

Cato Institute Policy Analysis No. 265: Why Spy? The Uses and Misuses of Intelligence

December 12, 1996

Stanley Kober

Stanley Kober is a research fellow in foreign policy studies at the Cato Institute.

Executive Summary

America's intelligence agencies should devote their resources to the most serious security threats, principally international terrorism and adverse political trends. Instead, the Clinton administration has diverted the intelligence community to economic espionage.

The economic espionage mission is based on faulty assumptions and damages relations with governments whose cooperation we may need in dealing with significant security threats. Indeed, Washington's use of the Central Intelligence Agency for economic spying has already led to ugly incidents with Japan and France. The focus on commercial espionage also creates a myopic perspective from which developments such as massive corruption in another country are seen as merely economic factors, rather than harbingers of political instability.

There are more than enough bona fide security problems in the world to command the full attention of the intelligence community. The most serious is international terrorism. Penetrating and neutralizing shadowy and secretive terrorist organizations will pose a daunting task for the intelligence agencies. There are also disturbing political trends that warrant close scrutiny, including the continuing turbulence in Russia; China's emergence as an assertive, if not abrasive, great power; and early signs of a Beijing-Moscow axis motivated by hostility toward the United States.

It is essential, not only that the intelligence agencies focus their efforts on such actual or potential security problems, but that policymakers listen to the agencies' assessments, especially when those assessments raise questions about the wisdom of current U.S. policy. Unfortunately, the Clinton administration all too often seems indifferent if not hostile to such valuable early warnings.

Introduction

When President Clinton took office, his administration made several assumptions about foreign policy. First, that the Cold War was over. Second, that during the Cold War Washington had allowed its political-military allies to take advantage of the United States in international trade. Third, that because of that American indulgence, as well as the traditional American aversion to any sort of government guidance of the economy, the United States was losing its international competitiveness.

According to that view, international rivalry in the post-Cold War world was going to be economic rather than political-military. Consequently, the administration established the National Economic Council in the White House to give economic issues the same importance the National Security Council gives national security. The State Department established its own office, under the direction of Joan Spero, to deal with economic issues. The Office of the U.S. Trade Representative under Mickey Kantor became much more confrontational in foreign negotiations. And the

Commerce Department, under the direction of Secretary Ron Brown, established its "war room," whose very name summarized the new attitude toward international trade.

That change in focus also affected U.S. intelligence agencies. After all, if international trade and competitiveness were the new areas of battle, should not the intelligence agencies contribute to America's overall effort? Economic intelligence, Central Intelligence Agency director-designate R. James Woolsey said at his confirmation hearings in February 1993, had become "the hottest current topic in intelligence policy." [1]

Woolsey may be gone, but the focus on economic intelligence survives. The Los Angeles Times reported in July 1995 that "President Clinton has ordered the Central Intelligence Agency to make economic espionage of America's trade rivals a top priority." [2] A month later the Sunday Times revealed that "the Foreign Office is voicing alarm over a strategy by the Central Intelligence Agency to spy on foreign companies, including British firms," adding that "the scheme has been devised by John Deutch, the new CIA director, who plans to ask American spies to recruit agents inside foreign businesses and use electronic eavesdropping to gather details of company operations." [3] Indeed, in early 1995 the French government exposed an American economic espionage effort, and shortly afterward a similar effort against Japan was revealed by the U.S. press. Needless to say, neither country took kindly to that treatment; the French insisted that five U.S. citizens, four of them diplomats attached to the embassy, leave the country. [4]

It may be, as the Journal of Commerce reported last January, that the Clinton administration is rethinking its policy. [5] If so, that would be all to the good. Although some economic espionage may be necessary when there is a clear national security connection (e.g., tracking foreign arms sales), the assumptions that have guided the Clinton administration are badly flawed. Perhaps worse, the administration's assumptions about the international security environment are indicative of a failure to comprehend the dangerous world that has begun to emerge from the debris of the Cold War.

When the Cold War ended, it was widely believed that a new era of international cooperation had begun. The Persian Gulf War seemed to confirm that impression, with former rivals uniting to oppose Saddam Hussein's aggression. Yet the allied victory in that war has not deterred other wars, as the fighting that has accompanied the disintegration of Yugoslavia demonstrates. Indeed, the victory in the Persian Gulf has not even brought stability to that troubled region.

Simply put, the end of the Cold War has not led to a more peaceful world, and as the attacks on Americans in Saudi Arabia testify, the United States is the target of those who challenge the status quo. The failure of U.S. intelligence to anticipate such attacks is significant. The June 25, 1996, Dhahran bombing "raises issues of intelligence failures and operational deficiencies that at least suggest that military leaders and policymakers were unaware of the potential risks that U.S. service personnel faced in Saudi Arabia," concludes Rep. Floyd D. Spence (R-S.C.), chairman of the House National Security Committee. "Intelligence failures left the military personnel in Khobar Towers, as well as the 4404th wing's leaders, largely unaware of the magnitude of the threat they faced." [6]

Intelligence agencies are America's eyes and ears in a dangerous world. Their purpose is to warn us of threats, so that we have time to take measures to protect ourselves. When their resources are diverted in an effort to improve American "competitiveness," they are less able to perform their security mission. In a world in which terrorists have openly declared war against the United States, that mission should not be compromised, or we will risk the needless deaths of even more Americans. [7]

Economic Espionage

There are several reasons for economic espionage. A general reason identified by the White House is to "contribute where appropriate to policy efforts aimed at bolstering our economic prosperity" by "helping policy-makers understand economic trends." [8] We all want the government to be well informed, but economic trends are not secret. To rely on intelligence analysis to identify underlying trends that are, by definition, out in the open, is to place unwarranted faith in the cachet of secrecy. Since economic trends cannot be hidden, analysis of them will benefit from open discussion and should not be pushed behind closed doors.

Nevertheless, three specific areas have emerged as the focus of economic espionage. [9]

1. Stopping foreign practices, especially bribery, that hurt U.S. firms. "Economic intelligence can help by identifying threats to private U.S. economic enterprises from . . . unfair trading practices." [\[10\]](#)
2. Stopping thefts of American corporate secrets. "There is an important role, a counterintelligence role, of helping American business know when they [sic] are being compromised." [\[11\]](#)
3. Supporting U.S. negotiators in trade talks. "There are pressing needs to support, by intelligence, the formulation of . . . our trade policy." [\[12\]](#)

Each of those areas may seem reasonable at first glance. Why should we stand by while foreign companies take jobs away from Americans by bribery? Why should we not help American businesses safeguard their secrets? And why should the intelligence agencies not support U.S. trade negotiators? Precisely because they seem reasonable, those issues have not received the scrutiny they deserve.

Stopping Bribery

On July 18, 1994, CIA director Woolsey addressed the Center for Strategic and International Studies in Washington on the future direction of intelligence. After that appearance, he was asked about the role of economic and commercial intelligence. His reply stressed the importance of using the intelligence agencies to win contracts for American firms by exposing bribery attempts by competitors.

A number of countries in other parts of the world, including some of our oldest friends, are very much into the business of bribing their way to contracts that they cannot win on the merits. . . . And when we find out about those . . . we go not to the American corporation that's competing, but the secretary of state, and he sends an American ambassador to see a president or a king, and he--that ambassador--says, "Mr. President," or "Your Majesty, your minister in charge of construction is on the take, and you have a lot going with the United States, and we don't really take kindly to your operating that way." And so rather frequently what happens--not always--is that the contract is rebid. . . . we calculate, really very conservatively, that several billion dollars a year in contracts are saved for American business by our conducting that type of intelligence collection. [\[13\]](#)

But, apparently, it is not just ambassadors who play that role. In 1994 President Clinton personally complained to the governments of Brazil and Saudi Arabia about bribes that French companies had paid to win contracts, which were then awarded to U.S. firms. Afterwards, the president praised the performance of the intelligence agencies: "You uncovered bribes that would have cheated American companies out of billions of dollars," he told CIA employees. [\[14\]](#)

It might seem churlish to object to that use of the intelligence agencies, but there are two concerns that have been overlooked and need to be addressed.

Compromising Intelligence Sources. The first concern is the possibility that when such representations are made, the source that provided the intelligence could be compromised. Any foreign government that receives such information is bound to launch an investigation to discover how it was obtained, and the results could be tragic. During the Bush administration, Secretary of State James A. Baker III, responding to requests from Syrian president Hafez Assad for facts about terrorists based in his country, turned over detailed information to support the U.S. case. Shortly afterward, agents who had infiltrated a terrorist organization in Syria were apprehended and executed by Syrian authorities. Although the State Department denied any cause and effect, the incident underlines the danger inherent in turning over classified information to foreign governments. [\[15\]](#) Even if it does not put individuals at risk, sharing such information could jeopardize a source that might provide other information that was more crucial to America's national security.

Missing the Point: Corruption as a Warning Signal. The second concern is the manner in which evidence of corruption is used. To use it as U.S. officials did in Saudi Arabia and Brazil, as a way of obtaining business for American firms, is to cooperate in the corruption while nominally opposing it. After all, we are using evidence of corruption as leverage to benefit ourselves, rather than register opposition to corrupt practices. Although that is not as bad as actually paying bribes, it is questionable whether ordinary people will be impressed with the distinction.

The Clinton administration may be repeating the sad American experience with Iran before the Islamic revolution. Iran under the shah was a tremendous market for the United States, but it was also pervasively corrupt. When the shah fell, in large part because of public indignation over the abuses of his regime, U.S. interests also suffered because the United States had been his ally and therefore became a target of popular wrath. That episode demonstrates that widespread corruption should be viewed as an indicator that a regime is shaky and that U.S. reliance on such a regime for any purpose may be questionable, if not dangerous.

