



1.8 INTELLIGENCE SUPPORT FOR THE INTERAGENCY

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INTRODUCTION

I hope to offer some insights on the imperatives for interagency interaction as we think about these new threats from unrestricted warfare. Other speakers at this symposium—both this year and in previous years—have identified how unconventional warfare might unfold, who the likely perpetrators would be, what would be their preferred or their convenient targets of attack, and what various weapons or tools they might choose to inflict damage, whether locally or globally. As the National Intelligence Officer (NIO) for Economics and Global Issues at the National Intelligence Council (NIC), I need to think about these new threats from unrestricted warfare, particularly economic and financial attacks and resource wars, but also the cyber issue. My colleagues and I need to consider ways to monitor and warn about these new threats and, at least for the time being, address these new actors using the same resources that we have today (i.e., interagency resources for analysis, personnel, collection platform tools, and accesses). I think that is one of the biggest challenges to interagency action,

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particularly on the economic and financial front: We need to figure out a way to leverage the resources we have.

THE MISSION

It is in this context that the Director of National Intelligence (DNI), in his annual threat testimony, identified the global economic crisis and its geopolitical implications as the primary, near-term security concern of the U.S. The DNI was right to identify that as a risk that can manifest into some kind of unconventional warfare through economic, finance, or resource attacks. Not just the severity of the global downturn but also the uncertainties about how the crisis will manifest itself, particularly geopolitically, put this crisis squarely in the realm of a national security issue.

Collection and analysis on global economic developments and their implications for politics and security and foreign relations have been part of the interagency's and the intelligence community's (IC's) mission for decades. However, the current economic crisis seems to be different. That is what makes it imperative for interagency collaboration and coordination on intelligence support. As such, the intelligence community needs to consider what opportunities the downturn might present for adversaries to exploit an economic or financial advantage; leverage or take advantage of low prices for assets including oil, gas, minerals, and even food resources; or perhaps prepare for or inflict a resource attack in the future.

About a year ago, I led an interagency effort to look at the potential geopolitical fallout from surging fuel and food prices. I brought the community together, and we particularly were concerned about fragile states. We wrote an analysis report; but unfortunately, the shelf life of that report was rather slim because, as you all know, we hit a peak for prices in July 2008, and they rapidly fell after that.

Today, we are concerned about the fallout from a severe global economic downturn, especially in countries where it might trigger social unrest and anti-foreign sentiments, damaging protectionism, and humanitarian crises. What does this mean for

analysis collection, collaboration, and interagency action? I think as a community in the interagency, we are in the beginning of the learning curve.

A NEW LENS

However, some initial issues and avenues are apparent. The first of these is that we need a new lens. There is clearly a requirement for all interagency analysts—intelligence analysts in particular, and not just economists—to look at the threats, risks, and vulnerabilities that exist through this new global financial economic crisis lens as well as to consider the new threats that are spawned by such a global economic and financial crisis. Those threats in particular are economic leverage, financial leverage, economic attacks, financial attacks, and potentially resource attacks.

Another issue that I think has been raised is surge capacity. In the aftermath of 9/11, the IC and the policy communities demonstrated an impressive capacity to surge resources and tools to meet the terror threat, but the interagency is not likely to have the luxury of resources, budgets, bodies, and contractors. As you well know, all of these issues are being questioned. We are all probably going to have to take a bit of a haircut on them.

MULTIDISCIPLINARY ANALYSIS

How do we address this new mission and challenge if we do not have additional resources? How do we surge? How do we use interagency cooperation and collaboration to do as good a job on these new unconventional threats as we did on previous terrorist threats? In the short term, we need to focus on multidisciplinary analysis. Although Ph.D. economists and financial experts can bring and are bringing attention to these issues, the interagency needs to tap into a broader range of expertise to provide multidisciplinary and multidimensional analysis on the impact of the economic crisis and what the new threats might be as a result of this. We need to improve our coordination, share methodologies, compare methodologies, and devise new methodologies to marry economic, financial, and political risk analysis.

