive counterterrorism financing training and technical assistance programs.

CT Finance Capacity Building programs are coordinated by S/CT and administered through State/INL (The Bureau for International Narcotics and Law Enforcement Affairs) and counterpart entities at the Departments of Justice, Treasury, and Homeland Security and the Agency for International Development. These programs are aimed at providing front-line states with technical assistance in drafting anti-terrorist financing legislation, and training for bank regulators, investigators, and prosecutors to identify and combat financial crime, particularly terrorist financing.

(For FY 2004, the budget request includes \$3.5 million.)

Antiterrorism Training Assistance (ATA). This program was among the first specific counterterrorism programs funded at State, first authorized in late 1983. It continues to serve as the primary provider of U.S. Government antiterrorism training and equipment to the law enforcement agencies of friendly countries needing assistance in the war against terrorism. S/CT provides policy guidance and funding to the Bureau of Diplomatic Security Office of Antiterrorism Assistance, which implements the program.

The program provides a wide range of courses to strengthen the capacities of recipient countries. The training includes traditional courses such as hostage negotiations, bomb detection and airport security. In recent years, ATA has developed new courses for countering terrorism financing and defeating cyber-terrorism. It also has provided a series of seven seminars to help other countries strengthen their counterterrorism legislation. The Department works of course with the US embassy officers, especially the Regional Security Officers, in developing the training package to meet the recipient country's needs. In FY 2003, we are scheduling 180 courses for 56 countries.

(For FY 2004, the Department is requesting \$106.4 million to meet the program's growing requirements in the NADR account of the Foreign Appropriations Bill. Of this amount, \$19.4 million is specifically requested for programs in Afghanistan, Pakistan and Indonesia.)

CT R&D. The State Department, through S/CT, co-chairs the inter-agency Technical Support Work Group (TSWG) that rapidly develops and prototypes counterterrorism technologies to provide protections against terrorist attacks. For example, the "Quick 2000" masks that have been distributed to members of Congress and staff were evaluated, modified and improved based on a testing protocol developed by the TSWG.

This has been a very successful and important program. S/CT provides policy oversight, managerial direction and helps provide core funding. The Defense Department executes the program, and provides technical oversight for the program and contributes the larger share of the funding. Recently, the State Department reached agreement with the new Department of Homeland Security to facilitate DHS participation in the TSWG and to contribute funding.

S/CT has been able to leverage the relatively small State Department contribution to develop matching contributions and joint research with international partners in Britain, Canada and Israel. (FY 2004 request: \$1.8 million.)

Terrorist Interdiction Program (TIP). TIP aims at bolstering the border security of countries at a high risk of terrorist transit. Through this program, priority countries are provided a sophisticated database system and related support that identifies and tracks suspected terrorists as they enter and exit these countries. The program uses a sophisticated data base system with high-speed connections to airports or border crossing points. The program provides computer hardware, database software and training and is currently being deployed in five countries and is scheduled for deployment in twelve more countries this calendar year. Arrests and detentions have occurred in all five countries where the system has been deployed.

(FY 2004 request: \$11 million for installations in up to 12 new countries and continued work and maintenance on previous installations.)

CT Senior Policy Workshops. These workshops aim at improving the capability of participating countries to effectively respond to Weapons of Mass Destruction and other forms of terrorist attack. The objective is to increase senior host nation officials' awareness of the complexities of preventing and effectively mitigating a major terrorist attack. Ten workshops are planned for FY 04, with three in Greece to help preparations for the 2004 Olympics.

While the focus of these workshops is to effectively respond to WMD terrorist incidents overseas, some are customized to address host government needs based on their perceived threat. For example, workshops were used in the Caspian Sea as the first phase of the Training and Assistance offered to Azerbaijan, Georgia, and Turkey to further facilitate the success of the Baku-Tbilisi-Ceyhan Gas and Oil Pipeline in responding to energy threats. In partnership with the Department of Energy, we are currently conducting Workshops in Central Asia (Kazakhstan) in response to their energy security threats and to effectively respond to nuclear materials discovered following the break-up of the Soviet Union.

(FY 2004 request: \$2.5 million in NADR funds to conduct 10 Workshops.)

Foreign Emergency Support Team (FEST). As the lead Federal agency to respond to an international terrorist-related crisis, the Department of State heads the FEST. The FEST provides a specially trained and equipped interagency team to assist the U.S. ambassador and a host government in dealing with a terrorist incident. The team can provide advice, assistance and assessments for the embassy on a variety of terrorism-related issues. The composition of the FEST varies, depending on the nature of the incident (such as a hostage situation, an embassy bombing, or a chemical, biological, radiological, or nuclear (CBRN) incident). The team is led by a senior State Department officer and includes additional State Department personnel, such as operations officers, communications experts, and diplomatic security agents.

A dedicated aircraft, which is specially configured and carries up to 55 persons, is operated by the Department of Defense and is on a four-hour standby. Smaller teams can be deployed by other means as required.

(No program increases are requested in the FY 04 request.)

Exercises, TOPOFF. The Department of State plans and coordinates the international dimension of the domestic (U.S.) Top Officials exercise (TOPOFF). This series of exercises was designed to test and improve the nation's domestic readiness for responding to terrorist incidents involving Chemical, Biological, Radiological, and Nuclear (CBRN) agents or devices. The current TOPOFF exercise, TOPOFF 2, is co-sponsored by the Department of States and the Department of Homeland Security. It is a series of events that started in the spring of 2002 and culminates with the full-scale exercise in May 2003. TOPOFF 2 involves active participation by the Government of Canada in all aspects of the exercise.

S/CT also takes part in two or three Theater Commander's Counterterrorism exercises each year. These full-scale exercises require a year of preparation and normally include representatives from the various agencies that participate in the FEST. The exercises ensure continued inter-operability and provide an opportunity to improve capabilities. S/CT leads the interagency effort and participates in all the planning activities. Most of the scenarios are complex and include such serious threats as chemical, biological, nuclear and cyber terrorism.

(No program increases are requested in the FY 04 request.)

Rewards for Justice Program. The State Department's Rewards for Justice program is an important tool for helping deter terrorist attacks and apprehend suspects. In general, this program offers rewards of up to \$5 million for information leading to an arrest or conviction of any individual for conspiring, aiding, abetting or committing an act of international terrorism against U.S. persons or property or the prevention, frustration or favorable resolution thereof. With respect to Usama bin Laden and other key al-Qaida leaders, however, the Secretary has authorized a reward of up to \$25 million.

(The FY 04 budget does not include program increases but there is an \$11 million carryover from a previous Supplemental that can be used for the rewards program for terrorism, war criminal and war criminal cases.)

Mr. GALLEGLY. Without objection.

Ambassador BLACK. Mr. Chairman, to sum up, the President's plan to fight terrorism involves the State Department's leadership at many levels. To defeat the threat of terrorism, we must make use of every tool in our arsenal—diplomacy, military power, improved homeland defense, law enforcement, intelligence and antiterrorism finance regimes. It is diplomacy that is the instru-

ment that enables us to work effectively and enables the other tools.

America will act against terrorist threats before they are fully formed. We are mindful that no nation can build a safer world alone. Alliances and multilateral institutions can multiply the strength of freedom-loving nations. Building and strengthening alliances is what we do.

I look forward to working with your Committee. Again, it is an honor and a privilege to be here before you, Mr. Chairman.

[The prepared statement of Ambassador Black follows:]

PREPARED STATEMENT OF THE HONORABLE J. COFER BLACK, AMBASSADOR-AT-LARGE,
COORDINATOR FOR COUNTERTERRORISM, U.S. DEPARTMENT OF STATE

Chairman Gallegly, and subcommittee members:

I appreciate the opportunity to testify before you today on the international terrorism threat. I understand that this is the first hearing by your new subcommittee. This is also my first testimony to a House International Relations Subcommittee. I am honored to be before you this afternoon.

At your request, I will first provide an overview of the "hotspots" in the global war against terrorism. Second, I will describe the groups, threats and trends we consider to be the most significant. Third, I'll provide a brief regional overview and finally, I will outline our policies and programs designed to counter the international terrorism threat.

OVERVIEW:

Mr. Chairman, we always have been concerned about several sources of attacks: not only those by Al-Qaida and related groups but also by terrorists operating at the behest of Iraq or in sympathy to Iraq. These attacks could come against US and Coalition targets from groups or individuals who have no ties with Iraq or al-Qaida and are acting without central direction but feel strongly enough against the U.S., the West in general or the war to strike now. During the 1991 conflict with Iraq, there were about 200 such incidents, most of them minor. With several major exceptions, they were conducted primarily by groups or individuals with no known connections to Iraq.

Currently, the Iraqi regime itself poses a threat. We have strong indications that Iraqi intelligence officials are assuming stronger authority over Iraqi diplomatic missions overseas. This activity is of particular concern, especially in light of additional indications that Baghdad may instruct its representatives overseas to take actions against Western interests. We have been urging other countries to expel Iraqi diplomats in order to minimize this threat.

Meanwhile, in the current situation, we would expect al-Qaida to launch attacks against US interests and assert that they were defending Muslims and the people of Iraq. Small-scale and possibly large-scale attacks in various parts of the world are likely.

There have been reports in recent months of suspicious activities around military facilities, ports, and other facilities such as bridges and power plants that have economic as well as symbolic significance. Al-Qaida also has shown an interest in chemical, biological, chemical and improvised radiological dispersal devices.

TERRORIST GROUPS:

Looking briefly at the evolving terrorism situation, historically, the major threats came from secular groups, such as the Abu Nidal Organization and the Palestinian Front for the Liberation of Palestine (PFLP)—groups that enjoyed the backing of such state sponsors of terrorism as Libya, Syria, Iraq and Iran. The groups have largely been supplanted in recent years. And Abu Nidal himself was killed recently in Iraq. If you believe Iraqi authorities, Abu Nidal committed suicide by shooting himself several times.

However, since the early 1990's, the terrorist threat has evolved, and the most dangerous attacks against the United States and our friends have come from radical fundamentalist groups, such as al-Qaida. Most of them are self-supporting, in that the bulk of their funding has been raised through supporters, diversion of legitimate charitable giving, criminal activities, and front companies.

The 1998 attacks on the U.S. embassies in Kenya and Tanzania, the attack on the USS Cole in Yemen, and the September 11 attacks burned into the world's con-

sciousness the broad reach and vicious mentality of al-Qaida. One of Bin Ladin's original motivations was his hatred of the U.S. military presence on Saudi soil—a presence that was largely prompted by Iraq's threat to the Saudi Kingdom, Kuwait, and in the other countries of the Gulf. In recent years he has cloaked himself in other "causes" such as the Palestinians' aspiration for a state and Saddam Hussein's conflict with the U.S. and its allies, but we think this is primarily an effort to attract more support for his initial goal of establishing fundamentalist Islamic extremist regimes in the Middle East and elsewhere.

Bin Laden and his al-Qaida group enjoyed sanctuary, first in Sudan and then in Afghanistan. Now that its Taliban protectors have been defeated by the American-led coalition, al-Qaida has been disbursed and its capabilities degraded. It is not the organization that it was previously. It is under stress and its leaders worry more about capture than initiating multiple large scale attacks. Indeed, many members have been caught or killed. The arrest of Khalid Shaikh Mohammed in Pakistan earlier this month was another major setback for al-Qaida. We have been making good progress in undermining the group.

But we cannot relax. Al-Qaida is still dangerous and vicious. I believe the terrorists would not hesitate to use chemical, biological or even radioactive weapons if they could, for they seem to glory in killing and maiming as many people as possible. Their victims need not all be Americans other westerners—citizens of more than 90 countries were murdered in the World Trade Center bombing. Africans were the primary victims of three major attacks in Kenya and Tanzania. Australians and Indonesians were the major victims in the Indonesian bombing.

Al-Qaida and its related groups were loosely knit to begin with, and this trend could continue. This can create a challenge in detecting and deterring future attacks. Since 9/11, al-Qaida affiliated groups have been able to conduct attacks in far flung corners of the world, such as the one against a French tanker off the Yemen coast, and against a synagogue in Tunisia, where a dozen German tourists were killed. And the attack in Indonesia last October that killed over 200 people, primarily Australian tourists but also seven Americans, shows the devastation that can be caused by terrorists using relatively low-tech explosives.

The unsuccessful attempt involving a shoulder-launched missile to shoot down an Israeli passenger plane at Mombassa, Kenya during a simultaneous attack on an Israeli-owned hotel also shows the continued vulnerability of countries in the developing world.

We have programs, especially our antiterrorism training assistance (ATA) to help these countries. The terrorists, however, have the luxury of picking their targets at a time and place of their choice. It is not possible to protect everything everywhere, whether at home or overseas.

Al-Qaida is probably the terrorist group with the broadest international reach but there are regional-based groups that continue to pose a threat to American lives and American friends.

REGIONAL OVERVIEW:

I would like to now provide a brief regional overview.

