

# ESPIONAGE

**TTEM:** Two top executives of an American aerospace company, on a sales mission to France, return to their suite at a swank Paris hotel where they have left highly sensitive product documents. Inside they find three men who claim they are there to fix the broken air conditioning, but the air conditioning is not broken. The hotel confirms it has sent no repairmen.



SPY '90, SPY '91 and '92 by E.C. Publications Inc. Used with permission from Mad Magazine

By TOM ROBBINS

**TTEM:** A major American company dispatches an air cargo shipment to Russia. The items are "of very high value," the company manifest says. A fax is sent to the firm's Moscow office, describing when and where the cargo will arrive. When opened, the container is empty. Private investigators learn the fax has been intercepted by the Russian Mafia. They have stolen the cargo, then carefully resealed the container.



SPYING IN THE '90S

# EXPLOSION

BOY, WHAT  
A RACQUET

**W**ELCOME to the post-Cold War world of espionage.

It is a world where famed Soviet double-agent Kim Philby and legendary CIA "mole" hunter James Jesus Angleton would be dazed and disoriented.

It's a world where even James Bond and his glorious, gadget-laden escapades appear old-fashioned.

And where — as in the recent true-life tales told above — the quarry is more likely to be high-performance metals and fiber-optic systems than missile silo placements.

It's also a world where the once cast-iron divisions between friend and foe have vanished like sand castles in the desert.

The world of spying has changed totally — except for one thing:

There's more of it today than ever.

Despite the end of the cold war, the FBI says the same KGB-trained agents still troll for secrets among American government and private employees engaged in sensitive work. Only now, the bureau says, spies are as likely to want to sell the secrets to raise much-needed cash than to utilize them.

There are even more espionage players today, as each of the individual nations of the former Soviet Union field full complements of agents.

"We haven't seen a significant reduction in espionage from other countries," says William Gavin, the FBI's deputy assistant director in charge of the bureau's New York office where some 400 agents are devoted to counter-intelligence activities.

The government doesn't like to talk specifics when it comes to counter-intelligence efforts. But based on court approvals granted federal law enforcement agencies to snoop around foreign targets under the Foreign Intelligence Surveillance Act, the end of the Cold War hasn't slowed things down much. In 1991 there were 693 applica-

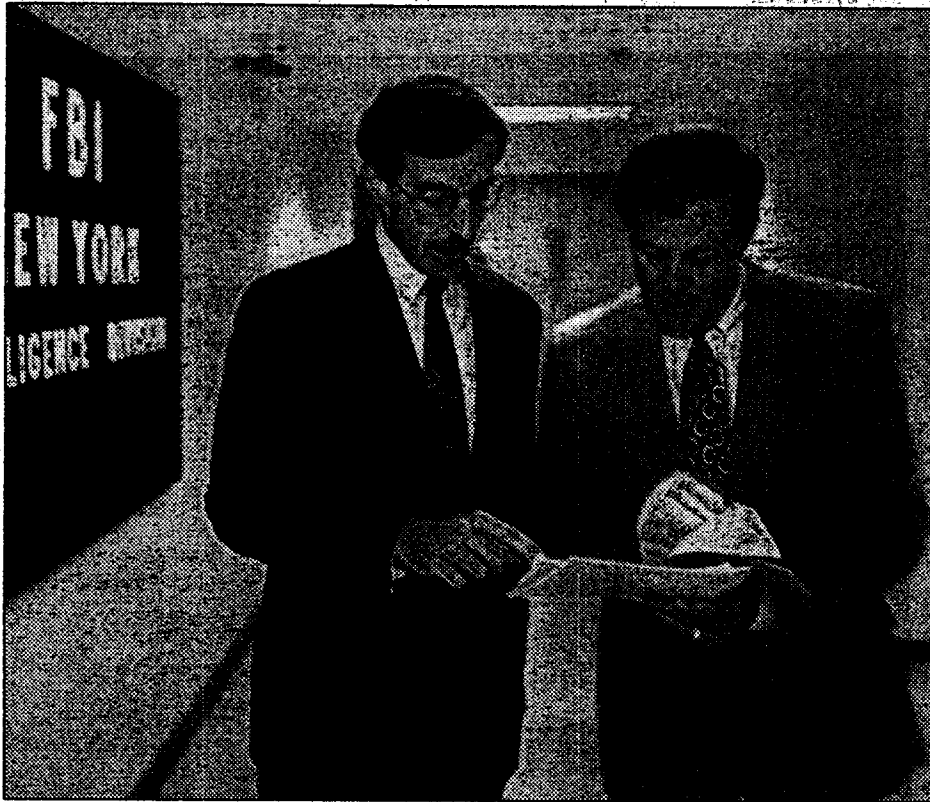
# The post-Cold War world of spying has totally changed and is booming