The risks and threats I have just mentioned, which arise from the current financial crisis, fall into what I would call traditional threat identification. Threat analysts and collectors, as I said before, just need to help fit the new lens. I see that my role as the NIO, as a representative of the interagency, is to help the analysts fit and adjust that new lens as new developments, tools, metrics, measures, and collection issues come up, apply them to the ones that they are already thinking about, and think beyond their stovepipes.

Yes, we still suffer from conical thinking; we are still very stove-piped. If an NIO is writing an assessment about China's military modernization, I need to remind him/her to focus through the economic lens to consider how the economic downturn might change his/her assessment. Chinese leaders are also thinking about how to create jobs for the 20 million migrant workers and the graduates that are coming into the workforce, who have now gone from export-led industries back to their rural areas. If there are competing demands for "investments" at a time when growth is slowing, how does this impact the Chinese leadership's thinking on where to put these investments? Maybe their plans and intentions do not change at all. However, it is imperative that we focus through that lens to consider, and it is our responsibility as NIOs, to help the interagency put that lens on.

Policymakers have told us what insights they want the intelligence community to:

- Put the economic and financial constraints into context.
- Highlight the implications of the financial and economic crisis.
- Identify countries at higher risk of instability, i.e., those fragile states that might have a regime change.
- Identify not just the vulnerabilities but also the factors that add to resiliency.

We often consider the effects of a particular country that is poor, isolated, and commodity dependent. We can tell you all the fragilities and the risks to that country's political stability. We often

forget to consider what factors add to its resiliency, and those are the issues that we need to think about.

OUTREACH

Another key responsibility of the interagency in identifying and thinking about unconventional warfare, particularly in the context of the global economic downturn, is outreach. The issues this symposium has been focusing on for the last two days are the less traditional threats. We need more expertise and more innovative thinking—what we have been calling “outside-the-box” thinking—in reaching out to the nontraditional subject-matter experts, the anthropologists, and the traders of commodities and derivatives. As Jim Rickards mentioned, they understand how a resource or economic attack might occur, how one could attack a financial system, and how one could use cyber warfare techniques to bring down a financial clearinghouse system like the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

The challenge for the interagency is reaching out and expanding the research to experts in the nontraditional agencies, such as the Commerce Department or the U.S. Geological Survey, to understand whether it is possible for a country to corner the market in a particular commodity. We might be worried about some of the acquisitions that are going on in international commerce. How important is tin as an industrial metal today as it might have been 50 years ago? We should reach out to the Federal Reserve, the Securities and Exchange Commission (SEC), and the Department of Justice to get their insights on what threats and vulnerabilities they see and are worried about.

In the intelligence community, we look at the foreign adversary or ally; we do not look at the U.S. Often, our perception of U.S. weaknesses and threats to national security is very limited because we only see one side of a story. We need to talk to, reach out, understand, and share information with the agencies that are focused on the U.S. We need to work with these agencies to develop metrics and methodologies for detecting anomalies in trading activities or capital flows.

Traditional intelligence analysts typically rely on tippers from human intelligence (HUMINT) or signals intelligence (SIGINT) to detect anomalies. This allows them to get some kind of an indication that there is a terrorist financier; they may even have the name or location. In contrast, other agencies, such as the SEC or the security offices in the New York Stock Exchange, look at anomalies in flows. They do not often have the advantage of the tipper. So, sharing and comparing the tippers and the flows is an important aspect to being able to figure out what the risk or threat actually is.

We need to match the skills and techniques of analysts from the SEC, the Commodity Futures Trading Commission (CFTC), other agencies, and private industry, all of which watch flow activity. As I mentioned, outreach needs to extend to the business community as well: traders, auditors, CEOs, and those in the trenches who have forensic accounting experience and expertise working in financial markets. Their ground truth can help us figure out what early warning we can provide to the intelligence, defense, and policy communities.

The lesson the SEC learned from not following up on allegations of the Boston hedge fund executive, Harry Markopolos, who gave the SEC warnings about Bernie Madoff's financial practices a decade before the Madoff Ponzi scheme was uncovered should be a lesson for the intelligence community as well. There are voices out there who we may not listen to, who we may think are slightly crazy, but we need to have our ears and eyes open to those nontraditional sources of information, which may be the most important warning system that we have.