In Latin America, the Revolutionary Armed Forces of Colombia (FARC), is the most dangerous terrorist group. The 9,000 to 12,000 armed members of the FARC engage in bombings, assassinations, indiscriminate mortar attacks, kidnapping, extortion, hijacking, as well as guerilla and conventional military action against Colombian political, military, and economic targets. Since 1992, the FARC has murdered at least 10 US citizens and currently holds three United States Government civilian contractors hostage.

The FARC has well documented ties to narcotics traffickers and is engaged in every aspect of the narcotics trade from taxation to protection to cultivation and marketing. Colombia's three terrorist organizations—the FARC, the National Liberation Army (ELN), and the United Self-Defense Forces of Colombia (AUC)—were responsible for some 3,500 murders in 2002.

While groups like the FARC in Colombia still are a major threat, we have to also look at the terrorist threat in this hemisphere in the context of the threats emanating primarily from other parts of the world. International terrorist groups have not hesitated to operate in Latin America to advance their causes elsewhere, such as the bombings of the Israeli Embassy in Buenos Aires in 1992 and the Argentine-Jewish Cultural Center (AMIA) in 1994. Just recently, the Government of Argentina moved forward on indictments in the AMIA case against four Iranian officials, and the Israeli government has implicated the Iranian regime in the bombing of its embassy.

At this time, we have no confirmed, credible information of an al-Qaida presence in Latin America. However, terrorist fundraising continues to be a concern throughout the region. Suspected activities of Hizballah and HAMAS financiers in the Triborder area (Paraguay, Brazil, and Argentina) led those three countries to take determined and cooperative action during 2002 to investigate and disrupt illicit financial activities. Paraguay, Brazil, and Argentina also invited the U.S. to join a new "Three Plus One" counterterrorism cooperation mechanism to analyze and combat any terrorist-related threats in the Triborder region. I led an interagency U.S. delegation to meet with the four countries in Buenos Aires in December, and a follow-up meeting focused on counterterrorism finance capacity-building is planned for this spring.

In the Middle East, Iran has continued to foment terrorism by providing fund and weapons to Palestinian rejectionist groups such as the Palestine Islamic Jihad (PIJ) and Hizballah, which is a Lebanese organization. Although Israel withdrew from southern Lebanon, Hizballah continues sporadic antitank guided missile and mortar attacks against Israeli positions in the small Shab'a Farms area of the Israeli-occupied Golan Heights. Hizballah claims the Shab'a Farms is Lebanese and not Syrian territory, and is, therefore, a legitimate scene for military operations. The Iranian supply flights come into Damascus International Airport and are transferred overland through Syrian controlled areas of Lebanon to Hizballah forces. (Hizballah conducted the terrorist attacks against the U.S. Marine barracks and embassy in Lebanon that claimed more U.S. lives than any other group prior to al-Qaida's attacks.)

HAMAS, the Palestine Islamic Jihad (PIJ), and the al-Aqsa Martyrs Brigades, continued their suicide attacks against Israeli targets, including attacks in which at least ten American citizens were killed in a variety of bombings last year. These groups all strive to perpetuate violence against Israel and thwart an peace agreement between the parties. . Iraq has provided payments to families of suicide bombers in order to encourage their attacks and reassure them that their families will be provided for if they become "martyrs."

Europe is also a hot spot. In addition to the persistence of domestic terrorist threats in a number of countries, large immigrant populations provide numerous opportunities for terrorists to blend in.

Just last week, French authorities found in a Paris railway station luggage storage area small flasks with traces of ricin, a deadly poison that could be used for terrorist attacks. This past January, British police discovered traces of the same poison during a raid on a London apartment. These discoveries increased our concern that extremists are planning to follow through with long standing threats of conducting poison plots against Western targets.

Italian forces last year disrupted suspected terrorist cells and captured al-Qaida suspects in Milan and elsewhere who were providing support to terrorist operations and planning attacks. An Italian court last year sentenced members of the Tunisian Combatant Group to prison terms, marking the first conviction of al-Qaida associates in Europe since September 11, 2001.

Our recent designation of three Chechen terrorist groups under Executive Order 13224 underscored our condemnation of terrorism in that conflict and reiterated our support for a political settlement between Russian and Chechen groups. All five permanent members of the Security Council, plus Germany and Spain, joined in submitting the names of those three groups for inclusion on the UN's consolidated terrorist list. This is the first time all five members have joined in a submission to this list. Coming in the weeks just before the beginning of this war, this show of unanimity among the P-5 was remarkable.

Spain detained a significant number of terrorist suspects, including two individuals believed to be financiers for the al-Qaida network. Germany also placed several high-profile terrorists on trial, including a member of the Hamburg cell involved in the Sept 11 attacks, and four North Africans accused of plotting to attack the Strasbourg Christmas market in 2000. Turkey arrested a number of individuals with ties to al-Qaida. France, Belgium, the UK, and others were involved in investigations of British "shoe bomber" Richard Reid.

In South Asia, remaining al-Qaida and Taliban cells and sympathetic groups continued to present a danger throughout Afghanistan. Pakistan has become a favored destination for fleeing terrorists, but Pakistan support in going after them has been excellent. This was demonstrated by the arrest of al-Qaida's operational planner, Khalid Sheikh Mohammed, and Ramsi bin al Shibh, a September 11 planner. Extremist violence in Pakistan continues to claim more Pakistani lives than the Westerners on whom it is targeted. Meanwhile, extremist violence in Kashmir, fueled by infiltration from Pakistan across the Line of Control, threatens to become a flash point for a wider India-Pakistan conflict.

Elsewhere in South Asia, we have reason for guarded optimism. The Liberation Tigers of Tamil Eelam in Sri Lanka have entered peace negotiations with the government. The Maoist insurgents in Nepal have also declared a cease fire in their ongoing campaign to overthrow the government there, but we are watching carefully for signs that they might choose a return to violence.

In South East Asia, the terrorist group Jemaah Islamiya (JI), is considered to be responsible for the October bombing of the nightclub in Bali that killed more than 200 persons. This was the biggest terrorist attack since 9/11. Indonesia arrested Abu Bakar Bashir, spiritual leader of JI, on several charges, including attempting to assassinate the President of Indonesia and charges related to a string of bombings around Christmas 2000. There have been arrests in several countries of operatives associated with JI, and the Bali bomb blast investigation has proceeded quickly and professionally. But concerns about future possible attacks remain.

In the Philippines, insurgent groups appear to have launched new offensives. There has been an increase in violence by the Communist People's Party and its armed wing, the New People's Army, and by the Moro Islamic Liberation Front (MILF). The Abu Sayyaf Group (ASG) is of particular concern. ASG has kidnapped several hundred Filipinos and foreigners in the last several years. It has been responsible for the deaths of three Americans, including a US soldier. It appears that ASG is no longer interested only in kidnap-for-ransom but also in bombings and other traditional terrorist-type activities. The USG is concerned at the growing evidence of links between the ASG and terrorist groups, including al Qaeda and JI. Similarly, our two governments also are concerned there could be a link between ASG and Iraq.

In Africa, the coordinated attacks against a commercial airliner and a hotel in Mombassa, Kenya in November that killed 12 Kenyans and three Israeli tourists demonstrated that Africa is still vulnerable to terrorism from both indigenous insurgent groups that use terrorist tactics and to international terrorist groups. We believe al-Qaida was responsible for the Mombassa attacks, as well as the 1998 attacks on the US embassies in Nairobi, Kenya, and Dar Es Salaam, Tanzania.

In Angola, last May there was a grenade attack on a convoy of US oil workers in Cabinda. Although no one claimed responsibility, the attackers were likely Cabindan separatists. The Government has cooperated in increasing security for private oil companies in Cabinda.

COUNTERING THE THREAT:

Mr. Chairman, let me now describe how we try to counter the international terrorism threat.

The world is fighting terrorism on five fronts: diplomatic, financial, intelligence, law enforcement, and military.

Terrorists and their organizations cannot be defeated through force of arms alone. Diplomacy constitutes this nation's first line of defense and is one of our most potent offensive weapons in the war on terrorism.

Diplomacy is the instrument of power that builds political will and strengthens international cooperation. Through diplomatic exchanges we promote counterterrorism cooperation with friendly nations that serves our mutual interests. We build capacity that bolsters the capabilities of our allies. Diplomacy helps us take the war to the terrorists, to cut off the resources they need and depend upon to survive.

The Departments of Justice, Treasury, Homeland Security, Defense, CIA and many other federal agencies have critical missions in this regard. However, as the lead foreign affairs agency, the Department of State—through my office—serves as the coordinator and overall clearinghouse for counterterrorism activities conducted overseas by the United States Government.

Since 9/11, we have methodically taken the battle against terrorism to the international front lines. Strong embassies and active diplomacy are an important part of the effort. Our ambassadors and the staff members of our embassies and consulates, drawn not just from State but also from other federal agencies, are serving us well. Over my career in international affairs and now being a part of that diplomatic front line, I have much admiration and respect for the men and women who serve at our missions overseas. In the face of especially grave threats today, they continue to serve with great professionalism and bravery. Indeed, they are the backbone to our overseas counterterrorism efforts. It is this "diplomatic readiness," to use Secretary Powell's phrase, that is vital to our ability to fight terrorism.

Our embassies are our direct voices to the governments of other nations. They facilitate our efforts to disrupt terrorist networks and to apprehend terrorist individuals. Ambassadors, their Deputies, and other members of country teams, including representatives from other agencies, are all instrumental in developing and main-

taining good working relations with the host country and pursuing our counterterrorism objectives.

It is an important function of my office and staff to support this front line effort. Since assuming the Coordinator's job three months ago, I have traveled to Russia, China, Japan, the U.K., Israel, Jordan, Saudi Arabia, and the Tri-Border region of South America.

I can say unequivocally that our Chiefs of Mission and their country teams are invaluable resources. They are both leading and supporting our efforts to promote and achieve our counterterrorism agenda in their respective host countries and regions.

FINANCIAL

The Department of State is at the forefront of the financial war on terrorism. The Secretary has designated 36 Foreign Terrorist Organizations, freezing their assets, blocking travel by their members and supporters, and criminalizing material support for them. He has designated 60 entities and individuals under Executive Order 13224, freezing their assets and banning U.S. persons from having any transactions with them. He has designated 48 groups under the USA PATRIOT Act—the "Terrorist Exclusion List"—excluding their members and supporters from the U.S. And both directly and through our embassies, we are working with governments around the world to attack the mechanisms by which terrorists raise, move, and use money.

The Administration is reviewing the requirement in current law regarding designations of terrorist organizations and individuals every two years. Under the Antiterrorism and Effective Death Penalty Act of 1996, the designation of a Foreign Terrorist Organization (FTO) automatically expires after two years unless renewed. This year, 29 groups are up for redesignation.

The task of drafting new administrative records every two years to support a determination to redesignate FTO's is labor intensive and unnecessary in most cases. The resources could be better used for other important counterterrorism duties, including monitoring and designating new groups as appropriate. We are preparing draft legislation to amend the FTO statute and want to work with the Congress to make this process less administratively onerous.

We also help other countries improve their ability to counter terrorism financing. For example, earlier this month, my staff joined an interagency team in Manila to successfully assist the Government of the Philippines with enacting financial controls vital to denying terrorists access to funding and in so doing brought the Philippines into compliance with international anti-money laundering and terrorist financing standards. My staff and Washington-based interagency teams, joining our embassy country teams, are helping many other front-line states to evaluate their financial systems, identify vulnerabilities, and develop counterterrorism finance training programs. My colleague, Tony Wayne, Assistant Secretary for the Bureau of Economic and Business Affairs, will elaborate on these efforts.

INTELLIGENCE, LAW ENFORCEMENT

The gathering of intelligence about al-Qaida's infrastructure in Afghanistan helps enable us to dismantle or scatter much of its membership and organization.

Information gained from captured enemy combatants and imprisoned terrorists is being exploited effectively around the world. Last month's arrest of Khalid Shaikh Mohammed, the third ranking al-Qaida official, represents a major part of our intelligence efforts.

The expansion of intelligence sharing and cooperation among nations since 9/11 is preventing attacks, saving lives, and exposing the hiding places of terrorists.

An impressive global dragnet has tightened around al-Qaida. Since 9/11 more than 3,000 al-Qaida operatives or associates have been detained in over 100 countries, largely as a result of cooperation among law enforcement agencies.

Entire cells have been wrapped up in nations such as Singapore, Italy, and elsewhere. In all these cells, deadly attacks on US interests or our allies were being planned.

We are also delivering training and assistance to foreign law enforcement agencies to assist them in strengthening their capacity to deter terrorism. Assistance in matters such as border security, criminal prosecutions, and anti-corruption efforts helps to create an environment in which it is increasingly difficult for terrorist groups to operate.

MILITARY:

The military actions to disarm Saddam Hussein's regime in Iraq and liberate his people from his brutal hand is a major attempt to alleviate the threat that weapons

of mass destruction will be put to terrorist purposes. We are concerned particularly about the potential use of biological, chemical and radiological dispersion type devices in terrorist operations. In Afghanistan, Operation Enduring Freedom last year liberated the bulk of Afghan territory from Taliban control within a matter of weeks. This deprived Al-Qaida of its major sanctuary for planning, preparing for, and coordinating terrorist attacks.

