Transcript

Kidnapping for Ransom: The Growing Terrorist Financing Challenge

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Remarks as prepared for delivery

David Cohen:

Thank you to Chatham House for hosting this programme on kidnapping for ransom.

It is certainly fitting that I join you here, at Chatham House, to discuss the serious threat posed by kidnapping for ransom and to explore the policy options available to counter this growing form of terrorist financing.

Chatham House, true to its tradition of bringing thoughtful analysis to the most difficult international policy and security issues, has been a leader in this issue as well, having published this summer a series of insightful 'discussion documents' on the closely-related challenge of piracy off the coast of Somalia.

In my view, the clear-eyed, 'all options on the table' approach exemplified by that series is precisely the right approach as we devise better and more effective policies to countering piracy for ransom, kidnapping for ransom, and the broader phenomenon of terrorist financing.

Combating these forms of illicit finance requires constant vigilance and an adaptive approach, because the threat is both persistent and ever-changing.

In some respects, there is encouraging news on terrorist financing.

Since 9/11 and 7/7, the 2005 suicide bombings in London, the international community has achieved major successes in limiting terrorist financing.

Osama bin Laden and several of his key financial lieutenants, including Saeed al-Masri, Atiyah Abd al-Rahman, and Abu Yahya al-Libi have not lived to see the most recent anniversaries of their most brutal attacks. Their deaths, along with international efforts to combat terrorist financing, have degraded the ability of Al-Qaeda's central organization, its 'core', to raise funds and carry out new attacks.

Indeed, over the past decade, close cooperation among governments in Europe, the Gulf, and elsewhere, as well as between governments and the private sector, has enabled the international community to take great strides in defeating more traditional methods of terrorist financing.

The less encouraging news is that while Al-Qaeda has experienced a decrease in funding, its affiliates in the Sahel and Yemen are doing better financially, in large part by raising enormous sums of money through kidnapping for ransom, or KFR.

But before I turn to the challenge of KFR itself, I want to highlight the importance of the change we have seen in Al-Qaeda's organizational structure over the last few years.

The ability of Al-Qaeda's core to direct the activities and attacks of its affiliates has diminished, with those affiliates increasingly setting their own goals, specifying their own targets, and providing jihadist expertise.

The constant pressure that governments have applied to Al-Qaeda's core has made it more difficult for Al-Qaeda to fill leadership positions, and so contributed to a general weakening of the hierarchical relationship between the core and the affiliates.

Today, as a result, the affiliates resemble independent franchises that take inspiration from Al-Qaeda's core and attempt to advance the basic objectives of the broader organization, but that act on their own time-table and in ways that respond primarily to local concerns and conditions.

The nature of the current relationship between Al-Qaeda core and its affiliates is also reflected on the financial front.

Al-Qaeda's core is not in the position to provide generous funding to its affiliates, such as Al-Qaeda in the Lands of the Islamic Maghreb (AQIM) operating in the Sahel and Al-Qaeda in the Arabian Peninsula (AQAP) operating primarily in Yemen. Instead, these Al-Qaeda offshoots are self-sufficient, raising their own funds and themselves providing support to the next generation of violent groups.

In response to this new reality, governments have had to adapt, keeping one eye on the struggling Al-Qaeda core and the other on its strengthening affiliates.

Spotting the Warning Signs: The Growing Threat from the Al-Qaeda Affiliates

Today, especially in Mali, but also to some extent in Yemen, we see these Al-Qaeda affiliates gaining strength. And at the root of their strength is the money they have amassed, including, importantly, through kidnapping for ransom.

Kidnapping for ransom, of course, is neither terribly sophisticated nor even all that novel. Indeed, examples of KFR date back to biblical times.

Today, we see terrorist groups like AQIM and AQAP, sometimes in coordination with local criminals, take foreign nationals hostage, and then

demand that their victims' governments, employers, or families pay huge sums of money – and perhaps make other concessions – to obtain their release.

Those taken hostage run the gamut, from aid workers to tourists, from employees of private companies to diplomats or other government officials.

AQIM and AQAP have turned this age-old tactic into a successful money-generating scheme, turning kidnapping for ransom into our most significant terrorist financing threat today.

The numbers speak for themselves.

The US government estimates that terrorist organizations have collected approximately $120 million in ransom payments over the past eight years.