It is particularly disturbing that the lesson that should have been learned in Iran is being ignored with regard to Saudi Arabia. After all, it is not as if the warnings have not been present. "Businessmen gripe that some princes use their influence to grab government contracts and muscle in on successful enterprises," the *Washington Post* reported in December 1994. The United States is the target of public anger because it fails to oppose such abuses. "The Americans fawn over this place," a Saudi intellectual complained. "The Americans should know that all is not well. Anything is possible." [16] In November 1995 a bomb exploded outside a U.S. training mission, killing five Americans. Saudi authorities were shocked when the bombers turned out to be Saudis acting without foreign assistance. "It was directed against the [ruling] Saud family," explained a Western diplomat, effectively underlining the closeness of the Saud-American link: to get at the Saud family, you attack Americans. [17] But the warning signals went unheeded, and on June 25, 1996, 19 American military personnel were killed when their barracks in Saudi Arabia was destroyed by a truck bomb.

It is similarly disturbing that the other case in which evidence of corruption has been viewed purely as an economic issue is Brazil. One of the Commerce Department's "10 big emerging markets," Brazil has been identified by the CIA as a country on the brink of failure. Indeed, Brazil is only one of several such major markets on the CIA's list. [18]

The pertinent question raised by the Saudi episode and the situation in Brazil is whether the Clinton administration is using intelligence information properly. The existence of widespread corruption in a country is an important indicator of a potentially unstable regime. [19] Information indicating instability should be viewed in connection with other information to give U.S. political leaders warning of problems that could affect national security. Viewing that information merely as a marketing tool risks jeopardizing American security and even, as the Saudi bombing incidents demonstrate, American lives.

An Alternative Approach to the Corruption Problem. A much better way to address the problem of international corruption is to lead the effort to stop it. People around the world are venting their disgust with corrupt leaders, and the United States is admired for its relative lack of corruption. "As governments seek to tighten laws to stamp out corruption, they would be wise to look at the U.S. experience," advises the *European*. [20]

It would be folly for the United States to do anything to undermine its natural leadership position. "In order to be able to say to those countries, 'Stop it'. . . , we need to have the high ground," former director of the Federal Bureau of Investigation William Sessions insisted. [21] The United States should not be inhibited by concerns that opposing corruption will put it at a competitive disadvantage. "France is a very corrupt place," admitted Pierre Marion, former head of France's Direction générale de la sécurité extérieure and a vocal promoter of economic espionage, which may help explain why the French economy has done so much worse than the American. [22] According to study by a researcher at the International Monetary Fund, "Recent empirical evidence seems to suggest that corruption lowers economic growth." [23] That is logical, because corruption rewards firms on the basis of their political connections rather than the quality of their products and other strengths valued in a market economy.

Countering Industrial Espionage

Stopping the theft of American business secrets is a legitimate focus of espionage (or, more precisely, counterespionage) and a function of law enforcement, as an earlier Cato study recommended. [24] Nevertheless, the problem of foreign commercial espionage should not be exaggerated. Testifying before the Senate Select Committee on Intelligence in August 1993, Boeing vice president John F. Hayden estimated that on a scale of 1 to 10 (least to most serious threat), foreign industrial espionage "is on the lower spectrum. Maybe a two." [25] Similarly, Woolsey's predecessor as CIA director, Robert Gates, told the House Judiciary Committee in 1992 that "we lack the evidentiary basis for establishing any overall trend toward increased economic espionage among advanced industrial countries."

[26]

Despite such assertions, Clinton administration officials have portrayed economic espionage as a dire threat. As FBI director Louis J. Freeh told Congress earlier this year,

Types of U.S. government economic information, especially pre-publication data, of interest to foreign governments and intelligence services as determined through FBI investigations include: U.S. economic, trade and financial agreements; U.S. trade developments and policies; U.S. national debt levels; U.S. tax and monetary policies; foreign aid programs and export credits; technology transfer and munitions control regulations; U.S. energy policies and critical materials stockpiles data; U.S. commodity policies; and proposed legislation affecting the profitability of foreign firms operating in the United States. [27]

An Overstated Problem. It is difficult to know what to make of Freeh's list, but it suggests an overly broad definition of the foreign economic espionage threat. There is, after all, nothing sinister about foreign governments' wanting to know about legislation affecting the profitability of their countries' firms operating in the United States. There is even nothing untoward about their wanting to know about it before it is published. After all, legislation typically is discussed and debated before it is adopted and published. And one wonders how foreign governments could illicitly obtain prepublication data about U.S. tax policy. Perhaps foreign spies have infiltrated the key congressional committees. That could go a long way toward explaining the U.S. tax code.

Simply put, if economic espionage is such a problem, why do victimized companies not complain more about it? Freeh has asserted that "U.S. industry is reluctant to publicize occurrences of foreign economic and industrial espionage" because "such publicity can adversely affect stock values." [28] He provides no examples of such an effect, however, and it is easy to find cases in which just the opposite has happened. Recently, General Motors sued Volkswagen for industrial espionage, and it was VW's stock that lost value. [29] Similarly, when *Barron's* reported that Cadence Design Systems was suing Avant! Corp. for industrial espionage, Avant!'s stock dropped sharply while Cadence's stock actually rose. [30] That is not a recent phenomenon. When the Justice Department indicted officials of two Japanese companies in 1982 for industrial espionage against IBM, IBM's stock price was unaffected. [31] Testifying before the House Judiciary Committee in 1992, James E. Riesback, executive vice president of Corning, Inc., said bluntly that his company had made "extensive use" of the protection provided by U.S. patent law "with a considerable amount of success." [32] That is hardly the attitude of someone fearful that such action would negatively affect his company's stock value. Indeed, the "problem" was not even mentioned.

The Real Threat: Washington's Encryption Policy. What did come up in the committee hearing, however, was a complaint by several representatives of U.S. industry that the FBI and the National Security Agency, by insisting on weak encryption technology, were obstructing efforts by U.S. businesses to protect their secrets from foreign intelligence operations. "At present the U.S. government is not effective in assisting U.S. corporations to effectively defend themselves against economic espionage by foreign intelligence services," charged Geoffrey Turner of the Information Security program at SRI International (and son of the former CIA director Stansfield Turner). "One area of current U.S. government policy, export controls of commercial cryptography, are [sic] in fact operating contrary to the true U.S. national security interest by impeding access of U.S. corporations to effective use of cryptography in international commerce." That position was echoed by a representative of Microsoft Corp. "Government imposition of substandard information security systems threatens the continued growth and development of personal computers and the competitiveness of America's software companies," argued Nathan P. Myhrvold, vice president for advanced technology and business development. "We must make certain that our Government doesn't deprive U.S. companies of protection against industrial espionage or limit the ability of U.S. software companies to compete internationally." [33]

Despite its vocal concern about foreign industrial espionage, the Clinton administration initially followed the path of its predecessor, ignoring the pleas of the very industries it insisted it was seeking to help. When a congressionally mandated National Research Council study recently endorsed stronger encryption standards, the administration dismissed the recommendation, arguing that the council would have arrived at a different conclusion if it had had access to classified information in the administration's possession. But that explanation rings hollow, since several members of the committee responsible for the report (including a former attorney general, a former deputy secretary of state, and a former deputy director of the National Security Agency) had national security backgrounds and had been

given classified briefings. [34] In November the administration relented and loosened its encryption policy [35]

In short, there is a role for the government to play in obstructing efforts by foreign governments to steal proprietary information of U.S. companies. But if the government is serious about being helpful, it must do a better job of listening to those companies, instead of insisting that it knows better. Otherwise, it gives the impression that it is trying to take political advantage of an issue, instead of trying to solve a problem.

Assisting Trade Negotiators

On January 26, 1995, French interior minister Charles Pasqua summoned U.S. ambassador Pamela Harriman to his office and informed her that several embassy officials had been identified as spies engaged in economic espionage and would have to leave the country. Shortly afterward, news of the meeting "leaked" to the French press. U.S. officials, upset at the publicity, complained that Pasqua was using the scandal to bolster the presidential election campaign of Prime Minister Edouard Balladur.

Although both governments quickly acted to put the affair behind them, the incident reflected tensions that had been building for some time. According to the *Wall Street Journal*, a number of governments, including those of Britain and Germany, had begun to complain about the size of the U.S. intelligence contingent in their countries, but they had refrained from taking action for fear of jeopardizing relations with their biggest ally. Instead, they "had been looking forward to France taking the lead on this," a former U.S. intelligence official related, "because France doesn't worry too much about U.S. sensitivities." [36]

Allied Spying and Hypocrisy. The charges coming from Paris must be taken with a grain of salt. Given France's own record of economic espionage, its public indignation did seem a little hypocritical. "It is an elementary blunder to think we're allies with countries like America," argues former French intelligence chief Pierre Marion. "When it comes to business it's war." Marion openly boasts that his service was "able to obtain for the French company [Dassault] confidential documents from the American competition, which Dassault was then able to undercut." [37]

In Britain the Intelligence Services Act provides a statutory basis for spy agencies to support the country's "economic well-being," which one British newspaper interprets as a "green light for gathering commercial intelligence on trade competitors." [38] Indeed, a former British intelligence official has alleged that Britain's equivalent of the U.S. National Security Agency has been used to gather information on foreign competitors and pass it on to British firms. [39]

An Irrelevant Mission. Even if other countries engage in economic espionage, what does the United States gain by imitating them? One of the principal objectives of the operation in Paris was to learn what the French position would be in negotiations under the General Agreement on Tariffs and Trade. But as one retired CIA official observed, "I imagine that you could get the French position on GATT without spying on them." [40]