tions approved; last year 511 were granted.

"The Russians are still involved in clandestine activities," says Jim Fox, the former FBI chief who broke the World Trade Center bombing case. "They are trying to recruit double agents, paying thousands of dollars for research."

At the same time, in the international private sector, espionage has become a boom industry. A recent study found that incidents involving attempts to steal corporate

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HOWARD SIMMONS DAILY NEWS

**G MEN:** William Gavin (right), who runs the FBI's New York operation, has picked former undercover man Thomas Pickard to lead the 400 agents in the city's National Security Division.

rate secrets have jumped by 260% since 1985.

In response, American firms have been on a security spending binge, doling out an estimated \$70 billion this year for corporate protection, according to the American Society for Industrial Security.

"Nations and corporations are looking for a strategic edge, a competitive advantage," says Richard Hefferman, a private security specialist who conducted the 1993 study for the FBI with fellow espionage expert Dan Swartwood.

**CORPORATE CONNECTION**

The involvement of foreign nations or companies in corporate black-bag jobs also has soared, up 350% in the last decade, the study found.

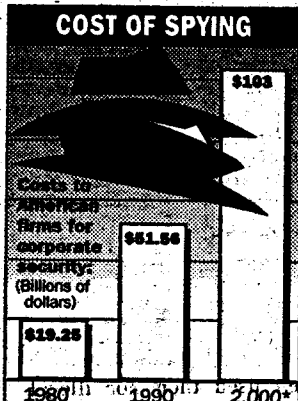
Even the CIA has had to shift gears to keep up. Industrial espionage "is the hottest current topic in intelligence policy," CIA chief James Woolsey told a U.S. Senate committee during his confirmation hearings last year.

And unlike the bad old days

when nations thought they at least knew who their enemies were, today's profit-oriented espionage can come from anywhere and anyone. In a post-Cold War twist on the old Mad Magazine gag of "Spy vs. Spy," the intelligence community has become a labyrinth of spy vs. spy vs. spy vs. spy.

American business executives were stunned in 1991 when the former chief of the French intelligence service revealed that his agency had routinely spied on U.S. executives traveling abroad. Ex-top spy Pierre Marion proudly confessed that his agency regularly bugged first-class seats on Air France so as to pick up conversations by traveling execs, then "bagged" their hotel rooms to rummage through attache cases.

The French also are appar-



\* Projected

ently still at it.

A corporate investigation by Heffernan, who operates his own firm based in Branford, Conn., turned up evidence that the French had "bagged" a list of 49 American firms using a top-secret chemical compound with military application.

### Big Bluff Failed

"A pair of French officials went to one of the firms, Dow Corning in Midland, Mich., and tried the 'big bluff,'" said Heffernan. "They said they were NATO allies and used every trick to try and wheedle the information out of the company's scientists."

"We have to consider both friend and foe," says the FBI's Gavin.

To meet the changing threat, Gavin recently promoted Thomas Pickard, a white collar crime expert, to head the New York office's 400-agent strong National Security Division.

Pickard, a quiet, poker-faced agent who once spent a year and a half undercover in the Abscam investigation, said that New York "remains the spy hub." It's the home of the United Nations and consulates from countries such as Cuba that have no offices in the country, he says.

"Military targeting has not

minished quite a bit, but economic and technological espionage is very much on the rise," Pickard says.

Spying also is easier than ever before.

New hi-tech equipment has made eavesdropping and interception so silent and simple that many espionage victims never find out they have been hit.

"Stealing a fax can be done by a 14-year old," says Heffernan. "All it takes is a 'fax capture board' plugged into a p.c."

