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## Treasury's War: The Unleashing of a New Era of Financial Warfare

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Zarate, Juan. *Treasury's War: The Unleashing of a New Era of Financial Warfare*. New York: Public-Affairs, 2013. 512pp. \$30

A student once asked, “Why can’t Federal Reserve chairman Alan Greenspan just shut down the Iranian economy?” A discussion about the limited effectiveness of trade sanctions followed, but the student was more right than he or his instructor realized. New tools of financial warfare wielded by the U.S. Treasury and Justice Departments have been powerful against terrorists, criminals, and rogue states, at little economic or diplomatic cost. This is the case made by Juan Zarate in his latest publication. Zarate led such efforts as the Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes during the George W. Bush administration. Thereafter he served on the president’s National Security Council staff.

The conventional wisdom is that trade sanctions generally fail to make hostile regimes change course, because they rarely have enough multilateral support, are easy to evade, and are too blunt in the pain they inflict on target countries. Sanctions are even less useful against nonstate actors; there are no Al Qaeda products to boycott.

Financial weapons capitalize on three key differences. First, the global banking system is a choke point. Even clandestine groups need financial services; Al Qaeda may not have exports, but it does have bank accounts. Second, U.S. power is greater financially than economically. The United States represents only one-fifth of the world economy, but the dollar is the dominant reserve currency, and most international trade is settled in

dollars. Also, the United States has the largest financial markets, and the other big markets belong to like-minded allies. Foreign banks cannot risk access to U.S. markets and clearinghouse banks. Finally, access to the U.S. financial sector is under unilateral American control—U.S. regulators can bar American banks from doing business with firms involved in money laundering, drug trafficking, or terrorist support.

Zarate explains how U.S. agencies developed tools and techniques (a financial intelligence infrastructure) to trace the flow of money to and within groups of interest, whether the Sinaloa cartel or the Iranian Revolutionary Guard. Often the mere threat of public disclosure, let alone formal blacklisting, has convinced foreign banks to cease business with illicit groups, even banks in nations not friendly to the United States. Zarate details campaigns against targets like Al Qaeda, Hezbollah, North Korea, and Iran. He contends that financial tools severely disrupted the terrorist groups and pressured North Korea and Iran into negotiations. However, causality is far from proved (how effective were financial sanctions versus Iran’s growing diplomatic isolation?), but the case is plausible enough to take seriously.

There are limits to financial tools, and the United States could undermine its own advantages. To Zarate’s credit, he shows sensitivity to such concerns. Financial methods are powerful against small targets considered illegal almost everywhere (no rational bank would give up Wall Street for Al Qaeda’s checking account). North Korea and Iran can be pressured, but Zarate doubts—correctly, I think—that these regimes will give up their nuclear trump cards to escape

such pressure. Great powers are another matter, since the financial relationships are more symmetrical. One need only consider the United Kingdom's reluctance to limit lucrative financial ties to Russia in the wake of the Crimea crisis.

Dominant as America is financially, abuse of that power threatens the dollar's special role in global commerce. Zarate relates an anecdote about an event that took place in 2003, in which American officials proposed cyber attacks against Iraqi assets to penetrate bank computers around the world covertly and set Iraqi account balances to "zero." Treasury successfully argued that the plan would shatter confidence and outrage allies, but the proposal shows that not all leaders see financial weapons in a nuanced light. Nations have been slower than "realists" predicted to challenge the U.S.-led financial order, likely because the system has not harmed their interests. Freezing out terrorists is one thing, but if the world perceives the United States as using access to global finance as a reward for good behavior, the use of other currencies and development of alternative payment systems will leap ahead.

Zarate writes as a participant and advocate for the policy of financial statecraft and for the institution of the Treasury Department. One should not treat Zarate's account as definitive history (diplomats will likely disagree with Zarate's harsh take on the State Department), but it is a good, detailed account of how policy is made and implemented.

The book could be better organized. It is not quite chronological, not quite thematic, and sometimes redundant. The military will wish Zarate had said more about Treasury and Defense Department cooperation.

*Treasury's War* is a useful contribution, though clearly a participant's account and not a scholarly assessment. It will interest those trying to understand how economic tools can support national security goals.

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Wilson, James Graham. *The Triumph of Improvisation: Gorbachev's Adaptability, Reagan's Engagement, and the End of the Cold War*. Ithaca, N.Y.: Cornell Univ. Press, 2014. 264pp. \$29.95

This is an interesting and innovative look at the course of the Cold War. It is interesting in large part because Wilson's perspective is to look for the unscripted moments in the course of the conflict—the occasions when grand strategy, even policy, did not dictate outcomes. To a political scientist, this is a refreshing approach. Political scientists and historians often focus too heavily on patterns, theories, and grand schemes. This volume is a reminder of the crucial role played by policy makers struggling to make up their minds at critical junctures.

Wilson's book is well informed, looking for moments when leaders took the initiative, such as when President Reagan sensed a crisis in Poland in 1981. This work struck this nonspecialist as well documented and particularly well researched on the American side. One might expect that of Wilson, who served as a historian for the U.S. State Department. Deliberations over nuclear-arms limitations talks receive a great deal of Wilson's attention, as one might expect, and his discussion of the development of the Strategic Defense Initiative is particularly engaging.