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Memorandum for the Record

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On October 30, 2003, we interviewed Steve Kashkett, currently Deputy Director, Office of Middle East Partnership Initiative (PI), Bureau of Near Eastern Affairs (NEA), State Department, for approximately 2 ½ hours. This memorandum provides a summary of what we consider the most important points covered in the interview, but is not a verbatim account. The memorandum is organized by subject and does not necessarily follow the order of the interview. All information in this memorandum was provided by Kashkett during the interview unless explicitly stated or indicated otherwise.

Kashkett graduated from the Kennedy School of Government at Harvard in 1983

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In 1988 he became a foreign service officer at the State Department and was stationed in Haiti as a political officer until 1991. From '91-'93, Kashkett worked at the US consulate in Jerusalem as a political officer and then from '93-'95 at the Morocco/Algeria desk at NEA in Washington, DC. In 1996, Kashkett moved to the Bureau for European Affairs and worked at the North Ireland desk. Kashkett was transferred to S/CT in 1998 and worked until the summer 2000 as a regional desk officer for Middle Eastern affairs. Within S/CT, from summer 2000- fall 2001, he was the Senior Advisor to the Coordinator for Counterterrorism. Kashkett subsequently became the Consul General in Halifax, Canada and is currently working at NEA/PI.

S/CT

Kashkett said that pre-9/11 S/CT was the main functional office working counterterrorist financing at the State Department. It devised State's CTF policy and had the specific responsibilities to designate entities as Foreign Terrorist Organizations and governments as state sponsors of terrorism. S/CT had to work with the geographic bureaus at State to make sure counterterrorist issues remained high on their agendas. Kashkett also said that S/CT was the primary liaison at State on CT with the intelligence community and the military. If the military or the IC needed to arrange anything in-

country [redacted] S/CT would work with the relevant embassy and host government to make it happen.

Pre-9/11 S/CT consisted of the coordinator for counterterrorism (who was Chris Ross when Kashkett arrived and shortly thereafter was Mike Sheehan), the regional affairs offices, a technical side for R&D, and current or ex-military types. Kashkett does not recall there being a training/assistance effort run out of S/CT. Terrorist financing received high priority within S/CT because it was an issue of particular concern for Mike Sheehan. Kashkett said that Mike understood that one of the keys to undercutting terrorists was to disrupt their financing.

Within State, the issue was to make the regional bureau see the merit of such an argument. Kashkett elaborated by saying that as a general rule, geographic bureaus are not eager to embrace new contentious issues that might rock the boat. There was resistance to CTF not in principle but because the geographic bureaus did not want to make any single issue a relationship-breaker. The normal challenge of the functional bureaus at State was to work their own issues but be sensitive to the concerns of the geographic bureaus. The tepid response of the geographic bureaus did not stop S/CT from reaching out to the diplomatic posts and issuing demarches to foreign governments.

The roles of the regional bureaus and the overseas diplomatic posts were important. Kashkett noted that, because its own information was spotty, the USG had to get information from the host governments before the USG could go forward with any action against an entity. The ambassadors had to make very strong statements about the USG's TF concerns and the importance of CTF to the USG before the host countries would entertain assisting the USG. Kashkett said the State department and the USG had mixed success on soliciting information from host countries. No specific individuals or bureaus stand out for Kashkett as more or less cooperative or more or less pro CTF.

Kashkett recalls that the Bureau for Economic and Business Affairs had an office with responsibility for CTF, although S/CT was the main State representative on this issue.