AQIM, the Al-Qaeda affiliate that has likely profited most from kidnapping for ransom, has collected tens of millions of dollars through KFR operations since 2008. It raised significant funds from kidnapping for ransom operations in early 2012, and was holding nine hostages as of the middle of last month.

For its part, AQAP has collected millions of dollars through kidnapping operations since 2009, and was holding two hostages as of this past August.

And kidnapping for ransom is not confined to these Al-Qaeda affiliates.

Tehrik-e Taliban Pakistan has raised several million dollars in ransoms in recent years. And the Philippines-based Abu Sayyaf Group, which relies primarily on criminal activity for its funding, has obtained more than $2 million in ransom payments since 2008.

What's worse, the size of the average ransom payment is increasing. In 2010, the average ransom payment per hostage to AQIM was $4.5 million; in 2011, that figure was $5.4 million.

It is therefore not surprising that the size of ransom demands appears to be increasing, too, with AQIM reportedly demanding £70 million for the release of four French citizens taken hostage in Niger in September 2010.

Such demands may also be evolving beyond ransoms to protection money. One Al-Qaeda affiliate was planning to extort substantial annual payments, amounting to millions of euros a year, from a European-based company, in exchange for a promise not to target that company's interests in Africa.

Now, as disturbing as these numbers and trends are, even more disturbing is what terrorist groups do with the money they obtain from kidnapping operations.

They use ransom money to help fund the full range of their activities, including recruiting and indoctrinating new members, paying salaries, establishing training camps, acquiring weapons and communications gear, staging deadly attacks, and, as I noted earlier, helping to support the next generation of violent extremist groups.

Thanks in part to ransom payments, AQAP has amassed the arms and recruits to terrorize parts of southern Yemen, and has started to institute harsh punishments for violations of Sharia law, including public executions of uncooperative tribal leaders.

Even more dramatically, ransom money is supporting the expansion of AQIM's influence and control in northern Mali, which it is using as an active area of operations as well as a safe haven.

Within AQIM's safe haven, the residents and historical treasures of Mali have been anything but safe.

AQIM and its allies have destroyed UNESCO World Heritage sites in Timbuktu, including sacred Sufi shrines. There are also reports of AQIM planting mines around the ancient city of Gao.

And they have begun to enforce a particularly severe form of Sharia law, cutting off the hand of an alleged cattle thief and stoning to death an unmarried couple with two children. In the meantime, thousands of northern Mali's residents have succumbed to hunger and disease.

Moreover, it has become increasingly clear that AQIM is using revenues from kidnapping for ransom to expand its reach and influence.

As of earlier this year, AQIM was expected to provide hundreds of thousands of dollars in financial support to other Africa-based extremist organizations.

The Vicious Cycle of KFR: Ransoms Lead to Future Kidnappings and Future Attacks

Sir Arthur Helps once wrote, 'nothing succeeds like success.' That observation rings true, unfortunately, for terrorists turning to kidnapping for ransom to raise the funds they need to maintain and expand their operations.

Simply put, kidnapping for ransom has become today's most significant source of terrorist financing because it has proven itself a frighteningly successful tactic. Any payment of ransom provides an incentive for further kidnapping operations; each transaction encourages another transaction.

Making matters worse, the success of today's kidnappers attracts the attention of tomorrow's would-be kidnappers, who then seek to learn the tricks of the trade.

We know this to be true. In late 2011, AQIM shared the strategies and tactics it used in kidnapping operations with other extremist groups.

This is a genuinely vicious cycle.

Ransom payments lead to future kidnappings, and future kidnappings lead to additional ransom payments. And it all builds the capacity of terrorist organizations to conduct attacks.

We must find a way to break the cycle.

Refusing to pay ransoms or to make other concessions to terrorists is, clearly, the surest way to break the cycle, because if kidnappers consistently fail to get what they want, they will have a strong incentive to stop taking hostages in the first place.

There is empirical evidence to support this.

We know that hostage takers looking for ransoms distinguish between those governments that pay ransoms and those that do not – and make a point of not taking hostages from those countries that do not pay ransoms.

As a matter of long-standing policy, both the US and UK governments do not pay ransoms or make other concessions to kidnappers.

And recent kidnapping for ransom trends appear to indicate that hostage takers prefer not to take US or UK hostages – almost certainly because they understand that they will not receive ransoms if they take American or British hostages, and because they fear a kinetic response if they do.

