

THE WALL STREET JOURNAL

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EASTERN EDITION

TUESDAY, AUGUST 4, 1992

CHARLOTTE, NORTH CAROLINA

Business Secrets

Some Urge CIA to Go Further in Gathering Economic Intelligence

Data Could Help U.S. Firms Compete, but Agencies Resist Any Private Role

Other Nations Ply the Trade

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WASHINGTON — Inside a guarded room, the Senate Intelligence Committee gathered recently with a group of top American executives — in aerospace, computers, investment and other fields. The sensitive topic of their unpublicized talks: Should U.S. intelligence agencies share information with American businesses to give them an edge in increasingly fierce international competition?

Nobody advocated sending CIA agents out to steal secrets from Toyota or Siemens. But between that extreme and doing nothing, the executives saw a broad middle ground where intelligence on business and technology, much of which the Central Intelligence Agency sucks up from open sources, could be shared.

It sounds simple enough, especially since, with the end of military competition with the Soviet Union, the CIA and its sister agencies will be focusing more on international economic competition. "I think this [economics] is a primary area of intelligence in the '90s," says Stansfield Turner, a former head of the CIA.

But in fact, the agencies are resisting, sensing that even the "middle ground" is littered with political and legal land mines. As a result, the question of economic intelligence is emerging as one of the most vexing issues facing U.S. intelligence agencies in the wake of the Cold War.

Pushed Both Ways

Some influential lawmakers, particularly Democratic Sen. Bill Bradley of New Jersey, are urging the intelligence community to continue to tread carefully, but others seek a more aggressive stance. "Economic intelligence is going to be increasingly important to our country," says Sen. John Danforth of Missouri, a Republican on the intelligence committee. He argues that if intelligence agencies know American competitors are bribing foreign customers or learn of a big sale pending abroad, such information should be passed to the private sector.

Admiral Turner says, "I take the position that if we spy for military security, why shouldn't we spy for economic security?"

The debate is as much about public policy as about the craft of intelligence. The intelligence community functions much like a giant computer, scooping up and processing vast amounts of information according to directions given by its programmers. In this case, those programmers are policy makers in the White House.

Critics say it is up to administration officials to devise a way for the CIA to pass more information to other government agencies, notably the Commerce and Treasury departments, which then could selectively relay it to the private sector. "As far as I'm concerned, we don't have a workable policy to address this information in a meaningful manner," fumes Sen. Frank Murkowski of Alaska, the top Republican on the intelligence committee.

What Others Do

Some critics note that other countries appear to be getting more aggressive at gathering economic intelligence — and at crossing the line into industrial espionage. A few months ago, the Federal Bureau of Investigation compiled a revised list of the top national security threats posed by foreign intelligence operatives. The first item on the list was foreign acquisition of sensitive technologies, and the second was collection of U.S. "industrial proprietary economic information and technology."

The Soviet Union was particularly aggressive at this, and U.S. officials say the practice appears to be continuing in the Russian intelligence service. Just since the beginning of this year, officials say, information from Soviet defectors has led to the breakup of two big rings of KGB agents apparently engaged in industrial espionage. In one case, Italy dismantled a ring of 20 spies, and in the other case a defector in Belgium provided information that led to arrests or expulsions of agents in four West European countries.

CIA officials say they are acutely aware of the increasing importance of international economic competition. But, deeply fearful of starting a slippery slide toward industrial espionage, the CIA is drawing a line: It will focus more on providing information to government officials making economic policy or conducting trade negotiations, but generally won't start channeling intelligence to companies or industries. Passing information into the private sector, officials say, would anger allies in other countries, expose intelligence sources and raise a welter of legal problems for officers deciding which industries or companies to help.

"I think down that path lies peril for the [intelligence] community," declared Robert Gates, the director of central intelligence, in an interview shortly after taking his job late last year.

Who'd Get the Data?

One official says recent internal studies have raised a host of unresolved problems: If the CIA has information useful to, say, the computer industry, who decides which

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companies get that information? If the CIA helps computer companies, what does it say to aircraft manufacturers wanting the same attention? Who can tell what is and isn't an American company in these days of multinational corporations? And if intelligence information is simply made public for everybody, wouldn't it have to be so sanitized that it would be useless?

