



THE STATE OF PLAY INVOLVING INTELLIGENCE AGENCIES, POLITICS AND ECONOMICS

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"Crime is what those in power say it is".
Turk, Austin. 1982. Political Criminality. Thousand Oaks, CA: Sage.

DECLARATION

I, the undersigned, certify that this thesis does incorporate any material which has been accepted for the award of any other degree or diploma in any university, and to the best of my knowledge and belief, it contains no material previously published or written by another person, except where due reference is made in the text of the thesis, I give consent for the photocopying or borrowing of this thesis.

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INTRODUCTION

This paper will introduce the reader to the relationship between the intelligence community and the policymakers. It will also examine how intelligence gathered by various government agencies can be used to buy votes in democracies like Australia and the United States. Legal interpretations and political ideologies blur the thin line that separates the role of the policymakers and intelligence agencies. Evolution in information technology has seen a vast increase in the use of communication systems by people around the world. It has opened the way to a world of knowledge and made it accessible to people who once could not afford to access that information. The most expensive commodity today is information. It has been referred to as 'electronic oil' and this e-oil flows freely in the communication arteries of cyber space, making it a lifeline to economic markets around the world. Markets that can create or destroy entire countries at the push of a button. These markets make it possible to trade all sorts of commodities faster and at low cost, making it the most efficient way to communicate information. In the communication systems there lies opportunities for uninvited guests to eavesdrop on conversations taking place between traders. Eavesdropping in the communication super-highway has its benefits. The question then arises, what stops governments from using intelligence for short term political gains? As Darwin the famous biologist so rightly put it, "only the fittest will survive". Today the fittest hold the key to accessing that information required to give them a leading edge in the market place, the most precious commodity ever to exist, and they are not ready to share that information. This paper asks the question: Should policymakers use intelligence to directly influence private sector businesses, to grow and compete globally whilst keeping jobs local for the voters who elected the politicians? How can the public be assured that our personal information is not being stolen and used by our political masters to feather their own nest? The way in which governments use intelligence agencies will change in each administration as the intelligence agencies will be subjected to government policies which are a reflection of political ideologies such as economic ideologies, free market, regulated market or a mixture of both. Providing private sector business with intelligence is complicated by the very nature of information itself. Just what kind of information would be supplied remains to be seen. Will the information be raw or analysed, who will analyse it and using what methods. If the argument for providing information to the private sector is providing choice, it begs the question what choice would consumers have if the information supplied to them would have been analysed in a way that favours an economic ideology? Clearly this is not providing choice but control of the market by deception. Economic competitiveness is a significant reason why intelligence agencies exist.

Economic problems arise due to a consequence of change. If things remain the same or move in a way which is expected then new problems don't arise, and so there is no need for reform and new policies. Today change is occurring rapidly, the pace at which technology is advancing is causing more problems than answers. We need not look further than medical science.

Policymakers are struggling to keep up with policies that fit the technology, similarly intelligence agencies are on a continuous path of evolution, driven by policies derived from economic ideologies and technology.

Chapter 2 will provide the reader with a brief overview of the Australian and American intelligence agencies, this information is important because it will provide the background to the roles of the agencies. Here the reader will see the close relationship which exist between the "men in power and their spies" Each agency is responsible for gathering specific information which is fed back to their political masters to help them develop policy. It should be noted that the author has provided more details on Australian than that of the American agencies. The reason lies in the fact that heads of the Australian intelligence agencies very rarely discuss issues pertaining to political matters in public. By knowing the history and the roles of the agencies it is possible to make intuitive appreciations on how the particular agency will react to certain government policies. Chapter 3 explains the role of the policymaker within the intelligence process. Often forgotten or not given the recognition it deserves in literature, policymakers play a vital role from beginning to end. In this paper policymakers consist of individuals who are located with a ministerial office, including the office holder or Minister, in essence this means that policymakers are those individuals who are dedicated to ensuring that the party policies are adhered and implemented. Human nature is most vulnerable when politics mixes with intelligence. Individual personalities are responsible for many political failures as opposed to the political process itself. To this end, chapter 3 will provide the reader with an Australian example where good policy was badly implemented by individuals resulting in the dismissal of a government. Intelligence agencies should form part of the eyes and ears of a nation, they should be apolitical. Problems arise when policymakers influence the intelligence agencies and or their directors.

