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Financial Aspects of the International Coalition's War on Terrorism: Steps Toward Leadership for the OSCE

Earl Anthony Wayne, Assistant Secretary for Economic and Business Affairs

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(As Delivered)

Thank you, Mr. Lopes-Aleixo for this opportunity to speak. First, I would like to express my special thanks and gratitude to Secretary General Kubis and to the Office of the Economic Coordinator for their initiative in envisioning and hosting today's special session, and in advance to the Portuguese Chair for organizing the meeting on June 12. I very much regret I was not able to be here in Prague for the opening of this Forum.

I know discussions here over the past few days have centered on cooperation and confidence building as a means of enhancing security. With respect to cooperation on water, we learned that cooperation on technical issues of mutual interest is often possible when dialogue on other issues is difficult. As Ambassador Minikes noted at the beginning of the plenary session, the United States places great importance on the Economic and Environmental Dimension of the OSCE, and we believe this serves to promote the proper functioning of economies, prudent use of environmental resources and transparency in government. Engagement on environmental issues can promote cooperation and build confidence more broadly. Again, I would like to congratulate the Portuguese Chairmanship and the Office of the Economic Coordinator for their work on water issues over the past year. Such work is a reflection of the OSCE's comprehensive approach to security, in its economic and human aspects as well as its political-military ones.

Openness and transparency are also a very important theme in today's special session: the OSCE role in combatting terrorist financing. I hope to express briefly how, as part of the international coalition's assault on the financial dimensions of terrorism, the OSCE can contribute to, and help lead, that multilateral effort. I then look forward to hearing from panelists and other members during the course of today's session what you and your governments have to say about the role of the OSCE in the financial aspects of our joint struggle against terrorism.

First, I am struck that so many of the same anti-terrorist themes we will be addressing here today recur in virtually every meeting, conference or encounter between governments today. In its broad outlines and common goals, the dialogue we are having in Prague and within the OSCE is also being conducted in capitals, chanceries, legislatures, newsrooms, cafes and living rooms in our home countries. Since the events of last September in the United States, nations and peoples everywhere are engaged with a remarkable sense of unity in a struggle to understand and to overcome the common threat which global terrorism represents.

I'd like to review with you some of the financial and economic aspects of our collective campaign, with specific reference to the actions and goals of the United States and the United Nations, and then address current roles and potential leadership of the OSCE in this effort.

Our collective effort must place high priority on the combatting and suppression of terrorist financing – choking off the resources that make the horrific events like those of September 11 possible. My own Government, based on the work of our policy coordinating committee which brings together the Department of State, the Department of the Treasury and many others, has designated and blocked the assets of more than 210 organizations and individuals because of evidence linking them to international terrorism. This has been an intense and integrated diplomatic, law enforcement, and intelligence effort. As of now, over 160 nations are also taking action to prevent money from reaching terrorists. The U.S. has frozen some \$34 million in assets linked to those who support terrorists, and the rest of the world has blocked an additional \$80 million.

While we are engaged in the effort to staunch terrorist financing and disrupt terrorist networks, we are also mindful of the human dimension of the war on terrorism and of the need for institution building and creating the basis for stability – a sense of normality – where the conditions breeding terrorism have been worst. In this regard, I would like to mention the efforts the U.S. has taken while co-leading the efforts to help the Afghan Interim Authority and the international community to rebuild Afghanistan's shattered economy. In January of this year, in Tokyo, the United States pledged nearly \$300 million to help Afghans with relief and reconstruction, focusing on health, education, food and agriculture, water and sanitation, refugee relief, transportation, and narcotics control among other vital areas. It's important to remember that this official assistance is in addition to generous humanitarian assistance that we have provided the Afghan people for decades – over \$1 billion since 1979. And of course there are also many private donations and other expressions of support by Americans.

The needs in Afghanistan are difficult to exaggerate, however. We have already obligated almost all of the \$300 million pledged in January, and recognize that much more remains to be done. For this reason, we asked our Congress for an additional \$250 million in foreign assistance for this year to help Afghanistan in rebuilding its roads and bridges, training its army, and helping it fund the essential functions of government.

Now, of course, the onus of rebuilding Afghanistan remains with the Afghans, but we, and you around the table, must offer a helping hand outstretched. We encourage all other nations to do the same. It is time to recognize that this affects us all and dig deep into our pockets again, and deliver on assistance to this troubled land. It is in our collective interest, and in our individual national interests, to help the Afghans rebuild a stable nation free from terrorism and drug trafficking, and to offer a better future to its citizens.

The efforts of the international coalition to establish stability and support economic growth and transparency complements very much the fight against terrorism. As President Bush has said, "Poverty doesn't cause terrorism. Being poor doesn't make you a murderer... Yet persistent poverty and oppression can lead to hopelessness and despair."

It is failed states and nontransparent financial sectors that can become havens for terror, while countries which enjoy healthy, growing economies which promote transparency and the rule of law tend to be more stable, and better able to contribute to peace. Economies that are rules-based promote opportunity and jobs and give hope for the future. Likewise, transparency and the rule of law applied to nations' financial systems also promote prosperity, thereby countering the conditions that terrorists can exploit. Transparency in a country's financial system makes it more difficult for that country to be manipulated, in regard to raising, transmitting or distributing monies associated with terrorism.