And even if U.S. officials could not, what would be the problem? The purpose of trade negotiations is to broaden the choices available to consumers, not to protect one's own producers at the expense of everybody else's producers. The closed nature of one's own economy should not be used as a bargaining chip to pry open other economies. That attitude reflects a fundamental misunderstanding of the purpose of trade. The United States, which considers itself a moral leader on issues of free trade, should be setting an example of the benefits of an open economy. Viewed from that perspective, spying to discover another country's trade position becomes utterly irrelevant, if not counterproductive. Indeed, when it was revealed that the United States had also spied on the Japanese in the course of another set of trade negotiations, the reaction was one of bewilderment. "The U.S. is believed to have gained little or no advantage from the alleged action," the *Financial Times* reported. "Car industry officials found it hard to see how any espionage could have helped the U.S. negotiators." [41]

Provoking Needless Quarrels. As the *Financial Times* also noted, the Japanese government and people were upset by the revelations, which points up a greater danger inherent in the use of economic espionage among democratic capitalist countries. The world is still a dangerous place, and it would be folly for the democracies to engage in nasty intramural squabbles. Yet that is the danger that economic espionage against other free societies poses. "This will not blow over in a matter of months; it will take several years, at least, before we can talk about serious cooperation again

in intelligence matters," a U.S. official observed after the French fiasco. A French colleague agreed. "Right now, the mood is too poisoned to believe that we will ever be able to cooperate on anything as we did before, unless there is a major crisis that poses a serious threat to both governments." [\[42\]](#)

Those crises, unfortunately, are now occurring. Americans are familiar with terrorist bombings on American soil and acts of violence against Americans in the armed forces abroad. But the United States is not the only target. France has also been a victim. Intelligence collaboration between the two countries was critical in capturing the notorious terrorist, Carlos, who had murdered several French police officers. And both sides are represented in NATO's Implementation Force in Bosnia, which could come under fire at any time. Washington ought to consider that it may need the cooperation of Paris (or other Western capitals) to help deal with a mutual security threat at some point. The desired cooperation will be less likely to be forthcoming if the U.S. government has created animosity through its policy of economic spying.

Monitoring Potential Security Problems

The Clinton administration's focus on economic espionage is based on an assumption that traditional national security problems either do not exist or are distinctly secondary concerns--that they largely disappeared with the end of the Cold War. But what if that assumption is wrong?

The end of the Cold War, combined with the decisive military triumph of the U.S.-led coalition in the gulf war, suggested the dawn of a new era in international affairs. President George Bush even proclaimed the emergence of a "new world order," in which the United Nations would play the role its founders intended. To optimists, traditional security threats seemed a thing of the past. "The preeminent threat to U.S. national security now lies in the economic sphere," Stansfield Turner wrote. "We must, then, redefine 'national security' by assigning economic strength greater prominence." Similarly, Joshua Bolter, general counsel in the Office of the U.S. Trade Representative, observed that "the business of trade negotiations is as central to U.S. national security interests now as arms control negotiations were during the last forty years." [\[43\]](#)

Recent developments suggest that such expectations were misplaced. If the end of the Cold War was supposed to usher in a new era of global peace, it has proved a tremendous disappointment. The gulf war was supposed to teach regimes and political factions around the world that aggression would not pay. It did not do that. The United States later sent troops to Bosnia and Haiti to quell conflicts. Washington sent a strong message to China not to use force against Taiwan. The United States has even had a recent (and inconclusive) confrontation with Saddam Hussein.

Indeed, the new disruptive forces in the world may be even more dangerous than the Cold War, for two important reasons. First, although the Cold War was at bottom an ideological struggle, by the time the Soviets became strong enough to challenge the United States, their ideology was no longer a passionate force. Brezhnev and his successors were not risk takers, and communist philosophy itself, by postulating inevitable victory, counseled caution.

The conflicts we see today, grounded in national and religious fervor, are far different. During the Cold War, the Soviet and American peoples did not hate each other; the visceral hatred in Bosnia and Burundi creates a much more dangerous environment. Although political leaders may have initiated those conflicts for their own purposes, it is the hatreds of the people that have made both tragedies so bloody and intractable. "They wanted to settle old scores," is how journalist Peter Maass described the motivation of Serbs who tortured prisoners whom they knew from prewar days. "Petty quarrels were settled with major crimes." [\[44\]](#) And those crimes, in turn, will provide another reason for revenge and further bloodshed.

The second difference is the lack of control. During the Cold War, leaders exercised effective control over their followers. Consequently, the United States could negotiate settlement of the Cuban missile crisis and the Vietnam War. Now the ability of leaders to control their followers cannot be taken for granted. Israel reached an agreement with Yasser Arafat, but Arafat cannot order the terrorist bombings to stop. Britain negotiated with Gerry Adams of Sinn Fein, but the Irish Republican Army still plants bombs. The inability of leaders to control their followers brings the effectiveness of deterrence and even diplomacy into question.

Those are the sorts of long-term trends that the intelligence agencies should be monitoring and anticipating. In

particular, they should be evaluating those trends in the context of the international environment that is emerging. The optimistic assumption that the end of the Cold War meant the end of war is no longer tenable. On the contrary, our hopes for a more peaceful world are coming into serious question. Nowhere is that more evident than in a region the administration has regarded as a foreign policy triumph: the Middle East.

Ominous Developments in the Middle East

The terrorist attacks in Saudi Arabia, Israel, and other countries suggest that the trend in the Middle East is not nearly as hopeful as it appeared just a few years ago. It is striking, for example, that Americans are being attacked in Saudi Arabia, a country we fought a war to protect. Certainly, the actions of a few extremists do not necessarily reflect the attitudes of an entire people, but the absence of any popular expressions of support for the American presence in Saudi Arabia in the aftermath of those attacks is troubling. "The [Dhahran] bombing should be taken as a sign that the United States' Gulf War victory party, which began in early 1991, is now over," writes Shibley Telhami, director of Cornell University's Near Eastern Studies Program. It "highlights the internal threats to Gulf security against which the American military presence is helpless--possibly even counterproductive." [\[45\]](#)

Indeed, the most recent phase of the Middle East peace process, inaugurated on the White House lawn in the fall of 1993 and considered one of the great achievements of the Clinton administration, is in deep trouble. The problem is not simply that hard-liner Benjamin Netanyahu was elected prime minister of Israel, however much the administration would have preferred his opponent, Shimon Peres, as a negotiating partner. Rather, it is that the election symbolizes what in Northern Ireland has been called "the politics of the last atrocity." [\[46\]](#) After the assassination of Prime Minister Yitzhak Rabin by a right-wing Israeli fanatic, it seemed unthinkable that Netanyahu could win the election. But a series of terrorist bombings caused a dramatic shift in Israeli public opinion, demonstrating the malleability of the political center. "Now the advantage will go to extremists of both sides," lamented Zuhair Dubie, a Muslim prayer leader and editor of a West Bank newspaper, after the election. "It will be a bloody struggle." [\[47\]](#)

The danger for the United States is that it will also become the target of those extremists. The bombings in Saudi Arabia should not be viewed as isolated aberrations. The United States has encouraged the Middle East peace process with the most noble of intentions, but it has been all but oblivious to the way some of its actions are perceived by ordinary Arabs and Muslims. For example, Washington's endorsement of the Israeli shelling of Lebanon (Operation Grapes of Wrath) as an anti-terrorist act prompted university students in Cairo to burn the American flag. [\[48\]](#) The administration's acceptance of the Israeli explanation that the shelling of the UN base at Qana, which resulted in dozens of civilian fatalities, was an accident was considered especially insulting. One newspaper condemned "the degree of disregard and contempt to all Arabs shown by the American president. Today, the American president has revealed the truth of the American sentiments which are hostile to the Arabs and the Muslims." Another newspaper wrote that President Clinton "has offered his protection for Israeli occupation and expansionism" and warned that "the ramifications of this position will make themselves felt, possibly in the not too distant future." [\[49\]](#)

The Rising Terrorist Threat. The Dhahran bombing, in other words, should be viewed, not as a problem confined to Saudi Arabia, but as a symptom of a larger challenge to the U.S. presence in the Middle East. "Muslims burn with anger at America," claims Osama bin Laden, a wealthy Saudi exile who seeks to overthrow the Saudi regime. [\[50\]](#) Three things about bin Laden stand out. First, like so many of today's Islamic militants, he is a veteran of the Afghan war. The United States is experiencing "blowback": those we helped have now turned against us. "Fighters trained in Afghanistan are surfacing in a dozen different conflicts," reports the *Independent on Sunday*. "They include Ramzi Ahmed Yousef, the alleged mastermind of the World Trade Center bombing." [\[51\]](#) Several other people convicted of the World Trade Center bombing were also veterans of the Afghan war, as were three of the four participants in the bombing in Saudi Arabia in November 1995. In the blunt words of a congressional aide who monitored the Afghan operation during the 1980s, "Those guys took us for a ride." [\[52\]](#)

Second, bin Laden represents what one observer has called "the privatization of the support of terrorism." As one U.S. official put it, "Bin Laden is the kind of guy who can go to someone and say, 'I need you to write out a six-figure check,' and he gets it on the spot. He hits up Islamic businessmen who in some cases may not know where their money is going." [\[53\]](#)

Another possible example of that phenomenon is a Saudi national arrested in California in December 1994. According to the Philippine government, Mohammed Jamal Khalifa, who is related by marriage to bin Laden, was trying to recruit Islamic extremists in that country. "The sources said Khalifa established or financed several Islamic organizations in the Philippines ostensibly for charity and religious work, which channelled money to extremist groups," reports Hong Kong's *South China Morning Post*. "In 1994 a Jordanian religious teacher, Adballah Hashakie, told Jordanian police. . . he received U.S. \$50,000 from Khalifa to finance bombing and assassinations in Jordan." [54] Deported to Jordan by U.S. authorities, Khalifa was acquitted of terrorism charges. [55]