The ultimate success of this global counterterrorism campaign will hinge in large part on two factors: sustained international political will and effective capacity building.

First, we must sustain and enhance the *political will* of states to fight terrorism. The secret of maintaining a coalition is demonstrating daily to its members that the fight is not over and that sustained effort is clearly in their long-term interests. My meetings with government officials in every region of the world have convinced me that we have made tremendous progress on that score.

Second, we need to enhance the *capacity* of all states to fight terrorism. The United States cannot alone investigate every lead, arrest every suspect, gather and analyze all the intelligence, effectively sanction every sponsor of terrorism, prevent the proliferation of weapons of mass destruction, or find and fight every terrorist cell.

We have various programs to bolster the capacity of those willing to join us in the fight against international terrorism. I describe them in the annex to this testimony.

Mr. Chairman, to sum up:

- The President's plan to fight terrorism involves the State Department's leadership at many levels.
- To defeat the threat of terrorism we must make use of every tool in our arsenal—military power, improved homeland defense, law enforcement, intelligence, vigorous efforts to cut off terrorist financing, and diplomacy, the first among equals enabling tool that makes it possible for us to effectively use all the other instruments.
- The war against terrorists of global reach is a global enterprise of uncertain duration. America will help nations that need our assistance in combating terror. America will hold to account nations that sponsor the use of terror and/or harbor its perpetrators.
- We will cooperate with other nations to detect, deter and destroy terrorist organizations at every turn. The gravest danger our Nation faces is a result of the combination of radicalism and technology. Our enemies have openly declared that they are seeking weapons of mass murder, and evidence indicates that they are doing so with determination.
- Simply, America will act against such threats before they are fully formed. We are mindful that no nation can build a safer world alone. Alliances and multilateral institutions can multiply the strength of freedom loving nations. Building the will to strengthen and effectively use international alliances and institutions to overcome the scourge of terrorism is what we do at the Department of State. I welcome the responsibility to lead in this great endeavor.

Mr. Chairman, again, thank you for the opportunity to testify and I look forward to hearing your questions.

Mr. GALLEGLY. Thank you very much, Mr. Ambassador. We really appreciate your testimony.

We are also fortunate to have with us today Assistant Secretary Tony Wayne from the State Department's Bureau of Economic and Business Affairs. As I mentioned before, his challenge and charge is to formulate and carry out U.S. foreign economic policy.

Welcome, Mr. Secretary.

STATEMENT OF THE HONORABLE EARL ANTHONY WAYNE, ASSISTANT SECRETARY, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. WAYNE. Thank you very much, Mr. Chairman. With your authorization, I would like to submit a longer set of remarks for the record.

Mr. GALLEGLY. Without objection.

Mr. WAYNE. Mr. Chairman and distinguished Members, it is a pleasure to be here today to testify before you, particularly at your inaugural hearing. It is gratifying to be able to participate in that event and also to talk about this critical front in our broader effort to fight terrorism, and that is the financial effort.

The State Department is in this effort a very close partner of the Departments of Treasury, of Justice, of Homeland Security, with our law enforcement agencies, and with our intelligence agencies. With them, we have worked hard to implement a comprehensive strategy aimed at disrupting, dismantling and shutting down the financial networks that are being used to support terrorism.

I would like to take this opportunity to highlight two aspects of that. First, a little bit about how we are organized ourselves within the U.S. Government, and, secondly, to look at the nature of the international community's efforts and our efforts to work with the international community.

We have made enormous strides in improving the coordination among U.S. Government agencies involved in the fight against terrorist financing. This strong interagency teamwork involves the intelligence agencies who understand the system of terrorist financial backers, the Treasury Department leading the process of examining the actions to take to disrupt these networks, and the State Department where we have worked to lead to develop and sustain strategies to win international support for our efforts. A policy coordinating committee, chaired by the Department of Treasury, oversees all of this work and funnels it into the broader NSC process.

The Administration has undertaken unprecedented efforts to identify and freeze terrorist assets, and we have done this through the issuance of an Executive Order, No. 13224, which was signed by the President on September 23, 2001. So far, the U.S. has frozen the assets of some 267 entities and individuals under that Executive Order.

Now, we have not, however, just relied on our own actions in this effort. We have reached out early on to the United Nations. In fact, the United Nations has stepped up significantly its role in this fight against terrorist financing. It has required all countries to prevent and suppress the financing of terrorist acts. This was done in a U.N. Security Council resolution passed in September 2001.

It has also required countries to freeze the assets of those linked to Osama bin Laden, Taliban and al-Qaeda, and it adds the names of those subject to such asset freezes to a consolidated list maintained by a sanctions committee known as the 1267 Committee named after the first Security Council resolution moving in this direction.

In this effort, so far the U.S. and its coalition partners and partners around the world have frozen approximately \$125 million of assets. Even more valuable perhaps, the United Nations mechanism is making the internationalization of asset freezes an acceptable and commonplace activity. People around the world do not have to wait for the United States to tell them to freeze the assets of specific targets. These assets, these names, these entities, are

listed at the United Nations, and it becomes a U.N. obligation for all nations to follow suit.

Countries from all over the world have joined in this process, including Saudi Arabia, France, Spain, Italy, Belgium, Germany, the United Kingdom, China and Russia. Let me give a few examples of where we have worked with others in this effort.

With Saudi Arabia, in March 2002, the U.S. and Saudi Arabia jointly asked this 1267 U.N. Committee to add two branches of a Saudi NGO named Al Haramain to its list, the branches in Somalia and Bosnia-Herzgovina. Later, in September 2002, the United States and Saudi Arabia jointly put forward the name of Wa'el Hamza Julaidan, an associate of Osama bin Laden. His name was added to this list, and his assets were frozen in Saudi Arabia, as well as elsewhere when they were identified.

In April 2002, the United States and all the rest of the G-7 countries took a list of al-Qaeda individuals and organizations to the United Nations. These were added to the list. The United States and Italy then in August 2002 jointly asked the committee to add 11 more individuals to the list. They were added.

In September 2002, the United States, Afghanistan, Kyrgyzstan and China jointly asked the committee to add the Eastern Turkistan Islamic Movement, which is an al-Qaeda linked organization which operates in these countries and other parties of Central Asia, to the list.

In October 2002, 50 countries joined together, including all the members of G8 and all the members of the European Union, to include the name of Jamiah Islamia to the committee. As Ambassador Black mentioned, Jamiah Islamia is suspected of perpetuating the deadly attacks on the nightclub in Bali last October.

In February of this year (2003), the permanent five members of the United Nations—the U.S., Russia, the United Kingdom, France and China—along with Spain and Germany joined in asking that three Chechen terrorist organizations linked to al-Qaeda be added to the committee's list. These groups were responsible for the Moscow theater siege of last October.

In addition to such actions inside the United Nations, there is much else that is going on. Since September 11, 2001, over 80 countries have adopted new laws and regulations to fight terrorist financing or are in the process of doing so, thereby equipping themselves with the instruments they need to clamp down on terrorist financing.

We have worked very closely in the effort to support this legal and regulatory effort by working with the Financial Action Task Force on money laundering and its associate regional bodies. FATF, as it is called, has put out eight special recommendations on terrorist financing, and these have had great benefit as they provide an international blueprint for what countries need to do to modify their laws and their financial systems.

I am sure, as you know, FATF has the added benefit or ability to influence people because it can blacklist countries that are not cooperating, countries with poor practices, and it uses that to encourage these countries to improve their practices.

In that context, recently Nigeria, Ukraine and the Philippines have moved to implement vastly improved legal systems which will

help them tackle both money laundering and terrorist financing. In this process, countries have also struggled to ensure that charities are not abused by terrorists and that alternative remittance systems, known in the Middle East and South Asia as hawallahs, known other places as money service businesses, are not similarly misused.

Until September 11, in many jurisdictions hawallah systems were unregulated. While most of the transactions that went through the hawallah systems were legitimate remittances to families back home of the earnings of expatriate workers, the sector has frequently been abused by terrorist financiers and criminals in other ways.

In May of last year (2002), the United Arab Emirates hosted an international conference with nearly 40 countries where those countries recognized for the first time the need to regulate this sector. Countries like the United Arab Emirates and Pakistan responded by taking steps to regulate the sector and were encouraged by initial signs of an increase in the use of banking channels to transfer workers' remittances from the Gulf and elsewhere back to South Asia. We will continue to work actively to establish greater levels of transparency and accountability for the informal sector.

Countries around the world have also taken steps to confront instances where terrorists have raised and moved funds by masquerading their activities as charitable causes. Kuwait, Qatar, Bahrain and Saudi Arabia have worked on legislative and regulatory measures to prevent such misuse of charities.

The Saudis, for example, have given orders, which they seem to be implementing, for all Saudi charitable organizations to report to the central government all overseas projects or donations with which they are associated to ensure that Saudi origin money does not go to terrorist networks. Still, of course, much work remains to be done.

In many cases, as Ambassador Black mentioned, the countries just do not have the technical capability and the skills to take all of the actions required of them. We have engaged internationally to work with others at capacity building initiatives. We have also engaged using our own assistance to try to identify priority countries and to shape programs to address the weaknesses that we have identified in these countries to help them build up that capacity.

We are also working very intently with FATF, within the G-8, with the United Nations Committee on Counterterrorism and with the International Monetary Fund and the World Bank to pursue coordinated efforts to build capacity in this area.

In this context, I also want to stress the important role which our overseas posts play in this whole effort against terrorist financing. It is their input that helps us craft effective objectives and effective strategies to implement our policies. It is their efforts that help us build solid coalitions and take effective actions overseas.

Working with countries around the world, we have made it more difficult for terrorists to collect and move funds. In Europe, for example, the European Union has designated for asset freezing almost all of the names that we in the United States have designated under our Executive Order.

In the Middle East, states are working to deprive terrorists of their ability to raise funds in the region. Saudi Crown Prince Abdullah, for example, has publicly encouraged his countrymen to redirect their giving to needy causes within the kingdom instead of sending large amounts of money overseas where funds are more susceptible to being misused. The U.S. and Saudi Arabia have also moved in recent months to step up our bilateral cooperation on a range of terrorist financing issues.

We will have much work cut out for us, however, in this effort. Terrorists are gravitating toward the use of charities and alternative remittance systems as we make it harder for them to use the traditional system of financial interaction. In the area of training and technical assistance, the international needs remain great. In Europe, while the U.S. has designated for asset freeze the military wing of Hamas and three leading Hezbollah charities, it has so far declined to designate either group in its entirety. The U.S. does not agree with the EU view that there is a difference between the political and military wings and the terrorist wings of these organizations. It is an effort that we continue to press very hard in our dialogue.

Given that money is still making its way into the hands of terrorists around the world, the only way we will be successful in drying up their financial resources is through continued active U.S. engagement with other countries around the globe. These efforts have paid off, and they will continue to do so.

Mr. Chairman, thank you very much for the opportunity to address these important issues. We look forward to working very closely with you and your colleagues as we move ahead to meet these challenges. Thank you.

[The prepared statement of Mr. Wayne follows:]

PREPARED STATEMENT OF THE HONORABLE EARL ANTHONY WAYNE, ASSISTANT SECRETARY, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman and distinguished members of the Committee: thank you for the opportunity to testify on the international dimensions of the fight against terrorist finance.

The United States remains engaged in a long-term war against terrorists and terrorist organizations with global reach. I thank you for your support and for providing the necessary tools for waging this war. This fight requires actions on several fronts. A critical front is the effort to disrupt the financial networks that sustain these organizations and finance their operations.

Since our enemy has global reach and is supported by a global network, we need a global strategy. The State Department has been a close partner with the Department of the Treasury, the Departments of Justice and Homeland Security, law enforcement agencies, and intelligence agencies, as the Administration has formulated and implemented a comprehensive strategy to disrupt, dismantle and shut down the financial networks that support terrorism.

I would like to take this opportunity to highlight two major developments over the past year and a half affecting our fight against international terrorist financing. The first involves the nature of the USG's own approach to tackling international terrorist financing and the second, on which I will elaborate, involves the nature of the international community's efforts.

USG EFFORTS

Regarding the USG's own efforts, I believe it is important to recognize how far we have come in terms of interagency coordination. We have made enormous strides in improving the degree to which all U.S. agencies with equities related to the pursuit of terrorist financing cooperate and coordinate their efforts. This strong inter-

agency teamwork involves the intelligence agencies, with support from other agencies including the State Department, all leading the Administration's efforts to understand the system of financial backers, facilitators and intermediaries that play a role in this shadowy financial world. It involves the Treasury Department, working with other agencies, leading the process by which we examine the actions by which we can disrupt these networks. The Department of Homeland Security will also be assuming an important place in this interagency process. And, it involves the State Department leading the interagency process through which we develop and sustain the bilateral and multilateral relationships, strategies and activities to win international support for and cooperation with our efforts.