The CIA so dislikes talk of economic intelligence that, even in this self-proclaimed era of greater glasnost, it declines to further discuss the topic publicly. That's because mere discussion of the issue inevitably raises the hackles of other governments already suspicious that the CIA is turning its sights from the Soviet bloc to commercial spying.

The agency does plan to use its intelligence apparatus to watch more closely for spying on American companies. It says this is the only area where it is willing to pass information on to private U.S. companies.

Though little of its work seeps out into public, the intelligence community already is a voracious collector and analyzer of all kinds of economic information. The CIA, which has a big staff of economists and more Ph.D.-holders than any other government agency, has long produced forecasts of world oil production and pricing, and studies of such topics as robotics. And while its analyses have been criticized at times, some have been right on target; for instance, the CIA predicted in the mid-1970s that Europe's Airbus consortium would grow to claim about 20% of the commercial airliner market, which is roughly where Airbus stands now.

Intelligence agencies also have carried out narrower business investigations. When France's Thomson-CSF S.A. sought to acquire the missile-producing business of LTV Corp., the Defense Intelligence Agency uncovered arms sales by Thomson to questionable Middle East buyers. The finding cast a cloud over the acquisition, which Thomson recently dropped.

Influencing a Contract

And there appear to be some cases in which intelligence information has been used indirectly to benefit American companies. Two years ago, Indonesia was debating whether to give a contract for switching equipment to a unit of American Telephone & Telegraph Co. or to a partnership of Japan's NEC Corp. and Sumitomo Corp. Intelligence reporting as well as other information indicated Indonesia was about to award the contract to the Japanese bidders, partly because Japanese representatives suggested doing so might help Indonesia get more foreign aid from Tokyo. Bush administration officials were alerted, the White House urged Indonesia to reconsider, and ultimately the work was divided between the American and Japanese competitors.

It is clear that in the global market-

place of the 1990s, American companies want broader information on foreign markets and foreign competitors. In fact, a cottage industry is springing up to help them gather it. An example is Real-World Intelligence Inc., a company run by a former CIA official named Herbert Meyer. He says he recently designed a desktop computer system for a large beverage concern that taps into electronic data bases every night and sucks up 1,000 pages of information on developments affecting the beverage industry—information that is available for the company's intelligence chief each morning.

The question is whether the more sophisticated, taxpayer-financed intelligence community in Washington should be supplementing what companies can do on their own. Business representatives say they aren't seeking cloak-and-dagger information so much as the CIA's unique ability to assemble, translate and analyze vast amounts of information.

"The one thing that is unobjectionable and clearly needed is for the CIA to provide better assessments of other countries' competitive conditions," says Jerry Jasnowski, president of the National Association of Manufacturers. The NAM would like intelligence agencies to release an annual survey of industrial policies of nations around the world.

At the moment, the CIA makes some of its more mundane work available through an obscure Commerce Department office called the National Technical Information Service. It offers the public copies of CIA maps, a "World Factbook" and an annual handbook of economic statistics.

Who's Bidding What

But there is more provocative information, deemed too sensitive to share. Admiral Turner recalls that when he ran the CIA, a station chief reported that an agent had provided data on the bids submitted by two companies competing with an American concern for a contract abroad. Asked what he did with the information, the station chief replied: "I didn't do anything with it. We don't have any policy to deal with it."

Now Mr. Gates is trying to guide the CIA deeper into the waters of economic intelligence without drifting too close to the shoals he sees all around. He has declared that the intelligence community will perform three "broad tasks" in the economic area. First, it will give government policy makers analyses of world economic trends, intelligence on the positions of other nations in international negotiations and data on schemes other nations use to win competitive advantage. Second, officers will monitor trends in technology. And third, the intelligence community will be on the lookout for foreign spy services trying to steal secrets from U.S. companies.

In addition, though the CIA is shrinking, many of the new officers it hires have backgrounds in business and economics, and agents in the field have been told to give economics a higher priority.

But pressure to do more may rise, in part because of the intelligence aggressiveness of some of America's competitors. Says William Webster, head of the CIA until late last year: "I don't think I have to be an advocate of industrial espionage,

which I'm not, to say that of all the Western countries, the U.S. government probably does less with its intelligence capabilities to support its private sector than any of the others."

To underscore the point, Mr. Webster says a mole inside the KGB, developed by France, used to report regularly on the importance Moscow attached to economic and technical intelligence — until he was discovered and executed.