Similarly, conversations over cellular phones, or sent by satellite dishes also are easily and regularly intercepted, experts say, with the use of a small scanner purchased at any electronics shop.

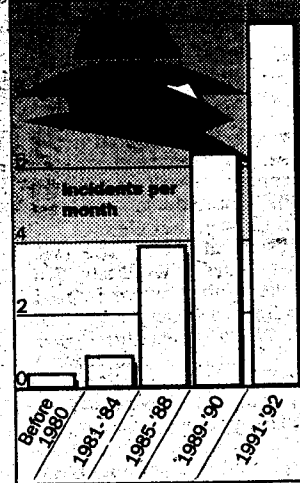
FBI officials say agents have discovered eavesdroppers pulled off by the side of Route 128 near Boston using hand-held scanners to listen in on messages sent by satellite by the many technological firms located there.

### No Immunity

No one's immune. In a recent interview with three top officials of the FBI, all three acknowledged that their cellular phone numbers had been "cloned" by thieves who then used them for illegal long distance calls.

But the "air" pirates could

## INDUSTRIAL ESPIONAGE



easily have been after bigger fish. "We tell firms not to talk about things they wouldn't want known over cellular phones," says Pickard.

Some espionage tactics are more basic. Last month, the FBI alerted a company it would only describe as a "major midtown Manhattan corporation" that it was the target of spying by a foreign country.

"They didn't believe us at first," says Pickard. "Then they started checking. Some of the CIA has had to look into it."

Industrial espionage is on the rise.

## **SPY** FROM PAGE 7

one was picking through their garbage."

"We tell them that if they're doing business on an international basis, they're a target," Pickard said.

In an effort to aid potential victims, the FBI has retooled a security education program long aimed at defense firms to assist any major corporation that has proprietary information it seeks to protect.

Dubbed DECA — Development of Espionage and Counter-Intelligence Awareness — the program instructs firms in the basics of security: checking employee backgrounds, overseas travel tactics, safeguards against computer hackers.

As the CIA painfully learned in the Alton Ames case, where a long-time top employe was discovered to have sold secrets for years to the Russians, espionage experts say the most common spy threat is from disgruntled employees.

Heffernan's study found that insiders — disgruntled or former employes — were behind 58% of the reported industrial spy episodes.

"It's the ultimate economic violence," says Heffernan. "Instead of punching out the boss, he hits him in the economic breadbasket. In an age of massive lay-offs and downsizing, that's the biggest threat."



**CHANTILLY LACE:** This is the new \$310 million home of the National Reconnaissance Office in Chantilly, Va. Among its many secrets are a racquetball court and a lobby inlaid with 12 kinds of stone.

By DAVE SALTONSTALL

Daily News Staff Writer

Deep within the bowels of the new \$310-million headquarters of the little known National Reconnaissance Office in Virginia, there is a glass-encased room so secret that not even Congress was told about it during hearings last week.

It's a racquetball court — a covert court, you might say — bought and paid for entirely with tax dollars buried inside the federal government's so-called "black budget," according to blueprints of the facility viewed exclusively by the Daily News.

NRO officials refused to discuss the cost of the private playground, which will boast a 1/2-inch-thick glass back wall, maple floorboards and an adjoining aerobics and fitness center. But outside experts estimated the court alone will add \$50,000 to \$75,000 to the project's total bill.

"That is absolutely outlandish," said Sen. Alfonse D'Amato, a member of the Senate Select Intelligence Committee, which was briefed Aug. 10 by the NRO but heard nothing of the court. "As far as I'm concerned, I'll never believe them again."

But that's not all.

The main lobby of the posh new complex is to be filled with marble quarried in Italy, South Africa and Norway. In all, 12 types of stone will be laid and inlaid in the lobby, creating a polished, 200-foot-long swath of mostly black and white rock, plans show.

The stone will probably run around \$200,000 in materials alone, compared to about \$6,000 for, say, the same amount of standard vinyl composition tile, experts estimated.

For the convenience of the 3,000 government workers expected to fill the building, there also will be an on-site travel agency, convenience store and credit bureau, plans show. The \$6-billion a year agency develops and monitors the country's spy satellites.