The international and mutually interdependent nature of the anti-terrorist effort has been widely discussed, but it cannot be stressed too much, and we in the United States understand this deeply. Anti-terrorist measures by the United States and our many coalition partners are keyed to international standards and to obligations embodied in the United Nations resolutions (both those before the attacks of 9/11 and after those attacks) and in the 12 UN treaties related to anti-terrorism. The United States is a party to or has already signed and is poised to ratify all 12 of these conventions.

The OSCE has made clear its unconditional support for these sources of international authority in its Bucharest Plan of Action, adopted by our ministers in December of last year, which endorses the affirmative obligations of UNSCR 1373. It is worth recalling that UNSCR 1373 is a truly far-reaching document, both in its condemnations of terrorism, and even more importantly in the affirmative obligations it creates for all UN States under Chapter VII of the UN Charter to increase international cooperation and to bolster each member state's own domestic regimes against terrorism, including action against terrorist entities, their assets and their financiers. The Bucharest Plan of Action also commits OSCE members to apply efforts to become parties to the 12 UN anti-terrorism conventions by December 31 of this year.

On the financial front, the interdependent nature and inherent fluidity of financial markets make our joint reliance on, and compliance with, international standards especially important if we are going to be able to build and sustain our collective efforts to deny funding to terrorists.

The OSCE-UN joint meeting in Bishkek was an important early step in this effort. There states committed to work toward and consider implementing the standards of financial accountability and transparency embodied in the Financial Action Task Force's (FATF) 40 Recommendations on Anti-Money Laundering and its Eight Special Recommendations on Anti-Terrorist Financing.

FATF in October 2001 called on all nations to submit national self-assessments regarding FATF's eight "Special Recommendations on Terrorist Financing." The United States, in its role as a member of the OSCE, has proposed that all OSCE states commit to completing and submitting FATF self-assessments by September 1, 2002. This is a simple step but an essential step toward building national financial and legal regimes which meet international standards for accountability and transparency. The United States very much hopes this proposal can be adopted by the OSCE as soon as possible, and I urge the Permanent Council to take action promptly in Vienna to this end. It would represent progress indeed if the international coalition, and the OSCE as a leading multilateral member of that coalition, could mark the one year anniversary of the attacks on the World Trade Center and Pentagon by submitting this self-evaluation. We must all take stock of our respective national regimes against exploitation by the perpetrators of terror and to cut off terrorist funding.

Following such collective stock-taking, "upgrades" and capacity-building efforts within the OSCE for financial systems in need should follow. This will result in a strengthening of national capabilities to block terrorist financing. Such strengthening has an important additional benefit: the receiving states will also greatly improve the flexibility and transparency in their financial systems and could expedite their integration into the world financial community.

In this regard, the OSCE Secretariat has the capability to work with field presences and outside experts to coordinate regional training for states on the FATF recommendations and other instruments related to terrorist financing. Such field capabilities, in combination with the broad credibility and reach of the OSCE, give the organization a potentially vital role to play in helping its participating States implement the obligations of UNSCR 1373 and to strengthen counter-terrorism capabilities in general.

Regarding the OSCE's anti-terrorism role, it is important to build on ongoing OSCE work in other areas, in the rule of law, law enforcement, police training and judicial and legislative reforms. Increased effectiveness in these areas – in addition to being important in its own right – constitutes an important front line defense against terrorism and other criminal activities that provides support to terrorists.

I would like to offer one additional proposal, not related to terrorist financing, for consideration by the OSCE Economic Coordinator. It is made within the context of the OSCE Economic Dimension and is aimed at the overarching goal of enhancing economic growth. We propose working with OSCE field presences to organize, beginning in Central Asia, and then extending to other areas of the OSCE, training for aspiring entrepreneurs. We propose organizing visits by American and other OSCE-nationality businesspersons to run workshops providing basic exposure to and training in business planning and operations norms and practices. This would include a strong focus on a private sector audience, with an emphasis on small and medium-sized businesses, especially those requiring little start-up capital. The aim would be to strengthen general entrepreneurial skills within the population and to identify entrepreneurial opportunities for trainees, especially those with limited capital or previous entrepreneurial experience. Additionally, we could work with local business and government officials to identify and mitigate impediments to business development. I very much hope this idea can seriously be considered for implementation in the meantime.

To sum up, there is a widespread understanding that the current terrorist threat has no boundaries. Virtually every nation realizes that it must fight the threat using all available means. The key message about the horror of 9/11 is that it represented a threat to our way of life. President Bush has called on all nations to unite in a coalition and to use every element of national power to fight this threat. Diplomacy helped build the coalition that exists today, and our diplomatic efforts must expand as the al-Qaida network seeks to relocate and regroup around the world. Our mutual efforts to dry up terrorist financing began before the start of Operation Enduring Freedom and have prevented many millions of dollars from reaching terrorists, but only a sustained effort will shut off the terrorist-funding pipeline. Attention tends to fade over time, but the world cannot afford to retreat from the campaign against terrorism.

Despite our early, and encouraging, successes, the fact is that we are just beginning this campaign, and there is still much work to be done.

I thank you very much for your attention. I look forward to fruitful discussions and concrete agreement on what the OSCE can achieve to combat terrorist financing.

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