Chapter 4 discusses whether or not the government should infiltrate the information super-highway to then distribute the information to particular private sector organisations. Economic information is a growth sector within the intelligence community, the combination of economic theories and technology is changing the way the world operates and in many respects the private sector is leading the charge. In democracies, executive, legislative and judicial branches exercise oversight of intelligence agencies and their activities. Intelligence agencies are an arm of the permanent bureaucracies attached to government. In this respect they act according to

policies of the government of the day and in pursuit of objectives relevant to the elected government policies. Should governments have the ability to create policies which encourages and support economic espionage then the agency is to follow. The very nature of the intelligence agencies is that they operate in secret however they must remain accountable for their actions.

Finally Chapter 5 will consider the implication of using economic espionage as a source to level the market playing field. Growing debate is occurring within the United States about using intelligence agencies to directly support private sector business, and Australia could find itself torn between global markets which will not trade with us because of its ability to intercept communications.

Chapter 1

What is intelligence?

Intelligence is knowledge, knowledge which relates to that information specifically required by policymakers, information that has been tailored to suit the policymakers. It is true that all intelligence is information however, not all information is intelligence.

Intelligence is best defined as the process by which specific information important to a nations security is requested, collected, analyzed, and provided to policymakers, the process itself, the guarding of the processes and the information by agencies entitled to carry out operational activities. In support of the above definition, the International Dictionary of Intelligence offers the following definition: "the product resulting from the collecting and processing of information concerning actual and potential situations and conditions relating to domestic and foreign activities. (Leo D Carl, 1990) Sherman Kent's (1966) definition of intelligence also supports the above view concurring that intelligence is information gathered from various sources including both open and clandestine sources for the benefit of policymakers. To this end intelligence is not limited to military or matters of national security, as some authors would like to have us believe.

Intelligence in its purest form is a commodity for policymakers. The major weakness of this commodity lies in the fact that policymakers are free to reject or ignore the information they are offered. As a result policymakers may suffer penalties down the track if their policy has bad outcomes, but there is no way to force policymakers to take notice of intelligence. It certainly outlines the fragility of intelligence within the policy process. From this viewpoint it could be argued that the intelligence community requires the politicians for their existence more than the reverse, the scales are certainly not in equilibrium. The true value of intelligence can be measured by simply asking the question, but if not for the intelligence how would the policy be different? If the answer is that there would be no difference, then one could argue that intelligence holds no value. There is a correlation between a country's wealth and its policies. For this reason policymakers must have access to any information which may affect more than just their particular area of policymaking. Today there are different types of intelligence such as political, economic, social, environmental, health, and cultural all of which provide important inputs in the policymaking process for a government.

For the purpose of this paper economic espionage will be defined as the unlawful or clandestine targeting or acquisition of sensitive economic, financial, trade, and or proprietary information, or critical technologies by an intelligence agency using intelligence sources and methods This definition excludes the collection of public domain and legally available information that constitutes a significant majority of economic collection, as is admitted by agencies. Aggressive intelligence collection that is entirely in the public domain and is legal may still harm industry, but it is not considered to be defined as espionage. It may however help foreign intelligence services identify and fill information gaps that could be a precursor to economic espionage. The definition of economic espionage will also extend to any activity conducted by a foreign government or by a foreign company with the direct assistance of a foreign government against a private company for the sole purpose of acquiring commercial secrets. This definition does not extend to the activity of private sector business conducted without foreign government involvement, nor does it pertain to lawful efforts to obtain commercially useful information.

