

Coming In From the Cold War

U.S. spies may shift to economic capers

BY DON CLARK

Chronicle Staff Writer

Should the Central Intelligence Agency try to keep America competitive?

With the Cold War passing into history, some congressmen and business executives want to step up CIA spying on economic and technological rivals, such as Japan.

Some people, including former CIA Director Stansfield Turner, would even hand foreign companies' secrets to U.S. competitors under certain circumstances.

It's a controversial area, raising questions about privacy, government favoritism and CIA competence in business affairs.

"That kind of activity could quickly embroil us in an enormous legal hassle," said Robert Gates, CIA director, in a recent television interview. "After all, if tax dollars are supporting this activity, why are you helping this industry and not that industry?"

Yet Gates sees three legitimate missions in economic intelligence. He would identify foreign governments that violate trade agreements or collude with companies "in ways that disadvantage U.S. industry unfairly"; counter countries that use their intelligence services

THE CIA AFTER THE COLD WAR

Central Intelligence Agency

Headquarters Langley, Va.

Founded 1949

Director Robert Gates

Budget \$3.2 billion

Employees 15,000

Mission: Foreign intelligence, including military, political, economic and scientific information affecting national security; counterintelligence; covert operations authorized by president.

Challenges: Besides tracking the dissolving Soviet bloc, the CIA is expected to focus more resources on the activities of America's economic competitors. Gates wants to thwart espionage and collusive practices targeted against U.S. companies.

Select Competitors:

Russia: Successors to the KGB and their agents may be working to steal U.S. business or technology secrets, possibly for espionage missions, companies believe, trying to out-deceive.

France: Its Central Department for External Security has been accused of recruiting spies in the European



branches of B.M. Tele. Equipment and other U.S. electronics companies. One alleged goal was to share information with Groupe Bull, the state-owned computer company.

Israel: The Mossad focuses on Israel-owned enterprises but has also stolen U.S. secrets, as in the case of former naval intelligence analyst Jonathan Pollard. In a recent case, an Israeli company said Israeli officers stole secrets of a new spy camera and passed them to an Israeli competitor.

Japan: It has spy and industrial versions of the CIA, the JCS. But Japanese companies and the Ministry of International Trade and Industry legally collect and spread amounts of information concerning U.S. markets and technology.

Germany: CIA's major economic and scientific intelligence gathering tool, U.S. intelligence budget exceeds \$10 billion.

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against U.S. companies; and track foreign technology developments that affect national security.

All three missions could put CIA officials in the position of trying to figure out what's happening behind closed doors at foreign companies and economic ministries. And that concerns civil libertarians.

What if the best source of information happens to be U.S. companies in partnerships with foreign firms?

What happens to sensitive business information picked up by spies or electronic surveillance?

"To be engaged in surreptitious in-

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investigation of private industry raises a lot of serious concerns," said Gary Stern, who heads an American Civil Liberties Union project on national-security studies. "It's one thing if they are getting voluntary cooperation and quite another if they are doing undercover work."

The CIA always has been a leading employer of economists. They sift through published data about various countries, as well as clues from secret sources such as spy satellite photos and communications intercepted by the National Security Agency, a Pentagon agency charged with code-breaking and monitoring communications.

Dissemination of confidential information is restricted. Turner, who headed the CIA during the Carter administration, recalled in an interview that a CIA chief of station in one country stumbled upon the contract bids of two European competitors to a U.S. company. The information would have been a big help to the U.S. bidder, but Turner couldn't find a way to disclose it under CIA rules.

Turner, who argues that economic competitiveness and national security are now closely entwined, believes that it makes sense for the agency to pick up both foreign company secrets and general information, such as grain harvests and steel output. He thinks the secretary of commerce could decide whether to give such information to a particular U.S. company or make it public for the benefit of an entire industry.

To reduce the risk of getting caught by friendly countries, Turner would give most spying tasks to new technologies such as a new generation of spy satellites. "Washington can easily construct a system that will detect any significant activity on the surface of the earth, day or night, under clouds or jungle cover," Turner wrote in the journal *Foreign Affairs*.