### **Interagency Process**

Pre-9/11 the interagency process was not a formal one. Kashkett said that Dick Clarke, who was head of counterterrorism at the NCS, had a strong interest in making CTF part of his agenda. He focused on bank accounts, charities, cut-out companies, and the governments that permitted them to be used for TF. The counterterrorist community clearly understood in '98/'99, according to Kashkett, that the USG had to deal with groups and state sponsors of terrorism by addressing their financing, or as Clarke used to say by "draining the swamp". NSC sponsored an interagency working group on terrorist financing in which State (S/CT, specifically Kashkett), Treasury, CIA, and FBI participated. Kashkett also thinks that individuals from NSA and DOD attended. The

[redacted] 9/11 Classified Information [redacted] It is Kashkett's view that Treasury participated more on a technical level and he has no sense as to where CTF fit in the

larger list of Treasury priorities. It did not strike Kashkett that the group was too limited in its agency representation. He reminded us that the entire counterterrorism community was only 250 or so officials at the time. The interagency group met every two weeks or so. On a couple of occasions the group sent missions to Saudi Arabia, UAE, and Kuwait although Kashkett himself did not travel. Kashkett recalls that the working group was primarily focused on Al Qaeda, even before the embassy bombings. The group was established some time before Kashkett arrived in S/CT, in the summer of 1998.

Kashkett notes that most people do not realize that the counterterrorist community was focused on UBL and Al Qaeda starting in the mid-1990s, much more than it was focused on Hamas/Hizbullah. Kashkett first noted that there was no disagreement at State or CIA as to the priority of terrorist financing, and then expanded that comment to include all members of the interagency working group on terrorist financing. The challenge of the working group was to find the money (estimates ranged from \$50 - \$350 million) that everyone knew UBL possessed

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Kashkett noted that Clarke tasked everyone to do everything all the time. Kashkett could not speak to Clarke's priorities because he emphasized everything across the board. In the working group, Kashkett said he never heard the CIA push back or argue that terrorism does not cost much so they should not be developing intelligence on it when tasked by Clarke. Everyone on the working group understood that Al Qaeda required resources.

The interagency working group had limited tools at its disposal. The main tool Kashkett discussed was designating entities as foreign terrorist organizations (FTOs). Initially the 1996 FTO legislation contained a static list of entities. Kashkett and others

realized in 1998-1999 that the list should be continually updated, by adding or dropping entities as applicable, so that it would be taken seriously. It was very difficult to designate entities as FTOs during the time when Kashkett was at S/CT. Specifically, charities were not themselves engaged in terrorist activities and the law at the time did not allow for designating supporters.

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There were two Executive Orders available for freezing assets but one was limited to those entities disrupting the Middle East peace process and the other was limited to Taliban-related entities and was not issued until later in Kashkett's tenure. Kashkett also pointed out that these are exclusively US laws and carry no weight beyond US borders. At the most they could serve as examples to other countries, illustrating that the USG has frozen assets and so should they. Kashkett said the UN was not involved in the designations process.

Kashkett briefly described the FTO designation process and said that it was probably similar to today's process. It involved three entities, State, DOJ and Treasury, although State was legally responsible for these designations with the requirement to consult with the other agencies. S/CT was responsible for drafting the administrative record supporting the designation. Treasury and DOJ reviewed the draft administrative records for potential legal issues. Their review was very extensive. Kashkett discussed one frustration with the statute: FTOs must be redesignated every two years, using new information and showing terrorist activity within those two years. Not every FTO, however, engages in terrorist activity on a continuous basis. Rather, an organization might be involved in institution-building for a period, which would not be evident to the intelligence community. Without overt activity, redesignations were a challenge.

Kashkett noted that sometimes policy issues arose within State with regard to designating an entity. For instance, when designating the Taliban as an FTO the issue arose whether it was legally defensible to designate the Taliban because it was a quasi-government entity rather than an organization. However, the USG refused to recognize the Taliban as a government so Sheehan's view was, why not designate it as a terrorist organization. Alternatively it might have been possible to treat Afghanistan as a state-sponsor of terrorism but there was no recognized government to sanction. Ultimately this dilemma led the President to issue the Executive Order freezing assets of the Taliban and related entities. It took until 1999 to designate Al Qaeda as an FTO and Kashkett recounted that while US officials knew of UBL and his actions throughout the 90s, Al Qaeda as an organization did not, from the perspective of US officials, take form until 1998-99. (The initial FTO list was formed in 1996 when the law was passed and not updated until 1999.) Once S/CT decided to start updating the list of FTOs as discussed above, Al Qaeda was one of the first groups designated in 1999. Once this was decided, Kashkett said there was plenty of information to use in the administrative record.

