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Knowlton Project Analysis Memo:

Challenges and Opportunities in Countering Threat Finance

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INTRODUCTION

In recent years, the threat facing the United States from the growing nexus of transnational criminal organizations, terrorist networks, insurgent groups, and weapons proliferators has become increasingly apparent. As the July 2011 U.S. National Strategy to Combat Transnational Organized Crime makes clear, "not only are criminal networks expanding, but they also are diversifying their activities, resulting in the convergence of threats that were once distinct and today have explosive and destabilizing effects."

A common characteristic across these networks of transnational threats is their reliance on witting and unwitting individuals, financial institutions, or commercial entities to facilitate money laundering and various forms of illegal trafficking. The ability of the United States and its partners to identify and separate networks from their licit and illicit sources of financial strength must be a central dimension of any national strategy to combat transnational crime, stem terrorism, weaken insurgent groups, and disrupt proliferators.

At present, the United States and its partners have a variety of tools and capabilities available to counter threat finance, including sanctions designations, targeted coercive financial actions, asset seizures, and travel restrictions. The U.S. can also invoke mutual legal assistance treaties to encourage complementary international law enforcement actions on the part of allies. But even as the United States has sought to enhance its tools and strategies, threat networks have in turn adapted and evolved, leaving the U.S. and its partners challenged to respond.

There is now a growing consensus among policy analysts and practitioners in the counter-threat finance community about the principal obstacles facing the United States as it seeks to disrupt and dismantle convergent networks of threats. The following memo offers a brief overview of those challenges, while highlighting the corresponding opportunities they present, with an emphasis on the role that emerging analytic technologies can play in advancing the United States' core counter-threat finance objectives.

CRITICAL CHALLENGES

Interagency Coordination

A significant number of agencies and organizations within the U.S. government contribute to various important dimensions of the counter-threat finance mission. Yet as has been seen in the context of other critical U.S. national security missions—particularly those focused on emerging or ambiguous threats—the proliferation of interagency stakeholders can at times lead to friction and failures of coordination. According to various practitioners and observers, the counter-threat finance community has not been immune to these problems. Agencies struggle with information-sharing, timely operational coordination, and at times, divergent perceptions about the relative prioritization of threats.

Which is not to suggest that when faced with pressing, discrete problem-sets, interagency friction cannot be overcome. The experiences of the interagency Threat Finance Cells in Iraq and Afghanistan are among the clearest examples in recent years of the dramatic effects that can be achieved in support of wider national security objectives through focused and sustained interagency coordination, and all without inordinate resources. Earlier interagency campaigns with bounded mandates—like that which targeted the illicit finances of the Kim regime in North Korea from 2002-2006—have likewise demonstrated the value of institutionalizing a “task force mentality” among those organizations involved in counter-threat finance missions, so as to encourage flexibility, partnership, and a sense of urgency across at-times rigid bureaucracies.

Evaluating Impact

Even as the United States appears in recent years to have expanded its ability to effectively disrupt the financial activities of transnational criminal networks, narcotics trafficking organizations, and terrorist groups, questions often arise about the systemic impact these efforts have achieved in the case of individual networks (or consortiums of networks) targeted. In short, do we understand the scope and nature of the threats we face with sufficient accuracy so as to meaningfully measure our success in countering them? Many in the counter-threat finance community acknowledge that this is not yet the case.

In order for the United States to effectively evaluate its impact against individual and convergent networks, analysts involved in counter-threat finance missions must first achieve a fundamental and comprehensive understanding of the how the networks operate, how they have evolved, and how they adapt when challenged. Only a thorough initial assessment of a network’s normal operating capacity will enable an accurate subsequent determination of whether it has been successfully disrupted or degraded. This daunting but essential analytic task has significant implications for the tools, methodologies, personnel, and resources dedicated within government agencies to counter-threat finance missions.

Building Partner Capacity

Finally, it is important to note that the challenge of severing convergent threat networks’ sources of financial strength is not a task the United States can achieve alone. International governments, multilateral organizations, and large financial institutions all have a critical role to play in setting conditions to prevent criminal organizations and other threats from exploiting access to the international financial system. Apart from pursuing close coordination with allied countries that are home to major financial hubs, as well as with international organizations like the Financial Action Task Force, the United States must also enable partner governments in developing, conflict-prone states to insulate their vulnerable financial institutions against fraud and crime.

KEY OPPORTUNITIES

Daunting though the challenges detailed above may seem, each presents an important opportunity for the United States to adopt forward-looking and innovative solutions that utilize emerging analytic technologies to achieve a common understanding of the illicit finance problem—within the government and among international and commercial partners—as a basis for joint action.

The foremost challenge facing the counter-threat finance community may indeed be the immense analytic task of mapping and tracking the activities of continually evolving threat networks that operate on a global scale. Yet recent years have seen the development of unprecedentedly powerful analytic software platforms that enable the rapid integration, visualization, and analysis of vast amounts of unstructured data, drawn from classified and unclassified sources. The best of these open, off-the-shelf platforms integrate with database systems already in use within the government, and are designed to enable information sharing across agencies and organizations, while ensuring that classification permissions are upheld.

Properly employed, these systems have the potential to create a virtual "task force mentality" among analysts and decision-makers in disparate agencies working on various dimensions of the same problem. Technology alone will not make this happen, of course—concerted leadership and organizational initiative are equally important. But these technologies can reduce some of the existing barriers to effective interagency cooperation, and thereby set conditions to achieve the common understanding of illicit finance necessary to begin implementing a truly whole-of-government response and quantifying the resulting impact.

The same analytic technologies that enable increased coordination across government agencies can likewise promote greater cooperation between the government and large institutions in the private sector. In Britain, for example, the government has developed an initiative to selectively share intelligence with banks and other financial institutions, in an effort to combat money laundering. Even on their own, with access to analytic platforms similar to those within the government, financial institutions can better leverage their vast amounts of transaction and market data to ensure accountability and compliance with oversight regulations.

CONCLUSION

Although this memo offers an overview of the principal challenges and opportunities facing the United States and its partners in the fight against illicit finance, it serves only as a brief introduction to a field in which the devil is truly in the details. Many important questions remain about how best the United States should prioritize and pursue solutions to the analytic and organizational obstacles it faces in the context of this critical mission. What is clear, however, is that emerging analytic technologies, coupled with visionary leadership, have an essential role to play in advancing the United States' efforts to reduce the threats from transnational criminal networks, terrorist groups, insurgents, and weapons proliferators. Praescient Analytics is committed to facilitating a continuing dialogue on these pressing issues and enabling stakeholders inside the government and out to maximize the technological solutions critical to their missions' success.