Privately financed terrorism seems to be another unforeseen consequence of the Afghan war. Such terrorism's special danger is that it makes punishment, and therefore deterrence, much more uncertain because it is more difficult to identify the people responsible for terrorist acts. "With former Afghan volunteers also leading Islamist insurgencies in Algeria and Egypt, these are ties that bind," stresses the *Observer*. "Now you don't have a group, you have an old boys' network where people keep in touch," explains a Western expert on terrorism. "This is not something that can be penetrated, because they may just come together for one operation and disperse again. They don't have to have an office and a car pool and stationery. All they need are their modems--one in the Philippines, one in New York and another in Peshawar--and you've got your group." [56] Stanley Bedlington, who retired in 1994 as the senior analyst at the CIA's Counterterrorist Center, agrees, likening the new terrorist threat to a "floating crap game" because of the absence of clear support from governments. [57]

Third, bin Laden's motivation stems from the American assistance to Saudi Arabia when it was threatened by Iraq. To many Arabs, the U.S. war against Iraq was an anti-Arab act. [58] That may baffle Americans, who see the U.S. effort as a defense of helpless and endangered Arab peoples against a ruthless tyrant. But for many Arabs, U.S. motives were not so selfless. As a journalist who traveled through Israel's occupied territories at the time noted, Palestinians "were skeptical of a war waged in the name of democracy when billboard slogans in the United States declared: 'Get their gas and kick their ass!'" [59] In Jordan, the U.S. intervention was seen, especially by Islamic fundamentalists, as a "new Western Crusade against the Moslem faithful," according to one observer writing from Amman. Jordan's lower house of parliament passed a resolution encouraging "all the Arab and Islamic nations to strike at American interests and the interests of those nations participating in the aggression against Iraq." The religious dimension of the dispute was emphasized by the head of the Jordanian Muslim Brotherhood's parliamentary office. "When Saddam talks about a fight against the infidels, a war that is waged on behalf of Muslims, a victory that comes from Allah, we welcome that." Even King Hussein's religious affairs minister called in a televised sermon for holy war "against America and its atheist allies until doomsday." [60]

King Hussein has turned his country in a different direction since then, but it appears that his effort at reconciliation with Israel and the United States has left Jordanians confused, rather than supportive. "Nobody can understand what is going on," claims former prime minister Ahmad Obeidat. "I have a deep worry for our future." [61] According to one opponent of the peace process, the king is to blame for the opposition to his policies. He "was the one who was telling us 'fight them, eat them, beat them,'" insists Leith Shbeilat, who has been imprisoned for his activities. "As he was telling his armies to fight and be martyred, all the time . . . he was with the Israelis." [62]

The Illusion of a Middle Eastern Anti-Terrorist Alliance. In short, despite all the hopes generated by the peace process, the situation in the Middle East appears to be deteriorating, as countries friendly toward the United States face their own domestic threats. The anti-terrorism summit at Sharm el-Sheikh provided an appearance of harmony, as Israel, the United States, and many Arab countries joined in condemnation of terrorism, but beneath the surface fundamental differences remained unresolved. In particular, the idea that all the participants viewed terrorism in the same way was dashed by the Cairo summit of Arab countries, hosted by Egyptian president Hosni Mubarak (who was also the host at Sharm el-Sheikh). According to a columnist in the semiofficial *Al-Ahram*, the Cairo "summit resolutions distinguished between terrorism, rampant in certain Arab states, and legitimate resistance to occupation, condemning the former and exhorting the international community to unite in combating the phenomenon." [63]

The terrorist threats confronting the Arab states are not trivial, and Egypt itself is not immune. [64] But the failure to condemn terrorism in Israel--indeed, the effort to legitimize it--suggests that something is changing at the official level. "The resolutions also sent a decisive message to Israel," the *Al-Ahram* article continued. "Israel has thus been given notice that should it decide to renege on any of the principles it had earlier agreed then Arab states will be forced

to reconsider the steps already taken towards establishing peace with Israel." [65]

Similarly, the U.S. role as honest broker of a peace agreement is now being questioned. "America seems intent on driving the region back to a climate of polarization and opposing military alliances," wrote another columnist. "The U.S.-Israeli defense alliance and the Turkish-Israeli military pact can only be interpreted by Egypt and Syria as directed against themselves." [66] In what may have been a hint to the United States that he should not be taken for granted, Mubarak was at that time hosting a visit from his Chinese counterpart, Jiang Zemin. "Egypt, with its leading role in Africa and the Arab world, and China, a prominent nuclear state with veto power on the UN Security Council and a fast growing economy, both have strong faith in their relationship and aspire to develop it further," *Al-Ahram* reported, adding pointedly, "China concurs with the Arab viewpoint that U.S. diplomacy in the region does not sufficiently take into account the interests of the Arab countries." [67]

Ominous Developments in China

The Chinese effort to take advantage of Egypt's displeasure with the United States suggests that the recent Sino-American tensions over trade and Taiwan are having more far-reaching consequences than the Clinton administration anticipated. With the Cold War over and communism discredited, the new administration viewed China basically as a huge market for American products. "China has the world's fastest growing economy," explained a White House official in 1993. "We want a piece of the pie, a big piece, and we aim to get it." [68] The late secretary of commerce, Ron Brown, boasted of the nearly \$6 billion in contracts his "commercial diplomacy" in Beijing had supposedly won for American firms in 1994. But when he returned to China in 1995, he admitted that over \$5 billion of the deals had yet to be consummated. And although he was gamely lobbying for more business for U.S. companies to help build China's infrastructure, he complained that "not a single major private power project has come to fruition in China. Not one." [69]

Growing U.S.-Chinese Estrangement. The Clinton administration has expressed frustration at China's persistent trade surplus. What is more worrisome, however, is the use to which China is apparently putting the dollars it is earning by its exports to the United States: it is buying vast quantities of weapons abroad, particularly from Russia. "China is not only increasing military spending generally, but in particular it also is seeking to project power beyond its borders," the *New York Times* reported in 1992. [70] The intent of that buildup should not be lost on the American intelligence community. "When the Chinese media highlights [sic] Mr. Jiang and his recent naval maneuvers only days before China's President is due to meet President Bill Clinton in New York, these are signals for the United States," London's *Independent* stressed in October 1995. [71] Ominously, when the U.S. Department of Defense, during the Taiwan crisis earlier this year, said China had repudiated any use of force, that statement was contradicted by the Chinese Foreign Ministry. "These statements have no foundation," state radio quoted spokesman Shen Guofang as saying. "China has never promised to give up the use of force." [72] Giving immediacy to that warning is the recent report that China has offered to buy the French aircraft carrier *Clemenceau*, which is scheduled for decommissioning next year. [73]

A Beijing-Moscow Axis? The deterioration in China's relations with the United States is being accompanied by a warmer relationship with Russia. The change seems to have originated with the development of arms sales. When U.S. defense secretary William Perry visited China in 1994, he "refused even theoretically questions of arms sales," *Moscow News* reported. "The Chinese leaders lost their hope of having the United States as an arms-supply alternative to Russia." When the supreme commander of Russia's naval forces visited China immediately afterward, the Chinese were ready to buy. "Admiral [Felix] Gromov signed not only a declaration of intentions of the sides for increased cooperation, but also concrete arrangements on the sale of warships and naval weapons," the newspaper reported. "The visit deepened the navigable channel of the two countries' military and technical cooperation." [74]

The development of those ties has begun to accelerate. Despite Moscow's reliance on U.S. goodwill and President Yeltsin's supposedly close relationship with President Clinton, Russia sided with China during the Taiwan crisis. "The current issue," declared Foreign Ministry spokesman Grigory Karasin, "is an internal matter for the Chinese people," effectively rebuking the United States for sending naval forces to support Taiwan. [75] When Yeltsin met with Jiang in Beijing shortly afterward, they condemned "hegemonism," in clear reference to the United States, and proclaimed the inauguration of a "strategic 21st century partnership." [76] Just in case American observers still did not get the

message, Russian and Chinese commentators were exceptionally forthright with Western media. "We want to give the Americans a warning," a specialist on Russia at the Chinese Academy of Social Sciences told the *Wall Street Journal*. "Our relations with Russia can become closer and closer." Similarly, a Russian Foreign Ministry official explained that "when Russia speaks with the West, if it has at its back a reliable China, it can speak with more ease." [77]

Russia's warming relationship with China seems to be related to another issue of increasing prominence: the expansion of NATO. It has been an article of faith among those promoting the expansion of NATO that Russia ultimately has no choice in the matter, that if it continues to oppose the expansion of NATO it will simply isolate itself. The proclamation of a Russian-Chinese strategic partnership appears to be Yeltsin's response. "Various highly-placed Russian leaders began to talk about 'looking' for allies in the East in the second half of last year, purportedly in response to a possible expansion of NATO," the newspaper *New Europe*, which follows events in Russia closely, reported in May. "The idea of the need for such an alliance is becoming more and more acceptable to Russia." [78] Russian foreign minister Yevgeny Primakov has said that building relations with China as a strategic partner is a "very important priority," and Yeltsin himself has called for "seriously stepping up" policy toward the East. [79] In fact, when he was in Beijing meeting with Jiang Zemin, Yeltsin declared that the Chinese leader "strongly supports Russia's stand that the eastward expansion of NATO to the Russian Federation's borders is unacceptable." [80]

Of course, rapprochement between Russia and China, by itself, would not be worrisome. For all the talk about playing off one country against another as clever realpolitik, it is not in the U.S. interest for two large countries to be hostile to each other. Such rivalries can easily get out of hand, as happened in 1969, when armed clashes between the two did occur. And although that conflict remained limited, the history of the 20th century testifies that when great powers fight, the conflict can easily spread.

The problem with the Chinese-Russian rapprochement is that, judging by the explanations we have just seen, it is driven by mutual dissatisfaction with the United States. Such an attitude on the part of China and Russia clearly brings into question the hopeful assumptions that underlie the very concept of a post-Cold War world.