A Policy Coordination Committee established under the framework of the National Security Council and chaired by the Department of the Treasury ensures that these activities are well-coordinated. The Department of State, the Department of the Treasury, the Department of Justice, increasingly now the Department of Homeland Security, intelligence agencies, and law enforcement agencies have all worked very closely together. Their task has been to identify, track and pursue terrorist financing targets and to get the international community to take measures and adopt rules and regulations designed to undermine the ability of terrorists to raise and channel the funds they need to survive and carry out their heinous acts.

A key weapon in this effort has been the President's Executive Order 13224, which was signed on September 23, 2001, just 12 days after September 11. That Order initiated an unprecedented effort in history to identify and to freeze the assets of individuals and entities associated with terrorism across the board. Under that Executive Order, the Administration has frozen the assets of some 267 individuals and entities. The agencies cooperating in this effort meet constantly, looking at and evaluating new names and targets for possible asset freeze. However, our scope is not just limited to freezing assets. We consider other actions as well, including such things as developing diplomatic initiatives with other governments to conduct audits, exchange information on records, law enforcement efforts, or shaping new regulatory initiatives. We recognize, however, that designating names is the action that is most publicly visible. It is, in no way, the only action.

This leads me now to the issue of the international community's response to the need to combat terrorist financing. We have made significant progress in terms of getting countries and international bodies on board that are actively supporting the fight against terrorist financing.

THE UNITED NATIONS

Even before September 11, the United Nations Security Council (UNSC) had passed resolutions 1267, 1333, and 1363 collectively calling for sanctions against Afghanistan (later lifted), the Taliban, Al Qaida, Usama bin Laden and those associated with them. Following September 11, the UNSC stepped up its counter terrorism efforts by adopting resolutions 1373 and 1390. Resolution 1373 decided that Member States shall prevent and suppress the financing of terrorist acts and includes, among other measures, asset freezes. Resolution 1390 (recently strengthened by Resolution 1455) continued sanctions, including asset freezes, against Usama bin Laden, the Taliban, Al Qaida and those associated with them. The UN 1267 Sanctions Committee maintains and updates a list of individuals and entities subject to the sanctions.

This list continues to expand as countries join us in submitting new names of individuals and entities for inclusion on the Committee list. So far, USG and coalition freezing actions have netted approximately \$125 million in assets of persons and entities ties to terrorist networks, and in many cases to al Qaida. This UN mechanism is proving invaluable in helping to internationalize asset freezes and to underscore the global commitment against terrorism. It means that people around the world do not need to have the United States telling them and their Governments to take actions against specific targets; these names are listed in the UN; these are UN obligations. They are there for all to see. These UN Security Council resolutions have formed the legal basis for freezing terrorist assets on a global basis.

The following are examples of submissions to the UN 1267 Sanctions Committee for inclusion on its consolidated list:

U.S.-Saudi Joint Designations: In March 2002, the United States participated in its first joint request to the 1267 Committee to add names to its sanctions list. The United States and Saudi Arabia jointly asked the Committee to add the Somalia and Bosnia-Herzegovina branches of Al Haramain, a Saudi-based NGO. These two branches are linked to al Qaida. Later, in September 2002, the United States and Saudi Arabia jointly referred to the Committee the name of Wa'el Hamza Julaidan,

an associate of Usama bin Laden and a supporter of al Qaida. His name was added to the Committee's list as well and his assets have been frozen in Saudi Arabia.

G7 Joint Designation: In April 2002, the United States, along with the other G7 members, jointly designated nine individuals and one organization. Most of these groups were European-based Al Qaida organizers and financiers of terrorism. Because of their Al Qaida links, all ten of these names were submitted to the 1267 Committee for inclusion on its consolidated list.

U.S.-Italy Joint Designation: In August 2002, the United States and Italy jointly asked the 1267 Committee to add 11 individuals and 14 entities associated with al Qaida to its list. All of the individuals were linked to the Salafist Group for Call and Combat. The 14 entities are part of the Nada/Nasreddin financial network, a network run by two terrorist financiers.

U.S.-Central Asia Joint Designation: In September 2002, the United States, Afghanistan, Kyrgyzstan, and China jointly asked the 1267 Committee to add the Eastern Turkistan Islamic Movement, an Al Qaida-linked organization which operates in these and other countries in Central Asia, to its list.

Jemaah Islamiya: In October 2002, 50 countries, including all the members of ASEAN and the EU, joined together in submitting the name of Jemaah Islamiya, a terrorist group active in southeast Asia with ties to Al Qaida, to the 1267 Committee. Jemaah Islamiyya is suspected by many of perpetrating the deadly attacks on a nightclub in Bali on October 12th. (need to make)

Three Chechen Groups: In February 2003, the Perm 5 (U.S., Russia, the UK, France and China)—along with Spain and Germany joined in asking that three Chechen terrorist organizations linked to al Qaida to be added to the Committee's list. These groups were responsible for the Moscow theater siege last October.

In addition, the Security Council has enacted resolutions requiring member states to report on their national regimes for combating terrorist finance. These reports provide a valuable incentive for members to improve their abilities to attack this threat, and an important means for us to assess where the strengths and weaknesses are, so we can work together more effectively. Beginning next month, nations will be required to report to the UN the amounts they freeze, improving the quality of information we have about the success of our efforts.

NATIONAL LAWS, REGULATIONS AND STANDARDS

In addition to movement on the UN front, we have witnessed considerable progress on the part of countries around the world to equip themselves with the instruments they need domestically to clamp down on terrorist financing. Since September 11, over 80 countries in every region of the world have either adopted new laws and regulations to fight terrorist financing or are in the process of doing so.

In order to ensure that the standards of these new laws and regulations are high enough to have an impact and be effective, the U.S. has worked very closely with the Financial Action Task Force on Money Laundering (FATF), which has served since 1989 as the world's preeminent setter of regulatory standards and best practices on anti-money laundering and counter-terrorist finance. The United States' efforts within FATF on counter-terrorist finance have enjoyed a remarkable and consistently high level of success. FATF, since its founding, had been a very successful global campaigner against money laundering. After 9/11, it showed itself equally effective and aggressive with regard to terrorist finance. In October 2001 FATF convened an extraordinary plenary in Washington, D.C. and issued its Eight Special Recommendations on Terrorist Financing.

FATF's "Special 8" represent a set of financial and regulatory standards and best practices. These standards have been widely adopted as a rigorous benchmark against which all partners in the war on terrorism have been able to measure their success in creating effective counter-terrorist financing regimes, as all UN members are legally required to do under UN Security Council Resolution 1373. FATF's standard-setting and advocacy achievements have directly complemented counter-terrorism rules and work by the United Nations. The FATF "Special Eight" have served as a blueprint for a number of countries' modifying and passing new laws to protect their financial systems from penetration and manipulation by terrorists. The FATF "Special 8" have also enabled us, in urging vulnerable partners to adopt rigorous and effective laws and practices, to point to international, multilateral standards and models, rather than having to insist that they employ a unilateral, U.S.-only model of counter-terrorist finance.

We have seen substantial progress recently in getting countries to strengthen their relevant laws and regulations in the area of anti-money laundering, which is inextricably linked to counter-terrorist finance. In addition to providing countries with the guidance they need to develop effective regimes, FATF also carries a stick

(via its Non-Cooperating Countries and Territories or NCCT program), in the form of its ability to blacklist countries that are non-compliant with respect to anti-money laundering practices. FATF's NCCT program creates an incentive for states to vigorously address their regulatory environment when it comes to being able to take appropriate actions against terrorist financing. Nigeria and the Philippines, for instance, in December 2002 and February 2003, took meaningful legislative steps to strengthen their respective anti-money laundering laws to avoid imposition of FATF countermeasures. Ukraine likewise passed legislation in January 2003 that removed the threat of immediate FATF sanctions.

As we, together with others in the international community, began to look into how terrorist groups raised and moved their funds, the fact that much of this took place outside regular banking systems, became quickly apparent. As a result, international efforts to set standards and regulations for tackling terrorist financing have also had to address the issue of ensuring that charities are not abused by those with evil intentions and that alternative remittance systems, known in the Middle East as "hawala" and in the United States as money service businesses, are not similarly misused. FATF has had a hand here as well, through further elaboration by FATF of several of its "Special 8" Recommendations.

Hawala is a system used extensively throughout the world to transfer value outside banking channel and, until September 11, this system was in many jurisdictions completely unregulated, and only minimally so in others. The quantity of funds which flow annually through hawala-like channels internationally, though very hard to measure, is very large. Most such funds are believed to be related to the legitimate remittance to families at home of earnings by expatriate workers, many from South Asia, Latin America, and the Philippines, or to the conduct of legitimate trade. As with charities, however this sector, since it is less transparent than the formal banking sector, has frequently been abused by terrorist financiers and other criminals to move funds in every corner of the world. Along with our Departments of Treasury and Justice partners in the USG, as well as our partners in the anti-terrorist coalition, we have worked to broaden foreign regulatory standards on alternative remittance systems such as hawala.

In May of 2002, the United Arab Emirates hosted the first international conference on hawala. As a result of this conference, nearly forty participating countries from every region for the first time recognized, in the so-called "Abu Dhabi Declaration" the need to regulate this sector through registration or licensing. Countries like the UAE, Pakistan, and others have responded by taking steps to regulate this sector for the first time. Simply banning "hawala" is not a realistic or desirable option, since so many expatriate workers, who by their labor and earnings are mainstays of economies in both the Gulf and South Asia, depend on informal remitters ("hawaladars") to send their wages back to relatives who frequently have little effective access to formal banks, and who could not afford to pay banks' traditionally high fees in any case.

We are encouraged by the UAE's new law on hawala, which takes a very practical, registration and enforcement-oriented approach. By stressing simple registration for as many remittance operators ("hawaladars") as possible, and avoiding burdensome regulatory or paperwork requirements, UAE authorities seek to bring as many small-scale operators as possible under some degree of official scrutiny, and thereby remove the anonymity so attractive to individuals wishing to move funds for illicit purposes. Pakistan has also legislated in this area, though the long-term effect on informal remittances of their more centralized approach is still uncertain. National authorities in the region are also making formal banking channels, which are inherently more transparent and accountable, more accessible to the expatriate workers who otherwise are forced to rely on the alternative remittance sector. It is difficult to prove cause and effect conclusively, but since 2001, we have witnessed a significant and sustained increase in the use of banking channels to convey workers' remittances from the Gulf and elsewhere to South Asia. The UAE government has sought a regional dialogue on hawala and, when conditions permit, is likely to follow up last May's ground-breaking conference with an event that examines implementation and national regulation. The FATF and other international bodies, also, continue to develop and promote standards specific to the alternative remittances sector. We will work bilaterally and multilaterally with countries to establish greater levels of transparency and accountability for the informal sector.

Countries around the world have also taken steps to tackle the ways in which terrorists have disguised their efforts to raise and move large amounts of funds by masquerading their activities as charitable causes and diverting funds from the needy. Kuwait, Qatar, Bahrain and Saudi Arabia have on the multilateral front, via the membership (through the GCC) in FATF, strongly supported establishment, for the first time, of international standards and guidelines on the oversight and regu-

lation of international charitable giving. Domestically all four have worked on legislative and regulatory measures to prevent the misuse and abuse of charities for terrorist purposes. The Saudis, for example, have given orders, and seem to be implementing the orders, for all Saudi charitable organizations to report to the central government all overseas projects or donations with which they are associated, to ensure that Saudi-origin money does not go to terrorist networks. Still, much work remains to be done.

CAPACITY BUILDING

In many cases, countries simply do not have the technical ability and skills to take the actions required of them. Here again, the U.S. has worked with the international community to address this issue and to provide our international partners with the legal, regulatory, and enforcement capabilities to combat and prevent terrorist financing. Together with the Department of the Treasury and the Department of Justice, we have engaged in capacity-building initiatives with other governments to clamp down on terrorist financing activity. For example, we have provided several countries in the Gulf and South Asia with different types of training related to sound counter-terrorist finance practices, including the detection of trade-based money laundering (moving money for criminal purposes by manipulation of trade documents), customs training, anti-terrorist finance techniques and case studies for bank reviewers, and general financial investigative skills for law enforcement/counterterrorist officials. Our international partners have welcomed this type of training, and we plan to provide it to other vulnerable jurisdictions in other regions.

In order to approach the very large international need for such training and assistance in the most effective and efficient way, the USG has prioritized, on an inter-agency level, countries needing assistance and shaped its programs based on this prioritization. We have worked actively and directly with foreign governments to increase their capabilities to freeze terrorist-related assets and to process and analyze financial information. We have also encouraged other countries to provide assistance worldwide and have seen an increase in such activity. Burden-sharing by our key coalition partners is an emerging success story, as for instance, the governments of Australia, New Zealand and the UK as well as the EU, FATF-like regional organizations and the Asian Development Bank have significant technical assistance initiatives in jurisdictions such as the Philippines, Indonesia, Pakistan, Malaysia and Egypt.