For financial and philosophical reasons, others doubt such ideas will fly. Bobby Inman, deputy CIA director in the early 1980s and former NSA director, believes that the

U.S. government could never fairly distribute the fruits of industrial espionage to U.S. companies.

"Do you give information to a U.S. company for use in their facility in Japan and not to Honda, which employs workers in Marysville, Ohio?" Inman said. "The U.S. intelligence community ought to stay out of that."

Yet the CIA could help U.S. business without the cloak-and-dagger stuff, Inman and others say. For example, the CIA has a huge staff of translators. Most important U.S. documents are translated into Japa-

The CIA could help U.S. business with its huge staff of translators

nese, but American companies often miss Japanese-language documents that could help them sell products and prepare competitive strategies.

"The agency could do a lot if the analysts were taken off trying to figure out how many Afghans are in the hills and put to work on reading all the publications of the Japan electronics associations," said Clyde Prestowitz, a former trade adviser to the Reagan administration and president of the Economic Strategy Institute in Washington.

The Foreign Broadcast Information Service, a little-known CIA unit, does translate some foreign public documents and news reports. One of its recent reports — stamped "for official use only" — disclosed key budget proposals in science and technology of Japan's Ministry of Trade and Industry, including investments ranging from supercomputers to supersonic aircraft.

Any CIA forecasts concerning business and technology may face skepticism, based on past miscues such as its failure to predict the fall of the shah of Iran or the rapid collapse of the Soviet economy. Electronics industry executives give some CIA agents mixed re-

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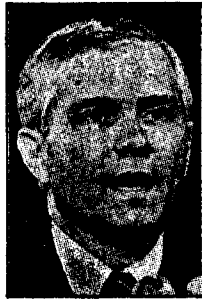
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SHOULD THE CIA HELP U.S. CORPORATIONS?



"We know that foreign intelligence services plant moles in our high-tech companies. We know they rifle briefcases of our businessmen who travel in their countries. We know that they collect information on what we are doing, and I think the CIA and the FBI working together should have a very aggressive program against it."

Robert Gates,
CIA director



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Bobby Inman,
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"Economic competitiveness is part of our national security today . . . Economic intelligence can range from the broad trends that foreign businesses are pursuing, all the way to what individual foreign competitors are bidding against U.S. corporations on specific contracts overseas."

Stansfield Turner,
former CIA director

Sources: CIA, Foreign Affairs magazine, Chronicle research

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views in understanding key issues; in several cases, CIA agents called the executives with purportedly hot information that turned out to be old news.

But the agency seems eager to learn. In October 1990, for example, it sponsored an unusual gathering of prominent experts to discuss Japan's growing economic clout.

The setting was Rochester Institute of Technology, an upstate New York college that later became embroiled in controversy after a series of revelations about its relationship with the CIA. A memorandum believed to be written by a CIA agent said the event was designed "to understand the environment in which we will be required to work against the Japanese target in the year 2000."

But a draft report written after the discussions by an institute official caused a furor on campus and in Japan. The report called mainstream Japanese people the product of an "amoral" culture bent on worldwide dominance.

"In their value system almost any tactic is acceptable," the report

said. "The weak, downtrodden, and the failed do not receive sympathy in Japan, but rather contempt."

The report was disavowed by many conference participants, including Kent Harrington, the CIA's national intelligence officer for East Asia. But Harrington also told an investigator for the Rochester institute that the conference was very worthwhile. A transcript of the Japan discussion remains classified.

Chalmers Johnson, an expert on Japanese industry at the University of California at San Diego who attended the conference, was angered by the report but pleased by the CIA's attention to declining U.S. competitiveness in technology.

"We've lost control of our destiny in electronics," Johnson said. "The people from the agency struck me as intelligent people and deeply concerned about the almost total erosion of our industrial base from our lack of investment.

"They're well aware that there is a post-Cold War agenda for the agency, and they are trying to figure out what it should be."