CHAPTER 2

Australian Intelligence Agencies

Organised intelligence plays a part in well established governments and is a significant part of modern Australia. In March 1949 the Australian Security Intelligence Organisation was established to replace the former intelligence agency, the Commonwealth Investigation Services (CIS) Today Australia has a diverse number of intelligence agencies that specialise in specific fields, they include the Office of National Assessments (ONA), Australian Security Intelligence Organisation (ASIO), the Australian Secret Intelligence Service (ASIS), the Defence Signals Directorate (DSD) Defence Intelligence Organisation (DIO) and the Defence Imagery and Geospatial Organisation (DIGO). Their contribution provides for a whole of nation security assessment to be compiled and given to government and policymakers. For many years the intelligence agencies were kept under a veil of tight secrecy, although accountable directly or indirectly to their relevant Ministers, the intelligence agencies would only inform Ministers on issues which they thought to be pertinent. It was rare for Ministers to question what work was being undertaken by the agencies. The agencies had free rein, with little or no legislation to conform to they did what they wanted and how they wanted, they had very little accountability to their Minister. Today governments have taken charge and require the agencies to be answerable to parliamentary committees, Royal Commissions, Senate inquiries and the like. Intelligence agencies operate within a budget and conform to business models because governments seek a favourable return on investments, so part of the accountability requires the agencies to provide governments with intelligence on a wider range of issues.

About ONA

The Office of National Assessment (ONA) is an autonomous body created by an Act of Parliament (The Officer of National Assessment Act 1977). The primary responsibility of the Office of National Assessments is to produce reports, appreciations and assessments on international political, strategic and economic matters of national significance in order to enhance the government's understanding of international political, strategic and economic developments in order to assist the Prime Minister, Ministers and Departments in the formation of policy and plans. ONA draws its assessments on information available to the Australian

Government from sources inside and outside of Government, such as intelligence agencies, diplomatic reporting and open source material including media and other publications. ONA is independent of any Department or Authority. ONA reports directly to the Prime Minister. The Office focuses only on external issues of importance to Australia. As part of its legislative responsibility ONA maintain and review Australia's foreign intelligence activities.

The Office of National Assessments Act 1977 allows the Director-General to have access to all information relating to international political, strategic and economic matters of significance to Australia held by the government and Defence Forces, provided that access does not contravene other legislation.

About ASIO

The Australian Security Intelligence Organisation (ASIO) is Australia's security service. Its creation, largely due to Australia's wartime allies was during a Labor government in 1949 (Ben Chifley). Strange as it may seem in its time of creation ASIO was viewed as a Labor organisation to the point that two months prior to December 1949 election the deputy leader of the Country Party, John McEwen, had warned that such an organisation may well evolve into an expensive new secret police which would probe into the private affairs of citizens. In response, Dr Evatt defended its freedom under ministerial control, but who was he to know that this belief would come back to haunt him personally. ASIO's role is described in the Australian Security Intelligence Organisation Act 1979 (the ASIO Act). Its main role is to gather information and produce intelligence that will provide the government with warnings concerning activities or situations that might endanger Australia's national security. ASIO focuses on terrorists, people who may act violently for political reasons, and people who may clandestinely obtain sensitive government information or otherwise harm Australia's interests in order to further their own causes or the interests of foreign governments. The ASIO Act defines 'security' as the protection of Australia and its people from espionage, sabotage, politically motivated violence, the promotion of communal violence, attacks on Australia's defence system, and acts of foreign interference.

ASIO also provides security assessments such as advising government agencies on the relevant backgrounds of people applying for national security clearances or visas to enter or stay in Australia. ASIO's Protective security advice is given to government agencies seeking cost-effective ways to protect their assets. ASIO's clients include the Attorney General Department, Australian Secret Intelligence Service, Defence Signal Directorate, Australian Federal Police, State Police, Australian Protective Services, Department of Defence, Department of Transport and Regional Services, Department of Industry, Science and Resources, Department of

Communication, Information Technology and the Arts, Department of Immigration and Multicultural Affairs, Department of Prime Minister & Cabinet, Department of Foreign Affairs & Trade, Office of National Assessment, Defence Intelligence Organisation. It should be noted that there are no private sector businesses listed.