The FATF and the G8 are also committed to supporting the work of the United Nations Committee on Counter-Terrorism (CTC), where UN members' reports of their efforts to strengthen their national CT regimes are analyzed and where technical assistance needs and donor capabilities are coordinated with similar efforts at the International Monetary Fund and the World Bank. The CTC and FATF are together analyzing UN members' reports of their efforts to strengthen their national CT regimes, to identify systemic vulnerabilities to terrorist financing.

Parallel and coordinated efforts between FATF are also going forward at the International Monetary Fund and the World Bank, where an ambitious pilot project involves the application by the Fund and the Bank of FATF principles on anti-terrorist finance to the Bank/Fund regular Financial Sector Assessment Programs. The Fund and Bank apply a formal joint FATF-IFI's methodology developed in conjunction with FATF, and are thus able to evaluate the quality of countries' efforts to implement FATF anti-money laundering and counter-terrorist finance principles.

This year in the G-8, the United States and Japan have proposed a major counter terrorism capacity building initiative, the primary purpose of which is to strengthen and support the efforts of the UN Committee on Counter-Terrorism. We expect this initiative to be adopted by Leaders at the Evian Summit in June.

Our posts around the world have been essential elements in implementing this global strategy. They have each designated a senior official, generally the Ambassador or Deputy Chief of Mission as the post Terrorism Finance Coordination Officer (TFCO). These officers chair interagency meetings at posts on a regular basis not only to evaluate the steps of individual countries to combat terrorist finance, but to develop and propose individual strategies on most effectively getting at specific targets in certain regions. They are instructed to include all relevant agencies at post in these deliberations. The new level of interagency cooperation we are seeing on this front in Washington is spilling over nicely into new post initiatives focused sharply on terrorist finance. The ability of posts to develop high-level and immediate contacts with host officials in these efforts has ensured broad responsiveness around the world to various targeting actions.

RESULTS AND NEXT STEPS

Working with countries around the world, we have made it more difficult for terrorists to collect and move funds. In Europe, the EU has designated for asset-freezing almost all the names designated by the U.S. under E.O. 13224 because of their links to terrorism, in addition, of course, to all the al Qaeda-related names listed on the UN's consolidated list. In the Middle East, Gulf states are working to deprive terrorists of their ability to raise funds in the region. In addition to new regulations, Saudi Crown Prince Abdullah has publicly encouraged his countrymen to redirect their giving to needy causes within the Kingdom, instead of sending large amounts of money overseas where these funds are more susceptible to being misused. Saudi Arabia also, for the first time, announced publicly last December that it would take steps to combat terrorist financing. The U.S. and Saudi Arabia have also moved in recent months to step up bilateral cooperation on a range of terrorism finance issues. In Asia, we are focusing our efforts on targeting Jemaah Islamiyah and its network of operatives. We are working successfully with multilateral entities such as the Asia Pacific Economic Cooperation (APEC) group, ASEAN, the ASEAN Regional Forum and the Asia Pacific Group on Money Laundering to establish regulatory regimes consistent with its member countries' UN obligations regarding terrorist financing.

However, we still have our work cut out for us. As we have successfully clamped down on abuses of the formal banking sector internationally, terrorists have gravitated increasingly towards charities and alternative remittance systems. In the area of training and technical assistance, international needs remain great and addressing these needs is of crucial importance to our success in fighting terrorist financing. In Europe, while the EU has designated for asset-freeze the military wing of HAMAS and three leading Hizballah related charities, it has refused to designate either group in its entirety. The U.S. does not agree with the EU view that that there is a difference between the political/humanitarian wings and terrorist wings of these organizations. We will continue to press this viewpoint with the EU collectively and member states bilaterally, and believe that there is a growing body of evidence that makes less and less credible the assertion of a functional separation among the activities of these centrally-controlled organizations.

Given that the money making its way into the hands of terrorists flows around the world, the only way we will be successful in drying up their financial resources is through continued, active U.S. engagement with countries around the globe. We must continue to broaden and deepen our efforts worldwide. These efforts have paid off, and they will continue to do so.

Mr. Chairman, thank you for the opportunity to address this important issue. We look forward to working with Congress as we confront these challenges.

Mr. GALLEGLY. Thank you very much, Mr. Secretary.

Ambassador Black, you mentioned that through the efforts that we have made in the past year, al-Qaeda is under significant stress. You also made reference to a couple other terrorist groups such as the FARC and Hezbollah, and I am not certain whether you mentioned another or not.

Of the other groups that are out there, what group or groups would you say pose the greatest threat to us, the U.S., today or to U.S. interests? Perhaps you can just expand on what you had said in your opening statement.

Ambassador BLACK. I think to answer that question it is important to realize that of all the terrorist groups, the one that has shown the ability to conduct multiple attacks in the United States, to create mass casualties, that has a worldwide reach and whose mission is to engage and kill Americans is the al-Qaeda organization and its associated groups.

To answer your question, I would say the number one group to be concerned about is al-Qaeda and associated groups. As the global war on terrorism goes forward, these groups in terms of their rank or seniority will change as security services and intelligence services collect information and degrade them.

Al-Qaeda would definitely be first. Second would be groups that are associated with al-Qaeda such as the Egyptian Islamic Jihad organization, which essentially has been folded into the al-Qaeda organization. I would think that any other like organizations that are subsumed or over which al-Qaeda exerts command and control have great significance.

Next, I would put in the political developments as the global war on terrorism goes forward, the war in Iraq. Other issues may prompt isolated individuals or small groups hither toward not well known to us to prompt action. Groups like this can be very dangerous.

Lastly, I would put in the political decision to be made by the leadership of established terrorists such as Hamas and Hezbollah that for their own reasons it is in their interest to strike the United States. Certainly they have the capability to conduct effective operations.

That having been said, the United States has a global, comprehensive effort and partnership with its allies to collect information to disrupt and to arrest terrorists before they can harm American citizens and American interests.

Mr. GALLEGLY. Thank you, Ambassador Black.

Secretary Wayne, in your opening statement you made reference to the fact that we have had success in putting a freeze on \$125 million or so of assets. To what extent would you say, you know, everything is relative?

One hundred and twenty-five million dollars is a lot of money, but when you look at the bigger scheme of things I guess the real question is to what extent are our efforts to stop the flow of international terrorism organizations or funds to the international terrorist organizations been successful?

Mr. WAYNE. Well, Mr. Chairman, I think we have had a number of successes. There are a number of indicators of that. The value of assets is one measure. The number of individuals and entities identified is another because that makes it extremely hard for them to use any legitimate channel for transferring funds anywhere in the world.

The international efforts to improve oversight is another matter, to improve the practices in individual countries, to improve the information sharing between countries both in financial channels and law enforcement and intelligence channels.

There is not any one measure that can tell us exactly how successful we have been. It is an ongoing challenge, but we have made it extremely difficult for these groups to move money around. We need to keep working on it. We need to keep improving the international coordination, improving the oversight in individual countries, and as we do that I think we are going to make it harder and harder for this to happen.

As I noted, there are other less formal means that people can transfer money. We are working to build up our own capabilities to track and stop that, and it is going to be an ongoing effort, sir.

Mr. GALLEGLY. Before I yield to Mr. Sherman, I had one other quick question for you, Secretary Wayne. I do not know if there is a quick answer to it, but could you give me an idea of how important the drug trade is in financing international terrorism, and do

you have any links between the Middle East terrorist groups and the drug trade?

Mr. WAYNE. I will take a first crack, and then I will ask Ambassador Black if he wants to add anything to that.

Certainly in some of the groups. I would say not as much in the Middle East, though let me go back. When we were thinking about Afghanistan, there was certainly evidence of a source of money coming from Afghanistan tied into the opium trade of that period when there was territory controlled by them.

Certainly the source of some of the terrorist groups' funding that Ambassador Black mentioned in Latin America has been tied to drug trafficking, but we have not uncovered this as a wide pattern, I would say, in our efforts to date.

Let me ask Ambassador Black to add to that.

Ambassador BLACK. Regarding terrorist operations, these groups, as the global war on terrorism goes forward, we are increasingly effective, and they know it. They do what an army does. If you are up against fire power, you disperse. What you are seeing now basically is terrorist groups themselves dispersing. As they disperse, they need to be more self-supporting.

Up until now, a lot of these small cells have engaged in some criminal activity, petty criminal activity to keep themselves going to reduce the amount of communications that is required with the headquarters. You do have examples of the objective that easy money is very attractive to terrorists. The FARC in Colombia is a clear example where there is a melding of narcoterrorism to probably the most extreme level.

Recent successes in Afghanistan have also degraded al-Qaeda's access to narcotics growing and trafficking and their connections with the Taliban. When there is proximity to narcotics, terrorist groups are naturally attracted to it.

Mr. GALLEGLY. Thank you both.

Mr. Sherman?

Mr. SHERMAN. Thank you, Mr. Chairman.

Ambassador Black, we, of course, have noticed the terrorism unleashed in the territories by the Palestinian intifada, and you have commented upon that in your written testimony.

One group is the Al-Aqsa Martyrs Brigade. We have added that to our list of foreign terrorist organizations last year, just about a year ago. This is a group that grew out of the Fatah movement, which was founded by Yasir Arafat.

At the present time does Yasir Arafat exercise control, or to what degree does he exercise control over this brigade?

Ambassador BLACK. We do carry the Al-Aqsa Martyrs Brigade as a foreign terrorist organization. The Al-Aqsa Brigade is normally associated and has been associated with Fatah. It naturally takes that logic further that Arafat is associated or connected with this or exerts some command and control. We do not have the evidence to make that chain, that linkage associated.

The Al-Aqsa Martyrs Brigade tend to be in average age, pretty young, pretty independent, pretty hot-headed and conduct their activities often times without a lot of adult supervision.

Mr. SHERMAN. You say with or without adult supervision?

Ambassador BLACK. Without, and so I cannot tell you that there is a natural confirmed connection. We are looking at it. I would leave it at that, sir.

Mr. SHERMAN. Secretary Wayne, as I pointed out, and I saw you nodding, the large terrorist organizations, the ones capable of doing the kind of damage we suffered on September 11, need a state sponsor, and Iran is identified by your State Department as the number one state sponsor of terrorism.

The question I have really is to what extent the Administration is serious about the war against terrorism. It has demonstrated a serious concern with regard to Iraq and Afghanistan, and yet with regard to North Korea, Iran and others there has not necessarily been that serious focus.

Iran is the number one state sponsor of terrorism. Iran will be able to export its oil even if there was only one country willing to import it. Oil is fungible, and oil will be sold at the world price. There are other exports from Iran, and the prior Administration allowed those exports to come into the United States in the hope that somehow the light would dawn in Tehran and democracy would be established or whatever.

In fact, one cannot trace any positive action by the Iranian Government to our economic generosity, so I am flabbergasted that the Bush Administration has continued the mistake of the Clinton Administration, has left our doors wide open, and I would like to know by when we are going to end this generosity or expect a change in the policies of the Tehran Government?

Mr. WAYNE. Thank you very much for your very serious question. Iran is a state sponsor of terrorism. We treat it as a state sponsor of terrorism. We regularly dialogue with our partners who we think might have a more forgiving attitude toward Iran, whether they be in Europe or elsewhere. We will continue to do so until they do change their policies on terrorism, on weapons of mass destruction, on human rights within their own country.

Mr. SHERMAN. So they can expect harshly worded letters? That is pretty much the Clinton Administration approach. Other than the fact that we are going to bad mouth them, what else might we do to the government in Tehran, anything that might even cost them a nickel?

Ambassador BLACK. If I may?

Mr. SHERMAN. Yes.

Ambassador BLACK. I have some personal experience in this area myself.

I think in all fairness that this Administration views Iran as a serious threat to the United States as one of if not the primary terrorist threat with capabilities to match. The approach that we have taken is we have no official relationship with Iran. We work with our regional partners to isolate them. We work in a multinational context.

Mr. SHERMAN. Excuse me. Excuse me, Ambassador.

Ambassador BLACK. Yes, sir?

Mr. SHERMAN. How can we possibly go to other countries and tell them to stop doing business as usual with Iran if our markets are open to non-energy exports from Iran? I mean, do as I say, not as I do, is not the best approach to international diplomacy.

Ambassador BLACK. I think the important point, and I would like to get back to counterterrorism, which I feel comfortable speaking about.

In the area of counterterrorism, the United States Government's approach is a full court press. We have taken all——

Mr. SHERMAN. Wait a minute. A full court press?

Ambassador BLACK. Yes.

Mr. SHERMAN. That language implies that we are doing everything we can. You have the number one state sponsor of terrorism, and we have opened our markets to their non-energy exports knowing that opening our markets to their energy exports would be meaningless.

Opening our markets to their non-energy exports that are not fungible, that need to seek out additional markets, is the one meaningful thing we could do to be helpful to Iran, and that is what we have done and continued under both the Clinton and Bush Administrations.

