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## Memorandum

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Participants – State: Assistant Secretary Francis (Frank) Taylor, John-Alex Romano,

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On December 23, 2003, we interviewed Assistant Secretary Frank Taylor at a SCIF/conference room adjacent to his office at the Department of State. Approximately 45 minutes were spent on diplomatic/strategic questions proposed by Len Hawley (Team 3) and approximately 45 minutes were spent on terrorist financing. The following memorandum provides a summary of what I consider the most important points on terrorist financing covered in the interview, but is not a verbatim account. (Len Hawley is writing a MFR for the remainder of the interview.) The memorandum is organized by subject and does not necessarily follow the order of the terrorist financing portion of the interview. All information in this memorandum was provided by the witness during the interview unless stated in brackets.

Taylor is currently Assistant Secretary of Diplomatic Security. Prior to this position, which he assumed in November 2002, Taylor served as the Coordinator for Counterterrorism ("Coordinator") from July 2001 – November 2002. Taylor comes from a military background, spending 31 years in the US Air Force, achieving the rank of Brigadier General. Much of his work from 1992 – 2001 in the USAF involved counterterrorism and counterintelligence issues.

Upon assuming the post of Coordinator, Taylor's impression was that the CT community was more focused and tightly knit than the CI community. Taylor attended CSG meetings. Within days, Taylor changed the way the Coordinator received intelligence: he received daily morning briefings by INR. Taylor stated that a military commander is never satisfied with the quality of intelligence. He felt that pre 9/11 and in the months immediately after 9/11 intelligence was not as focused as it is today. The IC has improved how it packages and provides intelligence to the consumer.

Before 9/11 Taylor recalls some intelligence reports about money flowing from Saudi Arabia to al Qaeda, UBL money stashes, UBL holding companies, etc. He said that the intelligence on terrorist financing was not actionable during that time. Taylor understood in the summer 2001 that UBL continued to be very wealthy, had wisely invested his money around the globe and was providing cash for AQ. At the same time

AQ and UBL were also raising money through donations. He pointed out that this was about his level of detail at the time. It was not until after 9/11 when he became more aware of AQ's finances; previously he suspects OFAC was paying attention to the issue but they were not a part of CSG pre 9/11. The role of the Saudis came through post 9/11. Taylor and others learned more once the PCC structure was put in place. Members of Taylor's staff attended the PCC meetings; Taylor himself attended the CSG meetings. Taylor said he did not read CTC reports.

[After 9/11,] [check] Taylor created a terrorist financing unit within S/CT to work with EB and OFAC to better understand where AQ's money was coming from and how the USG might go after it post 9/11. Taylor perceived that State needed the capability to help the interagency community on terrorist financing issues. Taylor noted that he did not have sole responsibility for policies but rather he and his office were to serve as an interagency coordinator on TF issues. He received the support he needed for this new S/CT unit from within the State Department. His total S/CT staff was initially small but grew to 60-100 people after 9/11.

Taylor recalls focusing quite a bit on whether AQ used diamonds to move and store value. He brought in former senior ambassador, Joe Melrose, to work on the issue in the summer 2002. During Taylor's tenure, Taylor said the IC and the TR community were split on the issue. Eastham worked the issue at EB. Representative Wolf was very involved and called Taylor to the Hill to testify.

Taylor said that TF ranked equally with other issues in the overall global strategy during his tenure as coordinator. However he only had three people working the issue since EB, CIA, Treasury, etc. were also covering TF. He said the numbers were sufficient to help him understand the issues for the purpose of serving his role as interagency coordinator. Taylor did not encounter obstacles post 9/11 to raising TF issues; it was a "no brainer" after 9/11. The interagency discussions were about which techniques to use in CTF, not whether to go after TF. Interagency discussions are the nature of bureaucracy and Taylor would not have it any other way because it produces the best (i.e., not singleminded) policies for the nation.

With respect to strategic issues relating to the Saudis and TF, Taylor said that there was an on-going debate over whether to use the "hammer" or the "cloth", i.e., whether to shame the Saudis publicly or engage them in quiet cooperation. He noted that some Saudi charities ended up on designation lists and others did not [implying that both strategies were used]. In his opinion, there was not as big a chasm between the agencies on this issue; differences were more in degree or based on experiences with how different governments might respond. He said he was not denied a say in the policy discussions on the SAG strategy.