NRO officials conceded last week that a racquetball court is planned but argued that it is "a totally innocuous purpose room" that can also be

## DAILY NEWS EXCLUSIVE

used for squash, handball or badminton, said NRO spokeswoman Creda Parham.

Of the imported marble, Parham said, "We do believe as a general rule that domestic marble is a softer grade, meaning there probably would be more repair and maintenance problems" if domestic marble were used.

"Oh, yeah, like it didn't work on the Washington Monument and the Capitol," quipped Joe Trento, director of the Washington-based National Security News Service.

D'Amato said that while it was probably too late to stop construction of the building, he would launch a search to find out who "the genius operative" was who ordered the imported marble and "fire him."

"They have got to be one of the most arrogant, contemptuous groups in government," D'Amato said of the NRO, an agency founded in 1960 but technically classified until 1992.

How blueprints for the once top secret building came to light is another story that reveals much about the NRO's inner workings.

In an effort to keep the building's real purpose a secret, the NRO hired Rockwell International — a major defense industry contractor — to build the 1-million-square-foot complex. Rockwell, obliged to keep up appearances and comply with local zoning laws, in turn submitted a full set of plans to the building department in Fairfax County, Va., where the complex is located.

Thus even before the building was declassified earlier this month, viewing the prints was as simple as locating the night county office and filing a request for information, the Daily News disclosed last week.

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# 2 A black hole for taxpayers' money

☆ DAVE SALTONSTALL

Daily News Staff Writer

It sounds like something out of a cheap spy novel. Somewhere along the California coast, the U.S. government builds a massive launch pad capable of blasting spy satellites into orbit aboard the space shuttle. The \$5 billion facility never gets used, but the government manages to keep the whole thing a secret.

Well, almost. In real life, the Vandenberg Air Force Base Space Launch Complex-6 — or Slick-6 for short — hasn't been a secret for a long time. But it was a secret when it was being bought and paid for.

The pad is a very real product of what is widely referred to as the U.S. government's "black budget," a multi-billion conglomeration of line items used to finance the country's most covert military and intelligence operations. This year the covert slush fund is expected to top \$28 billion, or roughly enough to hand every American household a check for \$300.

The budget came under scrutiny recently when it was revealed that the National Reconnaissance Office, the supersecret agency charged with monitoring the country's spy satellites, was building itself a 1-million-square-foot, \$310-million office park in suburban Virginia — and almost no one in Congress had known a thing about it.

Experts say the complex is just a footnote in the long — and often wasteful — history of the country's black budget.

In addition to Slick-6 and the new NRO office building, many like to point to the A-12, an attack fighter that the Air Force canceled in January 1991 — after spending \$3 billion in black budget development funds.

Then there's the Titan IV rocket program, which the Air Force and the NRO developed as a way to launch its spy satellites into space in the aftermath of the Challenger Space Shuttle disaster. The rockets cost \$280 million apiece, but at least three have blown up since 1991.

The last Titan IV explosion came in August 1993 and, at a cost of about \$1 billion, is thought to be the most expensive space accident since the Challenge-

er. The rocket was carrying an advanced KH-11 satellite, considered one of the black budget's most expensive toys.

Accidents and aborted programs aside, others question whether intelligence priorities currently being set behind closed doors are the right ones. Just last month, for instance, the NRO reportedly awarded a \$10-billion contract to Martin Marietta to develop a new generation of satellites — to spy on Russia.

"The Russian Navy is rusting in port, and yet we are going to be spending about \$1 billion a year to spy on it," said John Pike, director of the Federation of American Scientists' space policy project.

Some in Congress are now pushing, at the very least, to publish the black budget's total size, but few give such efforts much of a chance. The reason

is simple: those members of Congress who now have oversight of the budget receive large contributions from the defense industry, who clearly have an interest in keeping the books closed.

A recent study by the National Security News Service, a not-for-profit, Washington-based research group, found that since 1991, members of the House and Senate Select Intelligence Committees have received \$338,858 in political action contributions from employees at six defense companies.

By far the biggest giver, with total contributions of \$90,160, was Martin Marietta, the company that just won the new spy satellite contract, the study shows.