You cannot apply the words full court press to actions that leave our markets open to their exports. Also, while we are talking about a full court press, the policy of the Clinton Administration with regard to the World Bank was that when the World Bank proposes loans we vote no. We know we will lose. Then we go out for tea or beer with those who voted against us, and then we continue to participate in the World Bank as if nothing had happened.

I have to go back to my constituents, and Elton has to go back to his constituents, and say we voted for foreign aid, and some of that money is going to Tehran. Or, we have to hide behind the flimsy distinction between two branches of the World Bank, as if our constituents would be dumb enough to buy that.

How can we call it a full court press when we have told the Europeans by our actions again and again that the World Bank money can be sent to Tehran, that we will send money to Tehran for their non-energy exports, and the full court press will be limited to what is inside the ball? Hot air.

Ambassador BLACK. Sir, I will again go back to counterterrorism. That is what I do. In terms of counterterrorism——

Mr. SHERMAN. Ambassador, with all due respect, I addressed the question to Mr. Wayne because——

Ambassador BLACK. Yes.

Mr. SHERMAN [continuing]. This is in his area.

Mr. WAYNE. Right. As you correctly said, Mr. Sherman, we vigorously work to oppose any loan that has been proposed in the World Bank process.

Mr. SHERMAN. But you know you are going to lose the vote unless you threaten to say we are not going to put our money, an additional \$750 million as I understand it, into one branch of the World Bank.

You were here criticizing the Europeans because they do not recognize that Hamas is Hamas, that they are willing to draw a distinction between the thumb and the finger. When you ask them to stop drawing that distinction, they give us the finger or the thumb.

How is it that you can stand here and say we are going to give \$750 million to an organization that is going to send \$180 million to Tehran, and that is just fine, but we will vote no knowing it is

a meaningless act. It is like me going to the Floor to vote against a rule. Like that is going to matter.

Mr. WAYNE. Well, sir, what I would say is that we do not just vote no. We do work hard to persuade people the reasons why this does not make sense. We are not an organization where there are certain—

Mr. SHERMAN. But when it comes down to the bottom line, the money will flow from America to Tehran to pay for those non-energy exports, and the money will flow from the United States to the World Bank and from the World Bank to Tehran, and we will do nothing other than voice our opinions in letters that are probably slightly stronger than those written by the Clinton Administration.

Mr. WAYNE. We will work with our partners to persuade them that this is not the right way to go. I would be happy to sit down with you and talk through—

Mr. SHERMAN. But you will not take the \$750 million that you are budgeting for the World Bank and put that into AID and its efforts to deal with the AIDS and other things that are obviously better for the United States than subsidizing Iran.

Mr. WAYNE. Mr. Sherman, I would be happy to talk through and work through that that money goes into the IDA fund, which helps poor countries around the world. That is not money that is going—

Mr. SHERMAN. Look at the World Bank Web page.

Mr. WAYNE [continuing]. Into Iran.

Mr. SHERMAN. They tell you that they are one organization with one staff. You are going to try to tell me that the thumb and the finger are not part of the hand? They are. The World Bank says they are. You know they are.

My constituents are not going to buy the idea that you can give money to one wing of Hamas and say that is not helping the other wings of Hamas, nor are they going to buy the idea that you can funnel \$750 million to one wing of the World Bank while the other wing of the World Bank subsidizes the number one state sponsor of terrorism.

I know I have gone over time, and I will leave it to the Chairman how to allocate the time. Thank you very much.

Mr. GALLEGLY. If either the Secretary or Ambassador would like to respond to the comments? I am not sure there is a question, but it is a difficult equation. Or, if you would let it stand as you have responded.

Mr. SHERMAN. And I do look forward, by the way, to talking to you privately about this.

Mr. WAYNE. I look forward to continuing the dialogue, sir.

Mr. GALLEGLY. I think this dialogue will definitely continue because I think that the Ranking Member has brought up some legitimate questions that we all continue to ask. The questions sometimes are easier than the answers.

The gentleman from New York, Mr. King?

Mr. KING. Thank you, Mr. Chairman.

My first question will be to Secretary Wayne. You mentioned in your testimony that within the EU we are not getting the cooperation when it goes to the political wings of Hamas and Hezbollah.

Can you break that down at all within the EU? Is there a split among the countries? Are there some countries leaning toward opposition? Are there others who are more strongly against it?

Mr. WAYNE. Well, there is a divided opinion in the European Union. In part it depends in some cases on the political system in different countries where they feel they might face judicial questioning, and there is a desire to have a feeling that they would need exact proof that the money that goes into charity actually gets transferred into terrorist activities. Some people do not feel they quite have that.

In other countries there is a—

Mr. KING. If I could just interrupt you there for a second?

Mr. WAYNE. Yes?

Mr. KING. Do you consider that to be an honestly made argument on their part, or is that an argument they are making just to put off the action that we are asking for?

Mr. WAYNE. I believe that a number of the individuals making that are arguing it honestly within their legal system.

Mr. KING. Okay.

Mr. WAYNE. There are other places where there is just a political difference that charitable activities are okay even though the organization also carries out terrorist activities.

We have regularly argued and continue to argue on a regular basis and try to work this through and convince them that money is fungible and that once money goes into an organization it can just allow bad things to happen, even if that one dollar or one euro is not precisely going to a terrorist organization.

We also argue that the degree to which these organizations which carry out terrorism continue to do some good things they are building their own legitimacy and support, and thus they edge out moderates in the peace process and those who are opposed to terrorism.

Mr. KING. Are you in a position to break down the countries?

Mr. WAYNE. I am not precisely. I am not at this point, but I would be happy to talk to you further about it if you would like.

Mr. KING. Fine. Okay.

Mr. WAYNE. There are I would say over 90 countries around the world who have joined us, and that includes countries in Europe, in designating Hamas and Hezbollah for asset freezing. I can provide that. I do not have it right here, but I can—

Mr. KING. Fine.

Mr. WAYNE [continuing]. Certainly provide that list.

Mr. KING. Okay. Ambassador Black, I am sorry. I was called away to vote, and I missed most of your testimony. I tried to go through your written testimony.

If you could tell me since September 11 countries in the Middle East which previously had been hostile to us or supportive of al-Qaeda? How much cooperation are we getting from them now? Countries such as Yemen, Sudan are just two that I can think of. Are they doing more for us now than they were then?

Ambassador BLACK. The answer to that is yes. Certainly Yemen has been very helpful in the global war on terrorism. They responded to our satisfaction after the attack on the U.S.S. Cole. The United States Government was very concerned about al-Qaeda

operatives that were in Yemen. We think the cooperation has been very good, and we are pleased with it so far.

In Yemen, we have come a long way, as you know. Excuse me. In Sudan, we have come a long way. They are still considered to be a state sponsor of terrorism. We have been working with the Sudanese to resolve this issue. I think the cooperation is good and is growing, so from a practical counterterrorism standpoint those clearly are two accounts that have improved greatly, Congressman.

Mr. KING. Are we getting any assistance at all in any way from Libya?

Ambassador BLACK. I think in the area of—I would say, first of all, counterterrorism these days and the global war on terrorism is an activity that a lot of countries feel it is important to participate in for their own purposes.

In terms of Libya, we look to them to resolve outstanding issues such as the PanAm 103 issue. We are encouraging them to be as forthcoming as possible on the issue of terrorism. Since this is open session, if you want to discuss that further I would be happy to do it with you.

Mr. KING. Thank you. Thank you, Mr. Chairman.

Mr. GALLEGLY. Thank you, Mr. King.

The gentleman from Texas, Mr. Bell? Did you have any questions?

Mr. BELL. Thank you, Mr. Chairman, and thank you all for your testimony.

I wanted to visit with you about something that has not received much attention in your earlier remarks, and that is a recent national intelligence estimate released by the CIA said that one of the greatest threats posed to our national security comes from the ability of terrorist groups to smuggle a nuclear device or weapon of mass destruction into the U.S. using a seaborne cargo container.

Roughly six million of these containers enter America's ports each year, and I believe that only 2 percent of them, based on our research, are ever checked. If you do the math, this means that more or less there are over five million opportunities a year to attack U.S. ports.

You mentioned, Ambassador Black, the U.S.S. Cole, the attack on the U.S.S. Cole. Recently there was another attack on a French oil tanker. Intelligence reports I have seen say that al-Qaeda could be connected to as many as 15 cargo ships in terms of ownership.

I know that you have both said that they are under stress and probably not as effective, but certainly there could be other terrorist groups considering similar types of actions, and it is well-known that al-Qaeda had an active program to purchase and develop weapons of mass destruction. That being said, where do you all rank port security and threats to our ports on the overall scale of terroristic threats and vulnerability in the United States?

Ambassador BLACK. The U.S. Government has looked at this very closely. It carries the highest priority for the very reasons that you have enunciated. The Department of Homeland Security is looking at this very carefully.

The criteria for the selection of particular cargos to be inspected, the relationships with the authorities in foreign ports, all of this is moving ahead. It is of concern to us. Equipment is being pur-

chased, and the experts in this particular field of container security would tell you that great progress has been made. Nothing is perfect. We are a lot safer and more secure now than we were in the past.

The numbers of these containers are absolutely staggering. We are looking at and using technology and foreign relationships so that often times we will be looking at these cargos in foreign ports before they are even put on ships to come to the United States. You are absolutely right in underscoring and pointing out to us that this is a very important area. We are looking at it. Resources are being devoted to it. We are concerned about it.

Terrorist groups certainly look at weapons of mass destruction. As you pointed out, the al-Qaeda organization is certainly looking at chemical and biological weapons and even radiological dispersion devices. Any terrorist needs a delivery system. Containers certainly occurred to us early on based upon our own common sense, as well as intelligence.

I would say we are not all the way there yet, but great progress has been made. We see this as a vulnerability, and I think it is yet another of the key reasons that the President called for the establishment of the Department of Homeland Security.

Mr. WAYNE. If I might just add a little bit?

Mr. BELL. Go ahead.

Mr. WAYNE. Under the container security initiative, the previous Customs, now Customs within Homeland Security, had undertaken to identify the top 20 ports around the world sending containers to the United States and to establish relations with those ports, Customs relationships, so we would have people in those ports working with their Customs officials to help minimize these threats.

There has been a great deal of progress, in fact, in reaching agreement with most of those ports. The Department of Homeland Security can give you all the details of that, but there has been very intense dialogue with the major port countries in Europe, in Asia, to get this cooperation enhanced and take the additional steps that are needed.

Also, in the International Maritime Organization, which brings all the shippers together, there are a number of initiatives which are actively underway to help internationalize the type of additional scrutiny that will be needed in this effort.

Mr. BELL. Let me interrupt you, because I am going to run out of time.

Mr. WAYNE. Sure.

Mr. BELL. I would agree with you that there has been intense dialogue, and hopefully that dialogue will continue, but there seems to be a reluctance to commit resources.

I would share with you this. The Coast Guard announced in December 2002 that improvements in port security infrastructure will cost \$963 million for fiscal year 2004 and \$4.4 billion over the next 10 years, yet since the attacks of September 11 only \$300 million has been appropriated.

Obviously the financing is not keeping up with the need. Is that a concern to either one of you?

Ambassador BLACK. I am not familiar with these specific numbers, so I will have to check.

Clearly, what I can tell you is that this is a very high priority from a strictly counterterrorism sense. I have been traveling overseas. I have talked to some of these port officials. I think good progress is being made in terms of the funds specifically that have been spent so far. I would have to check. I would have to get back to you later.

[The information referred to follows:]

RESPONSE SUBMITTED FOR THE RECORD BY THE HONORABLE J. COFER BLACK, AMBASSADOR-AT-LARGE, COORDINATOR FOR COUNTERTERRORISM, U.S. DEPARTMENT OF STATE, TO A QUESTION ASKED BY THE HONORABLE CHRIS BELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

According to information made available by the Coast Guard, the first year cost of purchasing equipment, hiring security officers and preparing paperwork is an estimated \$963 million. Following initial implementation, the annual cost is approximately \$535 million. Over the next 10 years, the cost would be about \$4.4 billion. Congress has appropriated \$388.3 million to date, including \$20 million in the recently passed FY 03 emergency supplemental bill.

For further details, I would have to refer you directly to the Coast Guard and Department of Homeland Security.

Mr. BELL. Mr. Secretary?

Mr. GALLEGLY. The gentleman from Colorado, Mr. Tancredo?

Mr. TANCREDO. Thank you, Mr. Chairman.

Ambassador Black, in your testimony you reference credible information of an al-Qaeda in Latin America, and then you go on to talk about the kinds of steps that have been taken, especially in the tri-border area, to try and deal with this or in response to this threat, the existence of the al-Qaeda in that particular area. Your testimony focuses on the financing arrangements and our attempts to stop the flow of dollars through that area to finance various organizations.

Are you aware of the very significant I guess I would call it a cartel that exists in Brazil, but operates in the tri-border area, that at one point was responsible for a great deal of the importation of narcotics, but has become even more involved with the importation of individuals into the United States and specifically individuals from the Middle East?