Russian Instability

We should recognize that Yeltsin's victory in the recent presidential election is not the victory for democracy that it has been portrayed to be. Yeltsin spent government money lavishly to achieve reelection. "I've come with full pockets," he proclaimed at one campaign stop. "Today a little money will be coming into Arkhangelsk region." [81] To help cover those expenditures, which threatened to bust the budget, Yeltsin ordered the central bank to transfer over 5 trillion rubles (almost \$1 billion) to cover the budget gap. "It's the first real challenge to the independence of the central bank," lamented a bank representative. "It's a dangerous precedent." [82] According to the central bank's first deputy chairman, Sergei Alexashenko, Yeltsin's campaign reduced Russia's hard-currency reserves from \$16 billion in April to \$12.5 billion in June. [83] Indeed, the Russian banking system as a whole appears shaky. "Many enterprises and organizations find that their money is 'stuck' in their bank accounts, putting them in danger of insolvency," *New Europe* reports. "According to experts' estimates, one of every four of the 410,000 businesses registered in Moscow cannot recover money entrusted to banks which have become insolvent." [84]

Authoritarian Trends. The freedom of the press, one of the great achievements of Mikhail Gorbachev's transformation, was compromised as the media, fearful of a communist victory, became a virtual adjunct of the Kremlin and biased their coverage in favor of Yeltsin. "They sincerely believe that one can step off the principles of a free press--for a certain period of time--for the sake of not letting Zyuganov come to power," explains the deputy editor of *Moscow News*. "I think it's a big mistake." [85] Her apprehension appears justified. "It seems likely that the Kremlin, having grown used to the new arrangement, might seek to institutionalize it," the *Washington Post* reported after Yeltsin's decisive victory in the second round of balloting. "To me, what happened with the press during the campaign is a gigantic shift toward the formation of normal media relations," said Mark Urnov, the head of Yeltsin's research team. "If this tendency continues in the future, we will have more stable democratic institutions." [86]

Indeed, there have been other indications that Gorbachev's policy of glasnost (openness) is now being reversed. For example, Russian files declassified in 1992 are no longer available to outside researchers. [87] Similarly, a Russian environmentalist who revealed information about the dumping of radioactive waste by the Northern Fleet was arrested

on espionage charges. [88] Even Yevgenny Kiselyov, NTV's popular anchor who supported Yeltsin during the campaign, fears that "we may all soon be lying face down in the snow with machine guns pointed at us." [89]

A Russian Financial Bubble? Those two factors are now coming together with the appointment of Boris Berezovsky, a prominent banker and head of Russian public television, to the post of deputy secretary of Russia's Security Council. Berezovsky's appointment comes on the heels of the dismissal of retired Gen. Alexander Lebed as head of the Security Council on October 17. Ostensibly, the reason for Lebed's dismissal was his insubordination. The evening before he was dismissed, Lebed was accused by his nemesis, Gen. Anatoly Kulikov, the head of the Interior Ministry and the man responsible for much of the brutality and suffering in the war in Chechnya (to which Lebed had negotiated a settlement), of attempting to create a "Russian Legion" to mount a coup. [90] The interview was conducted on NTV, which is controlled by a colleague and ally of Berezovsky. [91]

Lebed denied the accusation, and the real reason for his dismissal seems to have been that he represented a threat to the administrative-banking interests rotating around President Yeltsin's chief of staff, Anatoly Chubais. As the *Journal of Commerce* reported last August, "Bankers close to Mr. Chubais privately say they expect him to win and nullify Mr. Lebed's influence in the government by October." [92] Among the bankers closest to Chubais is Berezovsky. Just before Berezovsky's elevation to the Security Council, Nikolai Yegorov, a former chief of staff to President Yeltsin, observed that "everyone who was not in the orbit of Chubais, Gusinsky [head of the MOST banking group], and Berezovsky has now been purged from the president's apparatus." [93]

Although Chubais is widely regarded as a reformer, what is happening is clearly not reform. Rather, it appears that one of the biggest scams in history may be under way in Russia. For months teachers, soldiers, and others have not been paid. The reason given is that not enough taxes are being collected, but that does not explain why the government is paying the debt held by the banks. In fact, the low inflation rate that is regarded as the greatest success of the Russian economy means that the real return being earned by the banks is enormous. As *The Economist* has noted, "Much of the banking system has been kept afloat by income from absurdly high-yielding government debt pumped out by the central bank mainly for the industry's benefit." [94] Similarly, Russia's *Nezavisimaya Gazeta (Independent Newspaper)* has suggested that "possibly, it is the political importance of the huge state debt that partially explains the fact that the Finance Ministry and the Central Bank have not yet moved to cut the rate of return on T-Bills despite their numerous pledges to do so and despite the obvious negative impact of such a rate on the economy as a whole." [95]

The act of paying the banks, rather than teachers or soldiers, is presented by some as an effort toward fiscal responsibility. "The Yeltsin government can afford not to pay coal miners or teachers for months at a time, but according to its world view it cannot risk defaulting on its obligations to bondholders," argues Alexander Buzgalin, a political economist at Moscow University. "The International Monetary Fund and Western governments are watching, and they will punish anything they perceive as a wrong move by cutting off credit." [96]

That could explain why the government prefers to pay bankers rather than teachers, but it does not explain why it does so at rates *The Economist* describes as absurdly high. More to the point, it does not explain why Russian bankers are sending so much of their money overseas. The *Washington Post* recently reported that Russian banks have been opening branches in the Caribbean, an activity American officials regard as suspicious. "It is passing strange that large Russian banks would decide to create offshoots in Antigua," muses Jonathan Winer, deputy assistant secretary of state for narcotics and law enforcement. "What comparative advantage does Antigua have that London doesn't? The only answer that comes to mind is that its offshore banking sector is not tightly regulated or transparent for foreign, including U.S., law enforcement officials." [97] Nor is that kind of activity restricted to the Caribbean. "Powerful Russian private banks are conducting real estate transactions through intermediaries from headquarters in Gibraltar," reports Madrid's *El Pais*. Here again, the authorities are worried about possible criminal activity, "since the origin of the money is not known and hence possible laundering operations are suspected." [98]

In short, what appears to be occurring is that, while diverting everyone's attention by complaining about poor tax collection, the Russian government is paying huge amounts to politically well connected bankers, who are sending that money overseas to benefit themselves (and possibly their patrons) rather than the Russian economy.

The evidence presented here is not conclusive, merely suggestive, but that is why we have intelligence agencies. It is

the investigation of matters such as this that is the proper focus of economic intelligence, because if the preceding explanation of events in Russia is accurate, the national security implications are enormous.

Multiple Challenges to the Intelligence Agencies

The combination of rising terrorist threats and disturbing geopolitical developments underscores that the relatively benign international trends that led to the emphasis on economic espionage no longer exist. Indeed, it is time to confront the possibility that, if our expectations of the post-Cold War world were exaggerated, the post-Cold War world itself may be over. We have entered a new and dangerous era. Having proclaimed itself the effective guarantor of world order as the sole remaining superpower, the United States is now the target of those who want to challenge the existing state of affairs. Those Americans who support or even accept that role should recognize the dangers and the risks. The bombing of the World Trade Center demonstrates the seriousness of the threat. Even during the height of the Cold War, even during the Vietnam War, American territory was not attacked. That threshold has now been crossed. In such a world, it is irresponsible for American officials to instruct the intelligence agencies to divert their attention to discovering the positions of other countries in trade talks.

Even as we acknowledge the need for the intelligence agencies to deal with the increasing terrorist threat, we should recognize the difficulties they will encounter. The question is not one of simply shifting resources. There have been many suggestions that we place greater emphasis on human agents, but while those recommendations are unobjectionable in principle, infiltration of terrorist groups cannot be ensured. In addition, if the arrest of Ramzi Yousef is any indication, the cooperation of foreign governments will be necessary, and that also cannot be ensured. Better intelligence will be an essential component of any anti-terrorist policy, but even if we obtain better intelligence, it will not be enough.

Refocusing the Intelligence Community

The focus on economic espionage ultimately reflects an underlying belief in the necessity of industrial policy. "It's essential we have some kind of national economic strategy, or we just won't be competitive," Ron Brown argued. "Be it in telecommunications or aerospace, we intend to use the weight of the U.S. Government to help U.S. industry." [\[99\]](#) Since the intelligence agencies are part of the U.S. government, they are to play a role in implementing that strategy. "Winning the battle for 'competitiveness' in world marketplaces is a prime new agenda for American security policy," notes a recent study for the Twentieth Century Fund. "More aggressive industrial espionage is only one of many implications for intelligence policy that would follow from such a worldview." [\[100\]](#)

Rejecting Economic Espionage as a Mercantilist Tool

Economic espionage is, therefore, not merely an intelligence issue. It also involves fundamental questions about economics. Is a national economic strategy indispensable to competitiveness? Is it unnecessary? Or is it perhaps harmful?

Those who argue in favor of a national economic strategy maintain that the market is unable to predict the future and thus to provide guidance about investment. "In the presence of increasing returns and spillover effects, the market cannot signal to private agents the unintended outcome of their collective behavior," Laura D'Andrea Tyson, head of the National Economic Council, has written. "To put it differently, markets cannot deliver information about or discount the possibility of future states of the world whose occurrences are externalities resulting from the interaction of the present decisions of behaviorally unrelated agents." Consequently, she has advocated "a change in the philosophy of U.S. trade policy from one of free trade to one of sophisticated intervention." [\[101\]](#)

To be sure, markets are imperfect guides to the future, because the future is unpredictable. All investment involves risk, precisely because it involves a guess about an unpredictable future. So the question cannot be, Who can predict it better? The relevant question is, Who should be accountable for the inevitable mistakes that result?