Beyond the U.S. shores, we need to reach out and work on collaborating and cooperating with allies and their agencies to get the full picture of potential, transnational, illicit, or even licit, activities, particularly when money is changing hands in over-the-counter trading activities that may be occurring in places like London, Switzerland, or Dubai. We cannot handle unconventional warfare on our own.

Globalization has made unconventional warfare a global activity, and if we just see it from the U.S. perspective, we are going to miss what is happening, particularly as the adversaries that are out to get us are going to do everything that they can do to avoid putting a fingerprint on U.S. shores. We may be the subject of the attack, but all the operations may be occurring overseas.

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Those are just the highlights of what the interagency needs to do to collaborate and cooperate to understand and identify metrics and early warning systems on some of these unconventional threats. I will open the floor to questions to explore these issues or answer questions on other issues.

Q & A SESSION WITH MS. MONAGHAN

Q: *Are there barriers of authorities for sharing this information across the interagency?*

≡ Karen Monaghan – Yes, I should have mentioned that it is a bit tricky sharing information between intelligence and law enforcement. Although, after 9/11, the barriers came down to some extent, there are laws and legal barriers, particularly with sharing specific information. If we are working with the Department of Justice, for example, and they are trying to make a case, they do not want that case to be tainted with intelligence information because of the concern that information could not be used in a court of law. The intelligence community would not want the information to be subpoenaed.

In talking more generally about what we perceive the threats to be, we can consider what mechanisms or vehicles threat actors might choose to use to attack the U.S. or exploit U.S.

vulnerabilities, and we can share information or ideas on what anomalies we or other agencies might be seeing. Those kinds of things we can do. If we achieve that through collaboration and cooperation, we have achieved a lot.

Q: *In terms of process—to the extent you can discuss—how is the President’s Economic Intelligence Brief going? It seems that out of nowhere, National Security Advisor General James Jones, Larry Summers (head of the National Economic Council), Michael Froman (Deputy National Security Adviser for International Economic Affairs), Admiral Dennis Blair (Director of National Intelligence), and others are channeling information to the President of a purely economic and intelligence nature. It seems like it is a model of the kind of interagency cooperation we are talking about that has come up very spontaneously. I am just interested in how the process is working, whether you, the SEC, the CFTC, or the Treasury have any input.*

Karen Monaghan – The question is about the new publication called The Economic Intelligence Brief (EIB), which is a new product that is being provided to the senior economic policy makers, but also the principals who are recipients of the President’s daily brief as well. I did a survey about nine months ago to look at the economic and financial resources across the community.

A database tracks the numbers, although the database captures everyone who declares himself or herself as an economist. That person could be working or teaching at one of the schools or could be a manager not actually doing anything economics related, so the numbers are quite inflated. The reality is that most of the all-source economic, financial, and energy analysts in the community reside at CIA. There are a handful of people at the Defense Intelligence Agency (DIA) looking at defense economics, and some energy economists at the Bureau of Intelligence and Research (INR) as well as the Department of Energy (DoE), but the brain trust is at CIA.

For nontraditional agencies, such as the CFTC and the SEC, there is not an intel shop, so a natural point of entry does not exist for all these agencies. What it devolves down to is analysts who establish personal relationships with subject-matter experts

in other agencies. The NIC or other agencies bring in some of these speakers from the outside, and they are forever part of the Rolodex.

Use your collaborative community to ask, “Do you know somebody who can talk to us about commodities markets?” You will get somebody from the CFTC. Concerning some of the new threats and issues that we must consider now, another advantage we have is that many new entrants into the intelligence community are coming from previous careers. They might have been working at Lazard, just gotten a Ph.D. in agricultural economics, or are coming from Wall Street from the research office at Lehman Brothers; so, they have connections and knowledge.

Getting back to the EIB, it is not that the community was not doing economic intelligence analysis before. This is, in part, tailored and packaged in a way so that it is all in the same book. It was a request from senior economic policy makers, who in the past have seen more tailored economic analysis during previous crises. There was a request that the community reinitiate such a process.