There is an individual who is the head of that organization who, as I understand it, has been indicted in the United States, but we have not been able to come to some agreement about extradition.

First of all, are you aware of this organization and of this activity?

Ambassador BLACK. If I may? If I left you with the impression that al-Qaeda was established in Latin America, I apologize. I would have led you to the wrong impression.

Mr. TANCREDO. Hamas. I am sorry. That is my—

Ambassador BLACK. Okay. I would have mis-spoke if I had said that.

Mr. TANCREDO. That is my mistake.

Ambassador BLACK. Certainly Hamas and particularly Hezbollah in the tri-border area is of significant concern to us. The tri-border area in particular is an economically vibrant area. There is a lot of copying of products there, illegal copying of products, and there is certainly room for the diversion of resources and certainly associated criminal activity.

Human smuggling is something that we as a government take very carefully. I do not off the top of my head recall the name of the head of the cartel in the tri-border area involved with human trafficking, but we do have a great projection of interest in that area. We work very closely. We have regular meetings with representatives of the Governments of Brazil, Paraguay and Argentina, particularly looking at financial links of terrorism.

Mr. TANCREDO. Yes.

Ambassador BLACK. That is what we have focused on because in the global war on terrorism regrettably it is not that you cannot do everything, but you do have to rank order. The tri-border area for us in strictly a counterterrorism sense is primarily a financial conduit of funds, and in this case first to Hezbollah and next to Hamas.

Mr. TANCREDO. The information that has been provided to me is interesting from a variety of standpoints. First of all, it identifies a significant, and I mean significant, increase in the number of people who identify themselves from Brazil who we are intercepting at the southern border who are trying to enter the country illegally.

Over the last year and a half, it has grown by over several hundred percent. Now, as it turns out upon further investigation they are not Brazilian. They are simply people who have come in from the Middle East, stayed in Brazil for a certain amount of time, became somewhat acculturated, got Brazilian papers, and then they were moved into the United States, but they were coming from the Middle East. That is why I think it is relevant for our discussion here on counterterrorism.

I would hope that in your discussion of this follow up meeting focusing on counterterrorism, and you went to, I understand, Buenos Aires in December, and the follow up meeting you say is planned. I hope in that meeting you will also bring up this issue of transporting people into the United States from the Middle East.

Ambassador BLACK. You can be assured that we will do that. In fact, we are looking at that.

I must confess. I am not an expert on the human trafficking issue, but from the counterterrorism standpoint we are concerned that this vehicle could be used to insert terrorist operatives.

Mr. TANCREDO. Yes.

Ambassador BLACK. We have looked at that. We have noticed that the Middle Easterners on occasion have plugged into this system, so in my area of responsibility I can assure you we are involved in this, and we are involved with others who look primarily at human trafficking.

Mr. TANCREDO. Thank you. One other point before I run out of my time, and that is that in Canada, and again this is information provided to me from the U.S. Forest Service primarily, but they have become aware of one portion of the Muslim community in Calgary who is responsible for the transportation into the United States or the importation into the United States of a huge amount of narcotics, actually the components for methamphetamine. I have forgotten how many millions of tabs we confiscated there not too long ago.

The proceeds, as I understand, and this is just something I would like you to also focus on with the Government of Canada. The proceeds that then come from the sale of the methamphetamine in the United States—it is cooked down here and then sold down here. The money goes back to this group in Calgary specifically, this Muslim group or organization, and then is dispersed for purposes of supporting terrorist organizations throughout the world.

Please look into that, and please take that up with our neighbors to the north.

Ambassador BLACK. Yes, sir.

Mr. GALLEGLY. The gentleman from New York, Mr. Crowley?

Mr. CROWLEY. Thank you, Mr. Chairman.

Ambassador Black, I, too, along with Peter King, had to leave for a vote with another Committee. I am sorry I missed most of your testimony.

Ambassador BLACK. Sure.

Mr. CROWLEY. I do have a couple of questions for you. With the recent death of 24 Hindus in the Kashmir region of India by suspected Islamic militants, which I found very unsettling, to say the least, I fear that as spring approaches and the snows melt in the mountain ranges that we will see more incursions into India.

Despite assurances from President Musharraf last year to this Administration and to many Members of Congress that he would do all that he could to prevent future incursions, they still continue to happen, and we believe they probably will happen again this year.

The problems that will arise from those incursions, despite the loss of life within Kashmir and India and larger is what response the Indian Government will then probably be forced to take to protect its citizens, possibly including incursions into Pakistan to eliminate the terrorist training camps that are training many of these terrorists who are making these incursions and then the back and forth that takes place and obviously putting us square one back to where we were last year again with another major crisis in that part of the world.

What are we doing to bring all to bear President Musharraf to prevent those incursions?

Ambassador BLACK. That is an excellent question. Let me attempt to answer it for you.

Let me first say I think we need to appreciate that Pakistan is one of our strongest allies in the war on terrorism as exemplified by their support in Operation Enduring Freedom and the arrest of nearly 500 al-Qaeda fighters who sought shelter in Pakistan, including most recently Khalid Sheikh Mohammed. The Government of Pakistan has banned a number of terrorist groups, including those that we have identified as foreign terrorist organizations.

Infiltration is a serious concern. It certainly could serve as a flashpoint for a wider conflict. We are mindful of that. President Musharraf has pledged to end all official support for infiltration of militants into Indian controlled Kashmir. Nevertheless, we believe that this infiltration does continue.

We expect and count on the Government of Pakistan to abide by President Musharraf's assurances and to work to cut off this infiltration. We reinforce this expectation in all our high level contacts

with the Government of Pakistan. It comes up in my meetings. It is a regular theme that we engage in. We are partners in the global war on terrorism. This is an aspect of it that all levels of our government are working on.

There is a bit of the realm of reality here in terms of their interest, but we are pushing them in the direction that we think we all should be in, not only for their good, but the good of the people in the region and indirectly the United States.

Mr. CROWLEY. I thank the Ambassador for the response. I would just mention that the support of Pakistan in the war against terrorism does not overshadow the support that we also received from India in that war on terrorism as well. I think there has been a great deal of sympathy for this country, especially after the attack upon the Indian Parliament soon after September 11—

Ambassador BLACK. Absolutely.

Mr. CROWLEY [continuing]. Recognizing India as the democracy that it is as opposed to the dictatorship that many would argue exists in Pakistan.

On another note, in the President's recent supplemental request he has included \$50 million that would be provided for direct support to reduce terrorism and support the peace process in the West Bank and Gaza. Can you tell me where that funding will be going to? Who will be administering that \$50 million, and what will it be used for?

Ambassador BLACK. Mr. Congressman, if I may, I would like to take that question for the record. Let me get the answer for you, and I will get back to you. The reason is I do not know.

[The information referred to follows:]

RESPONSE SUBMITTED FOR THE RECORD BY THE HONORABLE J. COFER BLACK, AMBASSADOR-AT-LARGE, COORDINATOR FOR COUNTERTERRORISM, U.S. DEPARTMENT OF STATE, TO A QUESTION ASKED BY THE HONORABLE JOSEPH CROWLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

The Administration's recent supplemental appropriation request included \$50 million in additional assistance for Palestinians in the West Bank and Gaza. The President has spoken frequently of the need for humanitarian assistance for the Palestinian people and for reform of Palestinian institutions, and these remain very high priorities for the Administration. This is where this assistance would be primarily targeted.

The Bureau of Near East Affairs advises that while our assistance over the last two years has focused increasingly on emergency humanitarian assistance, we have sought to retain programs with a longer-term impact, including work in the areas of water resources, private sector support, health, education, and rule of law. The Palestinian economy continues to deteriorate, creating an urgent and undiminished need for basic nutrition, health, and job creation programs to respond to the dire humanitarian situation in the West Bank and Gaza. In addition, we are undertaking programs that support civil reforms that will help build credible Palestinian institutions as the foundation of an independent Palestinian state living in peace and security alongside Israel.

The \$50 million requested on the supplemental appropriations bill, along with funds already allocated in FY2003, would help address these vital needs. This assistance would be for the benefit of the Palestinian people—not the Palestinian Authority, not to the Palestine Liberation Organization.

It would fund programs to be undertaken by U.S. contractors and U.S. and Palestinian NGOs. All NGO recipients of U.S. funds are carefully vetted to ensure that there are no links to terrorist organizations or to organizations that advocate or practice violence.

Mr. CROWLEY. Just one final question to Secretary Wayne. Could you tell us what is being done to stop the supposed transfer of gold

by the al-Qaeda and Taliban to Sudan through the United Arab Emirates and other aligned countries with our country? Is there anything we are doing to prevent that if it is in fact happening?

Mr. WAYNE. Well, indeed, sir, as we have seen reports of this, and not only press reports, but if there are other kind of reports that come to our attention we have been acting immediately through private channels using all the appropriate agencies to try to verify those reports and intercept any shipment that were to take place—gold or diamonds or other things that we have read about so far.

Mr. CROWLEY. So we do not know if this is actually happening?

Mr. WAYNE. That is correct.

Mr. CROWLEY. Nothing has been confiscated up until this point?

Mr. WAYNE. Nothing has been confiscated, to my knowledge, but certainly any information that we get that suggests that we act to try to verify it and if there was anything to it would act very quickly, you can be sure.

Mr. CROWLEY. Thank you both, and thank you, Mr. Chairman.

Mr. GALLEGLY. I thank the gentleman from New York.

The gentleman from California, Mr. Rohrabacher?

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. This Subcommittee is intended to be on the cutting edge of the most important issue of the day, and that is protecting the United States of America against terrorism. We must take this job very seriously.

First let me ask a bit about, Mr. Wayne, I believe this is your testimony that—no. It was Mr. Black's. It was your testimony, Mr. Ambassador, that the United States Government coalition has frozen assets that netted over \$120 million of persons and entities with ties to terrorist networks.

You know, just to be quite frank, that number does not impress me. Are we supposed to be impressed with \$120 million? I mean, we are talking about the bin Laden family must be worth billions of dollars. I mean, bin Laden himself probably has \$500 million in assets. Why is this number \$120 million?

Ambassador BLACK. We are going against this full tilt. First of all, I would start with that the funds required to launch terrorist operations often are very modest. The complexities involved with this are very real.

We are working through our partners overseas to identify specific accounts and individuals. I think we have made some good progress. I think, to be honest with you, Congressman, I fully expect to see these numbers to go up dramatically.

It was, as you know, a steep learning curve. This was a new area I think for the United States Government that we got into with great enthusiasm. We have been finding our way. I think it is a reasonable amount. It shows good effect. There is a lot more to be done in this, and I am optimistic we will.

Mr. ROHRABACHER. I will accept that, but let me just note, Mr. Ambassador, that—

Ambassador BLACK. Sure.

Mr. ROHRABACHER [continuing]. Bin Laden was the number one target for the CIA supposedly for years prior to 9/11. Getting his money under control, I am sure \$120 million does not even reflect

the money that goes into his specific organization or even part of it.

We will follow this number very closely, and we will follow the details very closely. I think before 9/11, quite frankly, our intelligence community was not doing the United States the service and the justice that we deserve. They just were not. Perhaps that number reflects that because we should have been on that man's bank accounts, and thus al-Qaeda's bank accounts, even before 9/11.

I am also somewhat dissatisfied, and it might relate to that number, with the emphasis or should I say the lack of real fervor that I find in the testimony about relating terrorism to drugs.

Let me just ask. How can we sit here and take this seriously that you are doing everything you can when all of us know that the opium crop in Afghanistan is bigger now than it has ever been? I mean, you are testifying to us that you are doing everything we can, and yet we know, everybody on this Committee knows, that we have this huge crop in Afghanistan.

It is our people in control. You are talking about how the Afghanistans are so cooperative. We know whose hand is in that opium crop there, and yet it is there. It is right in front of us, and yet you are telling us we are doing everything we can. That does not come together for me.

Mr. WAYNE. Well, not specializing in the fight against drugs, sir, and I know that is not an excuse, we do take very seriously the fact that there is continued opium production in Afghanistan.

I know my colleagues who have that responsibility are working intensely on that in Afghanistan with the authorities there and with others. That is a serious problem. You are very right.

Mr. ROHRABACHER. Not only is it a serious problem. It is out of control.

If I could just say this for the record, Mr. Chairman? We are right to give this Administration at least a year after 9/11 or a year and a half or so to win the victory in Afghanistan, get things under control and then tackle that problem, but we expect that problem to be tackled, or this Subcommittee is going to be focusing on what the effects are, who is doing their job and who is not.

Mr. Chairman, could you indulge me with one more minute for a question?

Mr. GALLEGLY. Without objection. We do have a couple Members, and we were supposed to be wrapped up by 3.

Mr. ROHRABACHER. All right.

Mr. GALLEGLY. So in consideration for the other Members—

Mr. ROHRABACHER. Let me just note, Ambassador Black, you have a long history here when it deals with the Central Intelligence Agency and operations in South Asia.