When people invest their own money, they are directly accountable for the risk they have assumed; they personally feel the loss or gain. When government officials invest money, it is not their money. If the money is lost on a technology that does not work, they do not feel the loss; the money does not come out of their pockets. And the

taxpayers probably will not feel it, either. In the first place, the connection is too tenuous. In addition, government officials are not going to publicize their mistakes. That is why, except for a limited sector of public goods, private investment (direct accountability) is economically preferable to government investment (indirect accountability). As the Soviets finally came to admit, the market "is actually, at present, the only known reliable anti-waste mechanism." [\[102\]](#)

Indeed, the concerns about American competitiveness in high technology that were voiced years ago now seem almost quaint. Instead of providing stable and highly paid employment, publicly funded firms overseas are now in crisis. The assumption that such firms had an unfair advantage because they could operate at a loss has been disproved. [\[103\]](#) In 1996 the French government announced a major shakeup in its defense sector, prompted by the need to make funds available to pay for social programs and to reduce government indebtedness. As part of that change, France's defense industries are to be put on a more commercial basis to make them more competitive and to reduce the huge losses they have sustained. [\[104\]](#) "The state feeds those firms the way a farmer tends his herds," a French banker at a large investment house observed about France's industrial policy. "Feeding one, then the other. But now the state no longer has the means." [\[105\]](#) Even governments, it would appear, cannot operate firms at a loss indefinitely, and the effort to try simply weakens the competitiveness of their countries' firms by interfering with responses to commercial pressures. [\[106\]](#)

Two Legitimate Uses of Economic Espionage

Thus, to the extent that economic intelligence rests on the desire to support a national economic strategy, it should be rejected. That is not to say, however, that there is no role for economic intelligence; it should be focused on dealing with threats to national security. In this respect, two considerations stand out.

The first is economic indicators that could point to political instability in a foreign country. Indicators would include such factors as pervasive corruption, high inflation, high unemployment, capital flight, a marked decline in national income, and growing income inequality. It is perfectly appropriate, even obligatory, for agencies of the U.S. government to monitor such developments, especially in regions where there is a significant U.S. interest. Most of that information is publicly available, however, so, strictly speaking, gathering it is not economic espionage.

The other consideration is arms sales or transfers, not only because of the military implications, but because of what they signify about the intentions of the regimes that are buying and selling. For example, the CIA was aware of Saddam Hussein's efforts to acquire nuclear weapons technology by establishing dummy firms in Western countries well before he invaded Kuwait. [\[107\]](#) Unfortunately, the political implications of his actions were not fully appreciated, in large part because the Bush administration saw Iraq primarily as a market that it did not want to jeopardize. [\[108\]](#)

Effective Intelligence versus Political Myopia

The problem with economic intelligence, in other words, is not so much with the intelligence agencies but with their political masters, who do not understand how such intelligence should be used. Such intelligence is not a tool for leveling the playing field; it is input to the investigation and analysis that should be used to identify adverse political developments or outright security threats before they turn urgent. But for intelligence to be useful, political leaders have to be willing to allow their assumptions to be challenged. Indeed, intelligence is most useful when it does exactly that, when it points out erroneous assumptions of official policy before those mistakes become serious. But that means political leaders must be willing to listen to unpleasant information they would rather not hear. If they are unwilling to do that, no reform or redirection of the intelligence community is likely to be useful.

Stumbling toward New Vietnams

Thus, the most urgent foreign policy question the Clinton administration must address is whether its underlying hopeful assumptions are justified. The administration still clings to the view that peace is breaking out all over, and any challenges can be handled by a brief display of American might. Indeed, one American official has even revealed (albeit anonymously) that the United States actually seeks just such an "opportunity" in Bosnia.

It won't be a tough fight. We'll win easily, but it needs to be done.

It is important to bloody the extremists not only to drive them out of Bosnia but also for the impact that can have on their adventurism elsewhere. It is important that they know the United States is not afraid of them and is willing and able to inflict great damage on them. [\[109\]](#)

There is an echo here of the argument that led to the disastrous American involvement in Vietnam. "Vietnam represents a test of American responsibility and determination in Asia," Sen. John F. Kennedy proclaimed in 1956. "If it falls victim to any of the perils that threaten its existence--Communism, political anarchy, poverty and the rest--then the United States, with some justification, will be held responsible." [\[110\]](#) Having assumed that responsibility as a senator, Kennedy sought a showdown with communism in Vietnam as president. "If you were going to have a confrontation, the place to have it was in Vietnam," Ambassador William H. Sullivan subsequently explained. "People were looking at Vietnam as something that could be a more solid instrument for settling this thing." [\[111\]](#)

In retrospect, of course, the foolhardiness of that policy is clear. "I underestimated the tenacity of the North Vietnamese, and I overestimated the patience of the American people," late secretary of state Dean Rusk admitted in 1973. [\[112\]](#) The tragedy of Vietnam, however, is magnified by the realization that the intelligence agencies had tried to warn their political masters of the disaster ahead. "The intelligence analysis compiled by the CIA and the State Department in the spring of 1964 examined every possible kind of American intervention, and its conclusion was stalemate at best and war with China at worst," recalls Allen S. Whiting, former head of the East Asian Section of the State Department's Bureau of Intelligence and Research. "With that kind of agreement among the best Asian specialists of the two major analytic agencies of the U.S. government, one did not think that the president would do it." [\[113\]](#)

The irony is that President Clinton, an opponent of the Vietnam War, now seems to be repeating the mistakes that led the United States into that conflict. "Somalia is a test case of whether we can help keep peace in the world without having to do it all ourselves," a (once again anonymous) Clinton administration official explained in early 1993. [\[114\]](#) Just as we had done in Vietnam, we underestimated the enemy and overestimated our own capabilities.

The Costs and Risks of Global Hegemony

Despite the debacle in Somalia, the administration is intent on demonstrating that the United States can keep peace in the world virtually by itself. The United States is now effectively responsible for maintaining the peace in the Persian Gulf, the Middle East, East Asia, and Europe. If we want to accept those responsibilities, we had better be ready for the attacks that will come from people who challenge the status quo. "We must be prepared for the frequency and the scale of attacks on our Gulf--in the Gulf to increase," Secretary of Defense William Perry warned in a revealing slip of the tongue, emphasizing that "we do not want to simply sit and wait for terrorists to act. We want to seek them out, find them, identify them, and do what we can to disrupt or pre-empt any planned operation, and the key to this is better intelligence." [\[115\]](#)

Yes, it is, and that is why intelligence should have been focused on security problems all along, instead of being diverted into economic espionage on the assumption of a benign world. Given the responsibilities Washington has assumed, Americans are becoming the target of all those who are dissatisfied with the status quo. If we continue to try to pacify the world, we can expect to be confronted on numerous occasions. As Secretary Perry conceded, the bombs that have detonated in Saudi Arabia are only the beginning.

The Role of Intelligence in a Dangerous World

Even if we adopt a more restrained policy, security threats will inevitably emerge from time to time. In a dangerous, turbulent, and unpredictable world, the intelligence agencies will be our first line of protection, and their effectiveness will largely determine how many Americans live or die.

To improve the effectiveness of the intelligence agencies, two things will be necessary. First, the intelligence agencies should focus on genuine threats to national security, such as terrorism, and not on trade negotiations. Not only do such diversions represent a misuse of resources, the espionage spats between the United States and other democratic countries undermine their ability to deal with the dangers that confront them all.

Second, at the political level, the president and his advisers should view the intelligence agencies as institutions that are most valuable when they bring into question the premises of existing policy. That is, admittedly, a hard thing to do, but history demonstrates the consequences of refusing to believe intelligence that contradicts the views of the political leadership. Already, the intelligence agencies are flashing warning signals about some of the administration's (and, it must be said, the Republican opposition's) policies. [\[116\]](#)

At the same time, the CIA has effectively disputed the administration's main rationales for economic espionage, arguing that "government-orchestrated theft of U.S. corporate S&T data," not bribery, is "the type of espionage that poses the greatest threat to U.S. economic competitiveness." And even then, "only about a half dozen governments . . . have extensively engaged" in it: those of France, Israel, China, Russia, Iran, and Cuba. [\[117\]](#) None of those countries poses much of an economic threat to the United States. [\[118\]](#)

The secrets of corporate America should be protected by the appropriate agencies of the U.S. government. But the intelligence agencies should focus on their main mission: safeguarding the security of the American people.

Notes

[1]. Quoted in R. Jeffrey Smith, "Administration to Consider Giving Spy Data to Business," Washington Post, February 3, 1993, p. A1.

[2]. James Risen, "Clinton Reportedly Orders CIA to Focus on Trade Espionage," Los Angeles Times, July 23, 1995, p. A1.

[3]. James Adams, "CIA Unleashes Spy Teams on Foreign Firms," Sunday Times (London), August 6, 1995, sec. 1, p. 14. It is noteworthy that a few months earlier, the Sunday Times had reported that "Deutch intends to hire more analysts to strengthen the CIA's economic intelligence gathering" but had stressed that "this will not mean an increase in economic espionage on individual companies." James Adams, "New CIA Boss Plans to Fire 2,000 Spies," Sunday Times (London), April 23, 1995, sec. 1, p. 18.

[4]. Martin Fletcher, "Washington Set to Resist Order to Recall Diplomats," Times (London), February 24, 1995, p. 14.

[5]. John Maggs, "Senate Bill Targets Economic Espionage," Journal of Commerce, January 29, 1996, p. 1A.

[6]. U.S. House Committee on National Security, "Statement of Chairman Floyd D. Spence on the Report on the Bombing of Khobar Towers," Press release, August 14, 1996.

[7]. "Osama Bin Laden, the fiercest opponent of the Saudi regime and of America's presence in the Gulf . . . declared that killing the Americans [in Dhahran] marked 'the beginning of war between Muslims and the United States.'" Robert Fisk, "Arab Rebel Leader Warns the British: 'Get Out of the Gulf,'" Independent (London), July 10, 1996, p. 1. See also "Saudi Dissident Reportedly Calls for War on U.S. Troops," Washington Post, August 31, 1996, p. A32.

