

## Economic Espionage: Government Help is Needed

**S**hould the federal intelligence apparatus provide American companies with commercial information about their foreign competitors—information gleaned from classified collection and analytic procedures?

That's the question that leaps to everyone's mind when the topic of economic intelligence arises these days. It's not a bad question, but it raises so many tortured legal and philosophical complexities as to confound policy makers. So while nothing is decided, the convoluted debate obscures another more immediate issue: what the U.S. government can do to combat foreign spying on U.S. companies.

Economic and commercial requirements have long been a driving force behind the intelligence activities of other countries. But the idea of using the considerable capabilities of the U.S. intelligence agencies to help American commercial interests didn't acquire prominence here until the Cold War ended. During the past year, this kind of intelligence has gained a great deal of long-overdue attention in the executive and legislative branches and in the media. Recent House Judiciary Committee hearings have now placed it squarely on the national agenda.

The media have focused on proposals to authorize U.S. spying on the foreign commercial competition. That's not surprising, since two highly placed intelligence experts have publicly taken opposite sides of the issue. In one corner, Stansfield Turner, who served as director of central intelligence under President Carter, is a vocal advocate of this sort of government-business cooperation. At the other end of the spectrum, current DCI Robert Gates wants none of it, saying government won't provide the commercial intelligence it gathers to the private sector on his watch.

Because it raises questions of law, ethics and cultural tradition, the debate is likely to be protracted. So for the moment, we should put aside the still-academic question of government's intelligence role in support of private business, and turn our attention to the opposite side of the coin: the intelligence being directed against American business and the related matter of counter-intelligence and other defensive measures. In this area, something more ought to be done now, without pause for philosophical agonizing.

### Robert Gates says

government won't share  
commercial intelligence with  
the private sector as long as  
he is CIA director.

### Defining the Problem

People invariably want to boil the problem down to three questions:

- How much espionage is directed against American business?
- Who is doing it?
- Who are the U.S. victims?

But straightforward answers to these legitimate questions are frustratingly difficult to obtain.

Government agencies say they are loathe to disclose information about hostile economic-commercial intelligence, especially its illicit component, industrial espionage. They say they're afraid of compromising sources and methods. Cynics call this a tired ploy the government uses whenever it wants to avoid the work needed to produce a sanitized but useful response to a public inquiry.

Usually the government has more complicated, but understandable, reasons for its reluctance. For example, public citation of specific examples of hostile economic intelligence activity by a traditional ally might jeopardize intelligence collaboration under

way in other critical areas.

Victimized companies are equally reluctant to reveal information that would help quantify the problem. They don't want the opprobrium that might follow an admission that they had been duped or spied upon. Or legalities may dictate avoiding disclosure: Litigation may be in progress or imminent, a settlement may have been sealed or contain terms prohibiting publicity, or a sensitive investigation may be in progress. The firm's officers may be afraid of shareholder suits claiming that management negligence permitted the espionage to succeed. For all these reasons, companies are very disinclined to have their misfortunes made public.

This reluctance to talk in both the private and public sectors makes it difficult to assess the economic intelligence and industrial espionage efforts being waged against this country. But progress is being made, largely as a consequence of a study initiated by the House Judiciary Committee, assisted by the Office of Special Investigations of the General Accounting Office, the American Society of Industrial Security, and private-sector experts.

The committee's study is intended to lay the groundwork for new laws subjecting perpetrators of economic and industrial espionage to new criminal and civil penalties. If a better quantification and description of the problem will help get such legislation passed, government intelligence and law enforcement agencies must do more to aid the process.

### Governments' Intelligence Efforts

It is no secret that governments now give top priority to economic intelligence. The U.S. government now readily admits that such work has a very high priority on its intelligence agencies' list of requirements. The intelligence, however, is only for use by government consumers. The Russian Foreign Intelligence Service likewise puts a high priority on economic intelligence.

Pierre Marion, a former head of the French external intelligence service, goes much further. An advocate, like Stansfield Turner, of providing government intelli-

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gence to corporations for purely commercial purposes, Marion himself supervised such operations and does not hesitate to cite specific examples in which French firms were provided with important advantages over foreign rivals, including American companies.

Some countries have been caught in the act, notably Japan, Israel, France and the Soviet Union. KGB industrial spies were expelled from Belgium, Holland and France earlier this year—though their operations probably began before the KGB and the Communist Party were discredited.

More worrisome are the activities that either go undetected or, if suspected, are not pursued. These are carried out by friend and foe alike, including traditional allies with whom the United States collaborates in other areas. The seduction process can be highly sophisticated and enormously effective. It can take place under the guise of convivial collaboration and collegiality.

### Private Spying

Of course, private spying can be as damaging to an American firm as espionage by foreign government agents. So it's unfortunate that discussion about economic espionage focuses mainly on the activities of foreign governmental intelligence agencies, and that the U.S. government takes a quite limited view of what it can do to combat private spies.

During the recent Judiciary Committee hearings, the directors of both the FBI and the CIA said that an act of economic or industrial espionage had to have some foreign governmental connection in order to warrant investigation or counter-intelligence efforts by their respective agencies. Presumably, the only exception would be if the targeted information were classified.

To the company whose proprietary or other sensitive business information is stolen, it makes little difference whether the thief is in the employ of a foreign government or a foreign corporate competitor. And the same holds true with respect to the health of the American economy—the overriding issue to begin with. The aggregate damage to American business resulting from hostile economic intelligence is the central question, and it is irrelevant, in economic terms, whether it is caused by public or private agents.

If for legal or jurisdictional reasons the U.S. national security establishment cannot help protect American business from foreign non-governmental espionage or piracy, then other sources of help within the government should be made available to private business. The Commerce Department, above and beyond the present functions of its National Institute of Standards and Technology,

would appear to be the most logical place to look. But some fairly bold thinking, some redefinition of intelligence and counter-intelligence, and a willingness to challenge some sacred bureaucratic cows is necessary.

In the process, we should recognize the growing diversity in the kinds of business information sought by economic adversaries. While technological and scientific secrets continue to receive high priority, they are by no means the only objectives of intelligence collection. Corporate strategic planning, pricing, bidding and marketing data are also highly sought. And intellectual property, including but not limited to software, music, movies and literary works, is a major target, with annual losses in legitimate sales measured in scores of billions of dollars.

While government should surely improve its effort to help to American businesses combat hostile intelligence, no amount of assistance will replace protective activities of corporations themselves. True, private economic and commercial counter-espionage capabilities in, say, the electronic surveillance arena. But they can be equal to the task in other intelligence disciplines. Highly skilled veterans of government agencies from around the world are increasingly involved in both aggressive and defensive corporate

intelligence activities, including the training of young professionals.

The preponderance of economic and commercial intelligence directed against the United States is not illegal; it relies on open sources or exploits carelessness by targeted companies. It is an integral part of the international business process. The Japanese effort is massive and ubiquitous, both in collection and analysis. Western European efforts are not as large in scope. But they are more focused, highly developed and very professional. In these countries, a close, informal public-private sector linkage greatly enhances the effectiveness and value of the intelligence process. By contrast, the relationship between U.S. business and government is almost adversarial.

We can expect an inexorable increase in legal and illegal intelligence-gathering directed against the interests of American business, and hence the country as a whole. The phenomenon is a function of economic recession, financial instability, intense competition, and in the case of some countries, a desperate effort to survive. The business community and the federal government, separately and in combination, must adopt a far more aggressive posture in denying the fruits of these efforts to our commercial rivals. □

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