Indeed, our information reveals that in 2011, AQIM was planning to target mainly Europeans, not Americans, for kidnapping operations because AQIM believed that some European governments would pay ransoms while the US government would not.

That does not mean that the US government abandons its citizens who are taken hostage. Far from it.

Last January, for instance, US Special Forces rescued a European and an American aid worker taken hostage by Somali gunmen, killing all nine kidnappers.

That kinetic response demonstrated US resolve, and put would-be hostage takers on notice that they should not expect the United States to abandon either its citizens or its commitment to make no concessions if they take Americans hostage.

Protecting All Innocent Lives

Now, however straight-forward the 'no concessions' policy may be – and however committed my government is to implementing it – let me assure you that we recognize the real and painful choice that is involved in every hostage situation.

There is, of course, a vitally important human dimension to this issue.

Governments have a solemn obligation to safeguard the lives and well-being of their citizens. Employers have a duty to protect their employees. And the families of those taken hostage are impelled by unbreakable bonds to seek the release of their loved ones.

In that sense, the governments, employers, and families of hostages all face a gut-wrenching dilemma. Not to pay ransoms to terrorists is to jeopardize innocent lives. But to pay ransoms is to help sustain terrorist groups that are dedicated to taking many other innocent lives.

We acknowledge this dilemma – this tragic choice – but believe that so many lives are at risk of terrorist violence around the globe that the equation tips decidedly in favour of a 'no concessions' policy.

Treasury's Multi-Faceted Efforts to Counter KFR

Of course, the United States' efforts to counter kidnapping for ransom go well beyond our no-concessions policy. They begin before any US citizen is taken hostage, and they continue beyond the resolution of any hostage crisis. To be clear, President Obama has demonstrated that the United States is committed to fighting kidnapping for ransom. US policy is to actively deny hostage takers the benefits of ransom, prisoner releases, policy changes, or other acts of concession.

In Africa, we are working with those governments most vulnerable to kidnapping for ransom, especially in the Sahel. Our aim is to help governments develop the legal and regulatory framework, as well as the operational capacity, for effective anti-money laundering and counterterrorist financing regimes.

Put plainly, the US Treasury Department works with vulnerable states to ensure that they criminalize the financing of terrorism according to international standards, and that they are able to identify and freeze terrorist transactions and assets.

We do this because we know that the financial tools necessary to identify, trace, and even intercept terrorist funds are vital to combating kidnapping for ransom.

But you need not take my word for it.

Less than two weeks ago, the Nigerian press reported that an accountant for the violent extremist group Boko Haram had been arrested after he made several money transfers that aroused the suspicion of bank officials. Those officials alerted security agents, who took both the accountant and an associate into custody.

The pair was reportedly carrying over £17,000 worth of cash.

Here's another example. Three journalists and their guide were kidnapped in the southern Philippines, having mistakenly believed that they had received safe passage to interview the leader of a terrorist group. A local mayor and his son helped negotiate an initial ransom payment of $45,000.

As part of a subsequent investigation, the Philippine Anti-Money Laundering Council came to suspect that the terrorist group had orchestrated the journalists' kidnapping with help from an unlikely source. Thanks in part to the cooperation of bank officials, approximately $45,000 was ultimately recovered from accounts belonging to that same mayor and his son.

The larger point is that Treasury and others' longer-term efforts to help governments around the world develop and employ basic anti-money laundering and counter-terrorist financing tools have already borne fruit.

Meanwhile, Treasury will continue to employ its own financial tools to disrupt kidnapping for ransom and the terrorist groups that use KFR, including by identifying and sanctioning hostage takers and their associates.

Whether associated with KFR or not, terrorists sanctioned or 'designated' under US law are not only publicly identified, but they are prevented from using the US financial system. Many non-US financial institutions voluntarily forbid designated terrorists from transacting or holding accounts out of a desire to protect their integrity and reputations. And terrorists who are also designated at the United Nations are subjected to a global asset freeze, as well as a worldwide travel ban.

Prevention, 'No Concessions', and Denial of Benefits

Of course, as important as these actions are, Treasury is only one part of the broader US government effort. And the broader US government effort is only one part of the worldwide effort that will be necessary to defeat kidnapping for ransom.

You see, if only a few, like-minded governments join in adopting the measures I have described – including 'no concessions' policies – the result could simply be that hostage takers turn their attention elsewhere, perhaps to the citizens of countries they view as more likely to pay ransoms.