You know, when you tell us that the Pakistanis have turned around and are now our best allies, do you not think it is incumbent upon us to also admit that the Pakistanis were fundamentally the creators and the prime supporters of the Taliban regime? We just cannot write that off and forget that.

Ambassador BLACK. Sure. I mean, to be exact I do not think I said that they were our closest ally. Yes, they did have a hand in the Taliban years ago. We are dealing with the present now.

Mr. ROHRABACHER. Okay.

Ambassador BLACK. We have to deal with reality. One could only speculate how difficult would the counterterrorism problem be in that area of the world if we did not have the support of the Pakistanis, so we deal—

Mr. ROHRABACHER. Sure.

Ambassador BLACK [continuing]. With what is possible.

Mr. ROHRABACHER. Okay. That is acceptable.

Ambassador BLACK. I would also say, and again narcotics, like Assistant Secretary Wayne, is not my business, but I think that the effort that went into Afghanistan that engaged al-Qaeda and overthrew the Taliban was a political/military activity that involved a lot of different warlords who had a lot of different interests.

Mr. ROHRABACHER. Right.

Ambassador BLACK. There were enemies at every turn, and I think that there has been a decent interval when we have engaged the military problem, and we certainly do underscore and support your view that the narcotics is a very, very high priority.

We have representatives from INL, who are the drug people in State Department, and we would love to have them come down and talk to you about that piece of the problem.

Mr. ROHRABACHER. We expect to see some progress in that, and you are right that a decent interval is expected in a time like this.

Thank you very much for your testimony.

Mr. GALLEGLY. The gentleman from New Jersey, Mr. Chris Smith?

Mr. SMITH OF NEW JERSEY. Thank you very much, Mr. Chairman.

First, Secretary Wayne, I appreciate your informing us how the United States is at least trying with our European friends to say there is no distinction between humanitarian and terrorist wing groups like Hezbollah and Hamas.

You did point out that the military wing of Hamas has been frozen. I wonder if you could elaborate on what that means? How much money are you talking about? Where are the real funds? How much money do they have in the non-military wing? Again, a line of demarcation probably is not real, but separates what they would constitute as a humanitarian effort.

Mr. WAYNE. Thank you very much. What the EU has done is they have designated the military wing of Hamas and three known Hezbollah terrorists. They have also designated the Al-Aqsa Martyrs Brigade, which we talked about earlier, and the Palestinian Islamic Jihad. They have also joined us and over 120 countries in designating the Holy Land Foundation, which was a very large Hamas fundraiser operating in the United States, as well as elsewhere.

Germany has banned one Hamas related group, the Al-Aqsa Foundation. In that case they seized approximately \$300,000. This was a Hamas charity foundation. Italy has seized approximately \$4 million in the assets of charitable organizations based in Italy that are suspected of ties to Hamas.

Just to go back, we were talking about the tri-border area a little while ago. Paraguay has convicted somebody who we believe was sending money to Hezbollah, financing Hezbollah, operating in

Paraguay. I would have to get back to you on more specifics on that if you would like.

Mr. SMITH OF NEW JERSEY. I would appreciate that. Could you include in that what they are missing by not freezing those additional so-called charitable organizations, so we get a sense of the order of magnitude here?

Mr. WAYNE. Sure.

Mr. SMITH OF NEW JERSEY. It may sound good for them. I deal with European friends all the time as Chairman of the OSCE. You know, they will make a statement like that to show they have done something, but I am not sure how much the terrorist wing actually has in real tangible assets to be frozen. The real money is in the other wing. I would appreciate that very much.

Perhaps this might be something you could get back to us on. Several Members of this Committee have brought up the ongoing problem of the nexus between narcotics and terrorism, and many others have walked point on that for years.

One of the issues I have been very, very aggressive on has been human trafficking. We all know that when it comes to actual assets and organized crime, after drugs and weapons, human trafficking is right there as a close third. I wonder if you could look into that for us so we know whether or not there is money being gleaned from that evil operation and being somehow funneled into terrorist actions as well? It seems to me that clusters of evil are very likely closely associated, and it would be worth the look to determine that; so if you could get back to us on that I would appreciate it.

Finally, on the issue of the 9/11 Commission. As you know, the first hearing will convene in New York on Monday. Former Governor Tom Kane and the former Chairman of our Committee, Lee Hamilton, are leading that effort. I would encourage you to be as helpful as you can in providing all that is necessary so that they can do a very good job.

I chaired this Committee years ago when Admiral Crowe did his work on the commission's post, when our two Embassies were destroyed in Africa. Those commissions offered very, very useful information, including recommendations for money for counterterrorism and Embassy hardening, setbacks and the like.

We took almost verbatim whatever Admiral Crowe gave us in his testimony and put it right into a reauthorization to the State Department bill which became law, so the full cooperation of everything I think will result in lessons learned, some accountability, but I think the key now is what we can do better going forward.

Certainly you are in a key position to be helpful to that commission, so I would certainly encourage you to help. I know you have so many things on your plate, but I think the commission will do a very useful job, given who is leading it and who is on that commission for our country.

Thank you.

Mr. GALLEGLY. The gentleman from Michigan, Mr. Nick Smith?

Mr. SMITH OF MICHIGAN. Mr. Chairman, thank you.

Secretary Wayne, there is a strong relationship between drug money and terrorist activities. Do we know, for example, what is happening to the drug money that is coming in from the production of drugs in Afghanistan?

Mr. WAYNE. I would like to take that question if I could because a number of my colleagues follow that. If I could take it, I would be happy to get back to you, sir.

Mr. SMITH OF MICHIGAN. Good. I would appreciate that. Is there a relationship between our efforts, or is there a corresponding relationship to work on freezing drug money as it moves through the systems of the different countries, including this country? Who does that?

Mr. WAYNE. Well, there is certainly a relationship in the sense that the work of the Financial Action Task Force, for example, was basically set up to track money laundering at first, and that is what much of the drug money—people tried to launder it so it becomes clean.

The international efforts to tighten up the financial systems were first aimed at drug money and other criminal money. We have now expanded that to include going after terrorist financing first because a lot of the basic steps you would take to have a good anti-money laundering system help you to fight terrorist financing.

Mr. SMITH OF MICHIGAN. I am assuming that our incentives and our aggressiveness in working on terrorism has been much more, for lack of a better word, profound than our efforts to do that tracking and that freezing in the drug realm. Is that fair to say?

Mr. WAYNE. Well, I would certainly say post 9/11 we have put great amounts of energy into the terrorist financing part, but, of course, up until that and continued since we were putting tremendous amounts of energy into the anti-money laundering and the struggle against drug trafficking and the profits from that.

Mr. SMITH OF MICHIGAN. Ambassador Black, you mentioned in your testimony that probably our strongest tool was diplomacy, and I sort of assumed that you were talking about diplomacy with other countries that harbor terrorists.

Why do terrorists hate us, and is there any kind of diplomacy for better communication, better information or any changes as I try to react to my constituents' questions of why do they hate us so much?

Ambassador BLACK. That would be one question. Why do they hate us? What I was trying to convey in the sense of use of diplomacy is that counterterrorism, despite being very attractive and very newsworthy and making really a significant contribution in the intelligence and law enforcement areas, if you have to do it alone all of the time it is inherently inefficient. It is just too hard to do to be able to take that tack everywhere in the world. It is very difficult.

What I mean by diplomacy is that the enabler, the relationships the United States is able to establish with foreign governments that are effective and efficient in—

Mr. SMITH OF MICHIGAN. Yes. I sort of caught that.

Ambassador BLACK. Okay. In terms of that issue, that is upon which that enables the others to do their job.

Mr. SMITH OF MICHIGAN. I mean, diplomacy probably is not the right word dealing with terrorists, but still in terms of better communication with some of those organizations, fundamental religious groups, is there an active effort at a better type of communication

and a better way to communicate the ideas that would maybe soften the information and the dedication they have to hurt us?

Ambassador BLACK. Certainly so. We are looking at this as likely to require more and more time and attention of the government. We certainly have made significant efforts recently to reach out to religious leaders, to opinion makers that are listened to by the kinds of people that we are trying to reach.

I think, Congressman, that this is going to increasingly take more and more attention on our part. I think we have a real challenge here. As you know, at the State Department we have an assistant secretary level position who is trying to do that. That effort will be underscored and reinforced and I think will have to grow more robust.

Mr. SMITH OF MICHIGAN. A final question on the DEA. The DEA is not part of our intelligence community. Are we getting DEA's input into the efforts that would I think certainly better accommodate the kind of information and the kind of results that you might get?

Ambassador BLACK. Yes. Absolutely. One of the very positive by-products of 9/11 and has been encouraged by the Congress has been mutual cooperation and enhancing lines of communication. DEA, when they do their work it is focused primarily on narcotics. It clearly has spinoffs to other areas that involve terrorism. There is also narcoterrorism, exchange of reporting, and I think for law enforcement operational opportunity each way I think has been enhanced and is growing.

Mr. SMITH OF MICHIGAN. Mr. Chairman, thank you.

Mr. GALLEGLY. Thank you, Mr. Smith.

Thank you, Ambassador Black, and thank you very much, Secretary Wayne, in this our inaugural hearing. We can I think say safely that we will be looking to both of you in the future as resources to this Committee.

I want to particularly thank the Ranking Member. We have had a longstanding personal relationship that has been very positive, as I mentioned earlier. I look forward to continuing to work with Mr. Sherman shoulder to shoulder.

This Committee is very fortunate to have the Members that have great knowledge and passion for the issues affecting and facing this Committee. We have some major challenges, and we take it seriously. We are not going to try to get ahead of ourselves, but take one step at a time. I think we are going to find that this Committee by year's end will provide a good resource to the House of Representatives.

Thank you very much. The Subcommittee stands adjourned.

[Whereupon, at 3:17 p.m. the Subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE JOSEPH CROWLEY, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW YORK

Thank you Chairman Gallegly and Ranking Member Sherman for holding this important hearing.

I also would like to thank the witnesses for briefing the Committee and answering our questions today.

As we all know, military operations to liberate Iraq have entered their sixth day and I am sure that all of our prayers are with the troops and their families.

Terrorism has been at the forefront of our minds since the terrible attacks on September 11th.

While the United States has made great strides in weakening al Qaeda's capabilities to wage terrorist operations, I believe more must be done to eliminate future attacks in the United States and on our interests abroad.

I hope the focus on Iraq does not take away from the "war on terrorism."

Afghanistan remains a dangerous place and the Administration must continue to work alongside our allies to ensure that it never becomes a haven for terrorist activity again.

Another issue that must be addressed is the willingness of this Administration to ally our nation with authoritarian regimes.

The United States must not support regimes that abuse human rights and stifle the freedom of their people.

We must not put our immediate interests in front of our long-standing values.

For example, I point to the Pakistan and the situation in the disputed region of Kashmir.

Last year when President Bush called on General Musharraf to stop incursions into India by Islamic militants, we saw a lull in the violence.

However, as we have all seen, these incursions have started again with the murder of 24 Hindu's.

President Bush needs to tell General Musharraf that he must keep his word and stop these incursions.

Additionally, I am concerned that the Middle East Peace Process is not getting the attention that it deserves.

More needs to be done to move the peace process forward and I hope the Administration reinvigorates the peace process so Israel can lead a safe and secure existence.

I look forward to hearing you discuss these issues as well as terrorist financing and assets and thank you for coming to brief us today.

Thank you

PREPARED STATEMENT OF THE HONORABLE NICK SMITH, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MICHIGAN

I want to thank Chairman Gallegly for holding this hearing today to provide us with an introduction to International Terrorist organizations. I would also like to thank our distinguished witnesses for joining us.

This is the first meeting of a new subcommittee. Its very existence represents the changing reality of the international situation. Our jurisdiction is not a region, but a set of issues, international terrorism, nonproliferation, and human rights, that, since September 11th, have forced us to completely reinterpret our foreign policy. Today we are fundamentally engaged with these issues. We come here as leaders

of a country fighting several wars. Our sons, daughters, and even one of our fellow Members, are fighting in Iraq to limit the proliferation of weapons of mass destruction and liberate the people of Iraq. We are also fighting a broader war to rid the world of terrorism. These wars react to a new threat that is not a threat of nation against nation, but a threat that is global and diffuse.

This new reality requires a new response with new strategies. These threats did not exist in the Cold War. The United States and the Soviet Union had an interest in maintaining strong states. But now there are rogue states, failed states, and regions of otherwise functional states that are controlled by terrorists and criminals. International terrorism may start in many places, but it grows and ferments in the absence of power. These locations are where international terrorism breeds its hate. We must understand the preconditions, the ideology, and the mechanics behind the formation of these organizations. We must also understand how they sustain themselves and how they reach out to other organizations. To achieve peace, we must disrupt every part of the life cycle of these organizations and at the same time be more effective with our diplomacy.

Again, I would like to thank the Chairman for bringing us together for the first stages of this project. Our goal is nothing less than the organizing principles for a post-Cold War international system that can react to the post-Cold War world we are now in.