[8]. White House, "A National Security Strategy of Engagement and Enlargement," February 1996, pp. 24-25.

[9]. See, for example, Nick Kotz, "Mission Impossible," Washingtonian, December 1995, p. 145.

[10]. White House, p. 25.

[11]. John Deutch, "Remarks at CIA Town Meeting," May 11, 1995, transcript at http://www.odci.gov/cia/public_affairs.

[12]. John M. Deutch, Speech at National Defense University, June 14, 1995, at http://www.odci.gov/cia/public_affairs.

- [13]. James Woolsey, on NBC, "The Future Director of Intelligence," July 18, 1994, NBC News transcript, p. 3.
- [14]. Quoted in Douglas Pasternak and Gordon Witkin, "The Lure of the Steal," U.S. News & World Report, March 4, 1996, p. 48. See also William Drozdiak, "French Resent U.S. Coups in New Espionage," Washington Post, February 26, 1995, p. A1.
- [15]. Michael Wines, "2 or 3 Agents Are Believed Killed after Rare U.S.-Syrian Contacts," New York Times, February 7, 1991, p. A1.
- [16]. Quoted in John Lancaster, "Middle-Class Discontent Simmering inside Saudi Arabia," Washington Post, December 18, 1994, p. A1.
- [17]. Quoted in John Lancaster, "Saudis Shocked That Bomb Suspects Are Local," Washington Post, May 26, 1996, p. A24.
- [18]. Tim Zimmerman, "Why Do Countries Fall Apart? Al Gore Wanted to Know," U.S. News & World Report, February 12, 1996, p. 46.
- [19]. See, for example, Fercus M. Bordewich, "Alarm Bells in the Desert," Reader's Digest, July 1996, p. 51. Significantly, this article was banned in Saudi Arabia. "Saudis Destroy Copies of Critical Article," Washington Times, July 19, 1996, p. A18.
- [20]. Hilary Clarke and Alan Tillier, "An Arms Plot Thriller That Rivals Fiction," European (London), May 16, 1996, p. 21.
- [21]. Quoted in Bill Gertz, "FBI Takes Probe of Trade Center Bombing Abroad," Washington Times, March 23, 1993, p. A3.
- [22]. Quoted in Alasdair Palmer, "When Spies Mean Business," Spectator (London), April 9, 1994, p. 20.
- [23]. Paolo Mauro, "The Effects of Corruption on Growth, Investment, and Government Expenditure," International Monetary Fund Working Paper 96/98, September 1996, p. 7.
- [24]. "If the CIA discovers information indicating that laws are being violated, it may properly inform the FBI, which can then investigate the matter. . . . Instead of embracing the logic of 'monkey see, monkey do,' we should attempt to use public education and vigorous law enforcement to dissuade other countries from using their intelligence services to engage in economic espionage." Stanley Kober, "The CIA as Economic Spy: The Misuse of U.S. Intelligence after the Cold War," Cato Policy Analysis no. 185, December 8, 1992, p. 15.
- [25]. U.S. Senate Select Committee on Intelligence, Economic Intelligence, Hearing before the Select Committee on Intelligence, 103d Cong., 1st sess., 1994, p. 28.
- [26]. U.S. House Committee on the Judiciary, The Threat of Foreign Economic Espionage to U.S. Corporations, Hearing before the Committee on the Judiciary, 102d Cong., 2d sess., 1992, p. 63.
- [27]. Louis J. Freeh, director, Federal Bureau of Investigation, Statement before the Senate Select Committee on Intelligence and the Subcommittee on Terrorism, Technology and Government Information of the Senate Committee on the Judiciary, Hearing on Economic Espionage, 104th Cong., 2d sess. February 28, 1996, pp. 48-49.
- [28]. Ibid., p. 7.
- [29]. "GM Sues Former Exec and VW, Escalating Three-Year Spy Battle," Investor's Business Daily, March 11, 1996, p. A8.
- [30]. Cheryl Strauss Einhorn, "Spy vs. Spy," Barron's, May 6, 1996, pp. 30-31; and Cheryl Strauss Einhorn, "Avant!

Assailed," Barron's, May 13, 1996, pp. 14-15.

[31]. On the day the indictments were announced, June 22, 1982, IBM closed up 1 1/4 at 59 7/8. The next day, when the story appeared in the newspapers (see, for example, "IBM Data Plot Tied to Hitachi and Mitsubishi," Wall Street Journal, June 23, 1982, p. 4), IBM closed up an additional 1 1/4 to close at 61 1/8.

[32]. U.S. House Judiciary Committee, p. 126.

[33]. Ibid., pp. 202, 244-45.

[34]. Elizabeth Corcoran, "Easing of Encryption Technology Curbs Backed," Washington Post, May 31, 1996, p. B3; and "The New Encryption Universe," Editorial, New York Times, June 10, 1996, p. A16.

[35]. Dean Takahashi, "Clinton Loosens Export Policy on Encryption," Wall Street Journal, November 18, 1996, p. B3.

[36]. Quoted in Thomas Kamm and Robert S. Greenberger, "France, in Apparent Espionage Spat, Asks Five Americans to Leave Country," Wall Street Journal, February 23, 1995, p. A10.

[37]. Quoted in Palmer, p. 18.

[38]. Richard Norton-Taylor, "Goal Posts Keep Moving in the Spying Game," Manchester Guardian Weekly, January 1, 1996, p. 8.

[39]. Palmer, p. 19.

[40]. Thomas Polgar, quoted in Tim Weiner, "CIA Faces Issue of Economic Spying," New York Times, February 23, 1995, p. A12.

[41]. William Dawkins, "Japan Angered by Claims of U.S. Spying at Car Talks," Financial Times, October 17, 1995, p. 1.

[42]. Quoted in William Drozdiak, "Resentment over U.S.-French Spy Flap Could Last Years," Washington Post, March 7, 1995, p. A10.

[43]. Quoted in Peter Schweizer, *Friendly Spies* (New York: Atlantic Monthly Press, 1993), pp. 292, 30-31.

[44]. Peter Maass, "Bosnia's Ground Zero," *Vanity Fair*, March 1996, p. 202.

[45]. Shibley Telhami, "Uneasy in Arabia," Washington Post, June 30, 1996, pp. C1-C2.

[46]. Patrick Cockburn, "Has Peace Been Blown Apart?" *Independent* (London), March 5, 1996, p. 15.

[47]. Quoted in Edward Cody, "Some Palestinians Say Policy Change May Cause Uprising," Washington Post, June 23, 1996, p. A23.

[48]. "Students Outraged," *Al-Ahram Weekly* (Cairo), April 25, 1996, p. 3.

[49]. Al-Shaab and Al-Ahali, quoted in "Qana Fallout," *Al-Ahram Weekly*, May 16, 1996, p. 8. In fact, the U.S. embassy in Riyadh did issue a security warning in May 1996, citing the official American reaction to the Qana massacre as a potential motivation for a terrorist attack. See David Hirst, "Dangers of Supping with the Americans," *Guardian Weekly* (Manchester), July 7, 1996, p. 12.

[50]. Quoted in Scott MacLeod, "The Paladin of Jihad," *Time*, May 6, 1996, p. 52.

[51]. Raymond Whitaker, "Afghani Veterans Fan Out to Spread the Word--and Terror," *Independent on Sunday* (London), April 16, 1995, p. 18.

- [52]. Quoted in Tom Masland et al., "Building an Enemy," Newsweek, February 15, 1993, p. 30. For more on the unfortunate consequences of the Afghan war, see Ted Galen Carpenter, "The Unintended Consequences of Afghanistan," World Policy Journal 11 (Spring 1994): 76-87.
- [53]. Quoted in MacLeod, "The Paladin of Jihad," pp. 51-52.
- [54]. "Jailed Arab Businessman Linked to Terror Network," South China Morning Post International Weekly (Hong Kong), April 22, 1995, p. 8.
- [55]. Jeff Gerth and Judith Miller, "Funds for Terrorists Traced to Persian Gulf Businessmen," New York Times, August 14, 1996, p. A8.
- [56]. Quoted in Ian Katz and David Connett, "America Wakes Up to Security Gap," Observer (London), July 21, 1996, p. 19.
- [57]. Quoted in Reuters, "CIA Prepares for Action against Guerrillas," October 29, 1996.
- [58]. See As'ad AbuKhalil, "A New Arab Ideology? The Rejuvenation of Arab Nationalism," Middle East Journal 46, no. 1 (Winter 1992): 22-36; and James Piscatori, ed., Islamic Fundamentalism and the Gulf Crisis (Chicago: American Academy of Arts and Sciences, 1991).
- [59]. Ben Cohen, "Caught in the Middle: Palestinians and the Gulf War," LSE Magazine 3, no. 1 (Spring 1991): 4.
- [60]. Quoted in Scott MacLeod, "In the Wake of 'Desert Storm,'" New York Review of Books, March 7, 1991, pp. 8-9.
- [61]. Quoted in Kirk Albrecht, "Carving a Niche in the New World Order," Middle East, June 1996, pp. 15-16.
- [62]. Quoted in John Snyder, "Not All Mourn Rabin," Washington Jewish Week, November 9, 1995, p. 25.
- [63]. El-Sayed Yassin, "To Move from Rhetoric to Action," Al-Ahram Weekly, June 27, 1996, p. 9.
- [64]. See, for example, Cassandra, "The Impending Crisis in Egypt," Middle East Journal 49, no. 1 (Winter 1995): 9-27.
- [65]. Yassin, p. 9.
- [66]. Salah El-Din Hafez, "The Heady Scent of Power," Al-Ahram Weekly, May 16, 1996, p. 8.
- [67]. Nevine Khalil, "A Bridge to Beijing," Al-Ahram Weekly, May 16, 1996, p. 2.
- [68]. Quoted in Michael Kramer, "Putting Business First," Time, November 29, 1993, p. 40.
- [69]. Quoted in Teresa Poole, "Honeymoon Over in U.S. Trade Talks with China," Independent (London), October 19, 1995, p. 16.
- [70]. Nicholas D. Kristof, "As China Looks at World Order, It Detects New Struggles Emerging," New York Times, April 21, 1992, p. A10.
- [71]. Teresa Poole, "Jiang Bolsters His Claim with Show of Military Might," Independent (London), October 20, 1995, p. 17.
- [72]. Quoted in Catherine Field and Ruaridh Nicoll, "China's Big Fireworks Go Pop," Observer (London), March 17, 1996, p. 20.