So our goal is not to strengthen only our own defences, while leaving others to fend for themselves. Our goal is to force terrorist groups to abandon kidnapping for ransom by strengthening all of our defences.

The way we see it, we have three primary lines of defence against kidnapping for ransom.

Our first line of defence is prevention.

The foundation for prevention has already been laid. More than 160 countries, including all members of the European Union, are obligated to cooperate in the prevention of hostage-taking under the 1979 International Convention against the Taking of Hostages.

But this is as much a practical necessity as it is an international legal commitment. There is no better strategy to counter KFR than to keep potential victims out of harm's way in the first place.

In the piracy context, shipping industry organizations and navies from around the world have collaborated to produce a set of 'best management practices' to help prevent hijackings. These practices appear to be working.

One of the Chatham House papers I mentioned earlier suggests that those ships that have implemented 'best management practices' – such as tracking and avoiding pirate skiffs, increasing speed near suspicious vessels, and being outfitted with razor wire or high-pressure sprays to prevent unauthorized boarding – may be four times less likely to be hijacked than those that have not.

Reuters recently credited defensive measures such as these as partly responsible for a drop of almost 50 per cent in incidents involving Somali pirates in the first half of this year as compared to the same period last year.

Given this success, it would seem to make good sense to develop a set of personal security best practices for the KFR context.

For example, governments should post – and relevant industry and professional associations should disseminate – accurate travel advisories concerning high-risk areas.

More generally, international organizations, corporations, and non-profits should train their employees to spot and evade danger, and insurance companies should continue to work with their clients to identify new avenues for mitigating risk.

And all of us must be willing to play our parts in helping to detect or disrupt kidnapping plots and to delegitimize the broader practice of kidnapping for ransom.

Governments can establish confidential tip lines and reward programmes and strengthen cooperation among national and local law enforcement and financial intelligence units.

Civic and religious leaders in areas prone to kidnapping for ransom can condemn the tactic and work to persuade hostage takers to release their victims without obtaining concessions.

And yet, we must recognize that we cannot prevent all kidnappings from taking place.

When prevention fails, our second line of defence is to encourage governments to refuse to make concessions to terrorists. As I discussed earlier, there is no question that ransoms lead to both future kidnappings and future attacks, so we need to break this vicious cycle by having governments, in particular, refuse to pay ransoms.

In parallel, we should consider all other options, up to and including rescue operations where appropriate, to obtain the safe release of hostages.

In effect, we must convince potential hostage takers that the likelihood of payment is too low, and the likelihood of a forceful response too high, to make kidnapping operations worthwhile.

Still, we recognize that some ransoms may be paid.

When that occurs, our third line of defence is 'denial of benefits' – preventing hostage takers from enjoying the proceeds of their crimes.

Hostage takers cannot enjoy the proceeds of their crimes if they are behind bars, or, as in the case of that Philippine mayor and his son, if the ransom money they received is frozen or recovered.

So governments must work with the private sector to locate, arrest, and prosecute hostage takers, and to locate, freeze, and recover their assets.

In an ideal world, hostage takers would be denied the benefits of their acts shortly after their victims are safely recovered.

But in the real world, denial of benefits may take time to achieve.

The identities of hostage takers are not always clear, not least because hostages may be passed within and among terrorist groups to complicate potential rescue operations. Meanwhile, hostage takers work hard to minimize their 'paper trail' by dealing primarily in cash and operating across porous borders in areas where the movements of both money and people are poorly controlled.

In other words, the struggle against kidnapping for ransom, like the broader struggle against global terrorism, is most certainly a long-term effort that will require us to outlast – and continually outthink – our enemies.

Conclusion

To be sure, combating kidnapping for ransom poses terribly difficult practical and moral challenges.

Preventing kidnappings in the first place and denying terrorists the benefits of ransoms if they are paid pose difficult practical challenges. But these practical difficulties are not insurmountable.

The moral question – namely, balancing the specific obligation to secure the freedom and safety of those taken hostage against the broader societal imperative of depriving terrorists of the means to plan and execute mass murder and oppression – is more difficult to resolve.

But at the end of the day, the obligation to deprive terrorists of the financial means to plan, develop, and execute their deadly attacks demands that we find a way to deny terrorists access to ransom payments. That includes, in our view, adopting and implementing a policy of refusing to pay ransoms.

That may be easier said than done, but it can be done, if we build the consensus and capacity necessary to do it together.

Thank you.