As a general point Kashkett said that the work of counterterrorist financing is all about finding ways to convince other governments to do things at the USG's request. Kashkett noted that "we weren't going to send in the special forces". NEA was unwilling

to use any "sticks" and the US was not providing aid, and therefore could not cut it off, to the Middle Eastern countries from which we wanted support. Kashkett does not recall any cover action being discussed at the working group meetings.

The working group was disbanded in mid-2000. Kashkett said it reached a "dead-end", i.e., governments were not cooperating and there was little more the group could do. Also, Will Wechsler of the NSC who had been the head of the working group left the NSC. At about the same time Kashkett moved out of the regional desk at S/CT to his role as Advisor to the Coordinator and admits he does not know if another group formed in the place of the original working group. Chris Ensley took Kashkett's place as the Middle Eastern regional officer.

### Saudi Arabia and UAE

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Members of the interagency working group, and the counterterrorism community generally, did not believe that the Saudi government or its officers were involved in giving money to Al Qaeda. They did believe, however, that the Saudi government had turned a blind eye to terrorist financing and did not make the tough decisions needed to stem the flow of funds to terrorists and to ensure that its institutions were not being used in this venture. Neither the interagency working group nor the counterterrorism community believed that senior members of the Bin Laden family were cahoots with UBL. Kashkett said that UBL was an outcast and the family had tried at times to "get him on the straight and narrow". The working group discussed Saudi-funded madrassahs and their impact in Pakistan, in particular. Kashkett said they tried to determine if the Saudi government knew it was creating UBL converts or it simply thought it was funding education. The working group did not feel that it could approach the Saudis about closing these schools because they are fundamental to the Saudi religion.

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More generally, Kashkett said that neither S/CT nor the interagency group ever got terrorist financing into the President's talking points for meetings with the Saudis or others. Kashkett does not recall if the Secretary raised terrorist financing issues with the Saudis or the UAE. He reminded us that much more was compartmented during those days, including intelligence and interagency memos, and the Coordinator may have been the only one to see information pertinent to CTF.

Kashkett also pointed out that with respect to the Saudis the USG was pressing them on several very important issues. Namely, the USG wanted the Saudis to cut off all support for the Taliban and to pressure them to expel UBL. At the same time the USG needed Saudi cooperation on the investigation into the Khobar Towers bombing. The Saudis arrested several individuals but resisted giving the USG access to them. Kashkett admits that these two other issues probably detracted from the USG efforts on CTF vis-à-vis the Saudis. Terrorist financing was "small potatoes" compared to the continued Saudi relationship with the Taliban. Kashkett does not believe there was an overall USG policy towards Saudi Arabia. Most people realized that the USG was walking a tight rope with respect to Saudi Arabia given our interests in the area (military bases, the high numbers of US citizens, etc.).

In some respects the fine line on Saudi Arabia is similar to the USG's fine line on Pakistan: we need Pakistani cooperation but we also want them to do as we request. Ultimately in both contexts, Kashkett said we cannot cut off the country because then we would not have any access. These are sovereign governments and the USG cannot make them do anything.

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**Intelligence**

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Kashkett said he did not know Clarke's opinion about the quality of the intelligence.

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Kashkett likened CT to fighting crime in a big city. It is possible to reduce crime but no one would ever expect the police force to eradicate it completely.

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### Post 9/11

Kashkett does not remember the 9/11 events changing his job much. The pace picked up but the substance did not change. Rather, everything became a bigger priority; all matters on CT and CTF were reaching the 7<sup>th</sup> floor of the State department. He worked mainly on 5 FTO designations for a couple of months before his new assignment in Canada began. The designation process was expedited post 9/11, and entities that had previously been undesignated were quickly designated. The USG concluded that it was vital to designate any entity remotely related to Al Qaeda.