73. Nayan Chanda, "No-Cash Carrier," *Far Eastern Economic Review*, October 10, 1996, p. 20.
- [74]. "Russian Warships Sold to Beijing," *Moscow News*, November 25, 1994, p. 7.
- [75]. "Russia Sends Message over Taiwan Strait Confrontation," *New Europe (Athens)*, March 17, 1996, p. 4.
- [76]. Joseph Kahn, "China, Russia Flaunt New Camaraderie in an Apparent Warning to the U.S.," *Wall Street Journal*, April 26, 1996, p. A8.
- [77]. Quoted in Joseph Kahn and Claudia Rosett, "China and Russia Rekindle Their Romance," *Wall Street Journal*, April 24, 1996, p. A11.
- [78]. "Communists over Asia?" *New Europe (Athens)*, May 19, 1996, p. 48.
- [79]. Quoted in Peter Rutland, "Primakov Outlines Foreign Policy Goals," *Open Media Research Institute (OMRI)*, Prague, *Daily Digest* June 26, 1996, at <http://www.ormi.cz/Index.html>; and Robert Orttung, "Yeltsin Lays Out Main Program Points in Last Campaign Interview," *OMRI Daily Digest*, July 1, 1996, at <http://www.ormi.cz/Index.html>.
- [80]. Quoted in Stepan Petrov, "China Gets Bear Hugged," *Moscow News*, May 2, 1996.
- [81]. Quoted in "Yeltsin Promises Big Bucks on Russian Campaign Trail," *New Europe (Athens)*, June 2, 1996, p. 5.
- [82]. Quoted in Gregory L. White, "Central Bank Cries Foul As Yeltsin Grabs Its Profits," *Wall Street Journal*, June 7, 1996, p. A8.
- [83]. Claudia Rosett and Steve Liesman, "Business Leaders in Russia Oppose Communist Party," *Wall Street Journal*, June 11, 1996, p. A11. The situation may be even worse than that. One Russian newspaper claimed on July 19 that, as a result of preelection spending, Russia's hard-currency reserves had declined to \$4.3 billion, which is \$300 million less than the minimum specified by the International Monetary Fund. See Peter Rutland, "IMF Delays Payments to Russia," *OMRI Daily Digest*, July 23, 1996, at <http://www.ormi.cz/Index.html>. In August, AP-Dow Jones reported that the central bank was spending as much as \$100 million a day to support the ruble, whose value nevertheless continues to drop. "Ruble's Slip Shakes Russian Moves to Ease Credit," *Wall Street Journal*, August 29, 1996, p. A4. In September the central bank admitted that it had spent about \$1 billion of its reserves to support the ruble in August. "Russia Says It Propped Up Ruble," *Wall Street Journal*, September 11, 1996, p. A12.
- [84]. Lidia Lukyanova, "Why Are Russian Banks Going Bankrupt?" *New Europe (Athens)*, June 16, 1996, p. 6.
- [85]. Ludmilla Telen, quoted in David Hoffman, "Yeltsin Elusive As Russian Vote Approaches," *Washington Post*, July 1, 1996, p. A11.
- [86]. Quoted in Lee Hockstader, "Russian Democracy Gets Another Chance," *Washington Post*, July 4, 1996, p. A23.
- [87]. "The Battle for the Moscow Archives," *The Economist*, March 2, 1996, p. 79.
- [88]. Alan Cooperman, "The Creeping Return of the Soviet System," *U.S. News & World Report*, February 26, 1996, p. 48. See also Victorial Clark, "Yeltsin's Nuclear Bluff Pays Off," *Observer (London)*, April 21, 1996, p. 20.
- [89]. Quoted in David Hoffman, "Russia Votes--For a Czar," *Washington Post*, June 16, 1996, p. A26.
90. See "Hero of the Day," *Moscow NTV*, October 16, 1996, at <http://www.cdi.org/mailling/russia> for October 18, 1996. It is noteworthy that the interviewer for this program was Kiselyov.
- [91]. Tatyana Malkina, "Another Move in the Consolidation of Power and Money," *Segodnya*, October 31, 1996.
- [92]. John Helmer, "Russian Officials Struggle for Power of President's Pen," *Journal of Commerce*, August 22, 1996,

p. 3A.

[93]. "Nikolai Yegorov: "The Country Really Needs an Effective President," *Komsomolskaya Pravda*, October 22, 1996.

[94]. "Of Bankers and Bullets," *The Economist*, April 20, 1996, p. 66.

[95]. Tatyana Koshkareva and Rustam Narzikulov, "If the Next Presidential Election Is to Be Won, a Potential Rival Should Be Left without Investment to Meddle in Big-Time Politics," *Nezavisimaya Gazeta*, October 22, 1996.

[96]. Quoted by Fred Weir in *Hindustan Times*, October 23, 1996, at www.cdi.org/mailing/russia.

[97]. Quoted in Douglas Farah, "Russian Crime Finds Haven in Caribbean," *Washington Post*, October 7, 1996, p. A15.

[98]. Francisco Mercado, "Russian Mafia's Activities Outlined" (in Spanish), *El Pais* (Madrid), October 17, 1996, English translation at <http://www.cdi.org>.

[99]. Quoted in Roger Cohen, "Cabinet Secretary Talks of U.S.-Industry Links," *New York Times*, June 14, 1993, p. D8.

[100]. Philip Zelikow, "American Intelligence and the World Economy," in *In from the Cold* (New York: Twentieth Century Fund Press, 1996), p. 140.

[101]. Laura D'Andrea Tyson, "Managed Trade: Making the Best of the Second Best," in *An American Trade Strategy*, ed. Robert Z. Lawrence and Charles L. Schultze (Washington: Brookings Institution, 1990), pp. 160-61.

[102]. Alexander N. Yakovlev, "The Political Philosophy of Perestroika," in *Perestroika 1989*, ed. Abel G. Aganbegyan (New York: Charles Scribner's Sons, 1988), p. 67.

[103]. "United States officials contend that unlike American competitors, which have to weigh profits and losses carefully, the French company will grab for everything it can, knowing that the Government can absorb losses." Tim Weiner, "CIA Faces Issue of Economic Spying," *New York Times*, February 23, 1995, p. A12.

[104]. Mary Dejevsky, "Chirac Orders Radical Military Shake-up," *Independent* (London), February 22, 1996, p. 10.

[105]. Quoted in Douglas Lavin, "France Retreats on Protecting Industries," *Wall Street Journal*, July 24, 1996, p. A17.

[106]. *Ibid.*

[107]. Chris Blackhurst and Steve Boggan, "Civil Servants Knew of Iraq Nuclear Sales," *Independent* (London), February 14, 1996, p. 1.

[108]. See Stanley Kober, "Appeasement and the Gulf War," *Progressive Policy Institute Commentary*, Washington, July 1992.

[109]. Quoted in Douglas M. Bloomfield, "Will NATO Troops Face Islamic Fundamentalists in Bosnia?" *Washington Jewish Week*, February 22, 1996, p. 21.

[110]. John F. Kennedy, "America's Stake in Vietnam," reprinted in *Vietnam: Anatomy of a Conflict*, ed. Wesley R. Fishel (Itasca, Ill.: F. E. Peacock Publications, 1968), pp. 144-45.

[111]. Kennedy Library, Oral History Interview, August 5, 1970, cited in William Conrad Gibbons, *The U.S. Government and the Vietnam War, Part II: 1961-1964* (Princeton, N.J.: Princeton University Press, 1986), p. 24. This is part of a study originally prepared by the Congressional Research Service for the Senate Foreign Relations Committee and published by the Government Printing Office in 1985.

[112]. Quoted in Bart Barnes, "Dean Rusk, '60s Foreign Policy Leader, Dies," *Washington Post*, December 22, 1994, p. A1.

[113]. Quoted in "50 Years of Asian Achievement," *Far Eastern Economic Review*, February 1, 1996, p. 34.

[114]. Quoted in Tom Post et al., "Cry Uncle," *Newsweek*, June 21, 1993, p. 22.

[115]. William Perry, Remarks to the American Bar Association, Orlando, Florida, August 6, 1996. Text provided by Federal News Service.

[116]. See, for example, the cautionary statements by the directors of the Central Intelligence and Defense Intelligence Agencies on NATO expansion and the future of Bosnia in U.S. Senate Select Committee on Intelligence, *Current and Projected National Security Threats to the United States and Its Interests Abroad: Hearing before the Senate Select Committee on Intelligence, 104th Cong., 2d sess., February 22, 1996*, pp. 69, 215-17.

[117]. *Ibid.*, p. 99.

[118]. Some people might object that China constitutes such a threat, but China's economic problems are more serious than most people realize. A recent commentary in a Hong Kong newspaper suggests that the economic differences between Russia and China "boil down to little more than the greater honesty and openness in Russia. Often what happens in China only differs in degree from what is reported from Moscow. . . . Keeping such stories out of the public eye is essential to preserving the illusion that the mainland has succeeded where others have failed." Jasper Becker, "A Shared Dilemma of Rules and Reform," *South China Morning Post International Weekly*, October 12, 1996, p. 11.