On Al Haramain, Taylor compared it to United Way which has many branch offices. If the Northern Virginia office of United Way is not doing its job, do you destroy the whole organization? In Taylor's view the USG should only attack the part of the organization that is involved in the illicit activity and is clearly operating outside its

charter. Taylor also mentioned that there is some question of the rights of Saudis to donate to charities of their choice. He recalled seeing intelligence that certain parts of Al Haramain and other charities were funneling money to terrorist organizations but the clarity of the evidence [presumably whether it was actionable] was a challenge. He did not have the sense that the entire organization was corrupt. Taylor recalled a debate over designating Al Barakaat but only in the context of how to provide the Somali community with an alternative channel to transfer funds if Al Barakaat were designated. Taylor did not remember conversations about BIF/GRF.

Taylor recalled many opinions about the quality of the Saudi effort in the war on terrorism. In his view the SAG provided us with the support we requested but they were reluctant to take actions that impinged upon their religious sensitivities. As Taylor said, convincing people that they have a problem is often not as self-evident to them as to us. The Saudis were cooperative but ultimately in strong denial. The USG was providing sufficient intelligence but it was not enough to convince the Saudis to take action. The USG was not pleased with the Saudis' policy response and therefore Taylor traveled to Saudi Arabia in October 2002 with David Aufhauser to try to set up a joint working group with the Saudis. The focus of the working group was on establishing operational level discussions. Taylor [and others] thought these would be a more effective way to discuss issues because the politics of SA were such that it is hard for the government to hear certain things. The operational types can sometimes build bonds that the policy people cannot. The goals of the working group were to exchange information, better understand the terrorist financing regimes working through Saudi Arabia, and build political support for CTF in the region. The working group was seen as one way to keep CT from being perceived as a struggle between Christianity and Islam.

In some respects AQ did themselves a disservice by the bombings in Riyadh on May 12, 2003; they brought home the reality of the threat to the SAG and reinforced what the USG had been trying to tell the Saudis. Taylor said that without May 12, the USG would have had to keep hammering the Saudis about these ideas. [Taylor did not say that he would have done anything differently in approaching the Saudis.]

Immediately after 9/11 there was a focus on designating entities and individuals as terrorists or supporters of terrorism. Taylor did not think there was "pressure" to designate from the leadership; rather the EO and the UN listing process were the TF community's newest tools so they wanted to use them. Designations can be effective and ineffective. Taylor said freezing asset might be ineffective if it would be better to take down a group or individual quietly or use some other tool. (Taylor likened it to choosing which bomb to use in a particular theater in war.) Designations dropped 6 months after 9/11 because, Taylor believed, the USG had listed all the obvious targets. It became more difficult as well because AQ adapted and it simply became harder to find the money. As a result, the USG needed to gather new intelligence to understand AQ's new methods.

Taylor emphasized that fighting TF needs continual international support to succeed. Taylor believes that the UN's CTC lost steam when Jeremy Greenstock left the

position after his appointed term. UNSCR 1373 is a seminal international document because it forbids support of any terrorist group, not just AQ, and requires governments to crack down on support for all such groups. Taylor thinks the UN should have focused on capacity building in conjunction with stiffening the legal standards because it would have gone a long way to sustaining the momentum.

Taylor pointed out that S/CT brings capacity building to the CT fight. On TF capacity building, Taylor served as the referee in fights between OTA (Treasury) and State on the direction of the USG efforts. Most of these disputes were rooted in agency finances and resource allocation. S/CT had a more focused program, trying to assist the front line states. Taylor started working on capacity building issues as soon as he arrived at S/CT in the summer 2001 as his office was building its budget for 2002. He was already trying to increase resources for capacity building, and then 9/11 brought even more resources for S/CT's programs.

Taylor thinks the TF story will ultimately be a positive one. The pre/ post 9/11 story is one of intensity not commitment. The commitment was there pre 9/11 but the intensity increased after 9/11. Taylor said the tools for fighting TF were and are pretty good.