ASIO does not make public details of its intelligence activities and the identities of its officers are protected by law. There are mechanism in place to make sure ASIO conducts its business with legality and propriety. ASIO briefs the Attorney-General on all major issues affecting security as well as operations carried out by the agency. The Attorney-General issues guidelines governing ASIO's handling of sensitive aspects of its work. ASIO also reports to a range of government and parliamentary committees dealing with security, legislative and financial matters. A classified annual report is provided to Government as well as an unclassified version which is tabled in parliament and is publicly available. The ASIO Act also provides for the Leader of the Opposition to be briefed on security by the Director-General. ASIO's chief executive is the Director-General of Security, who reports to the Attorney General.

About ASIS

The Australian Secret Intelligence Service is Australia's overseas intelligence collection agency. Its primary role is to obtain information, about the capabilities, intentions and activities of individuals or organisations outside Australia, which may impact on Australian interests. From that information reports are provided on defence, international relations or national economic issues as well as international efforts in support of peacekeeping and against threats from weapons proliferation. The Intelligence Services Act 2001, provides the legislative framework in which ASIS operate as well as outlining its functions and its accountability, including the role of the Minister for Foreign Affairs in directing ASIS and authorising the conduct of specific activities, with particular focus on activities which may have a direct impact on Australians overseas. The ASIS Director-General is directly responsible to the Minister. The Act also provides limited immunities under strictly defined circumstances for the conduct of ASIS activities, and establishes a Parliamentary Joint Committee to review its administration and expenditure. The Inspector-General of Intelligence and Security (IGIS) has access to any material to ensure that ASIS acts in accordance with Australian law and conducts its activities with propriety. The Inspector-General reports annually to the Prime Minister, who tables the report in Parliament.

Additionally, in accordance with the Financial Management and Accountability Act 1997 and the Auditor-General Act 1997, ASIS' financial statements are audited annually by the Auditor-

General. The intelligence collected by ASIS is determined by other government agencies. These priorities are set within the framework of critical interests determined by Government. Key agencies involved in the setting of intelligence tasking for ASIS include the Office of National Assessments, the Department of the Prime Minister and Cabinet, the Department of Foreign Affairs and Trade, the Department of Defence, and various agencies within the Defence portfolio.

About DIO

The Defence Intelligence Organisation provides multi-source intelligence assessment at the national level in support of Defence and Government decision-making and the planning and conduct of Australian Defence Force operations. DIO is one of three organisations that make up the Defence Intelligence Group who report to the Deputy Secretary for Intelligence and Security. DIO's assessments focus on the Asia-Pacific region and cover strategic, political, defence, military, economic, scientific and technical areas. DIO's intelligence products help inform decisions about Australia's military activities at home and abroad, defence acquisition processes, force readiness decisions, strategic policy, international relations and defence scientific developments. DIO maintains strong links with other national and international agencies, and can bring together teams of specialists to support operations. This was recently seen in its involvement with the coalition forces in Afghanistan and Iraq. DIO's intelligence makes a major contribution to Defence's strategic policy, international relations and force deployment decisions.

About DSD

Defence Signals Directorate is Australia's national agency for signals intelligence and information security. DSD has two principal functions which are to collect and disseminate foreign signals intelligence and the other is to provide Information Security products and services to the Australian Government and its Defence Force. DSD's intelligence-related activities and operations are classified in the interests of national security DSD play a key role in the protection of Australian official communications and information systems by providing products, advice and assistance to Commonwealth Government Departments and the Defence Force on matters relevant to the security of sensitive information, such as the loss or compromise of information of which could adversely affect National Security; DSD also

contribute significantly to working with industry towards the development of new cryptographic products.

About DIGO's

DIGO is Australia's imagery and geospatial organisation in the Department of Defence. Its primary role is the acquisition, production and distribution of imagery and geospatial based intelligence and data in support of the Australian Defence Force (ADF) and other Government intelligence agencies.

Inspector-General of Intelligence and Security (IGIS)

In 1986 the Parliament established the Office of the Inspector-General of Intelligence and Security to provide additional oversight of Australia's security and intelligence agencies. The Inspector-General of Intelligence and Security (IGIS) is found within the Prime Minister's portfolio but is not a part of any other government agency or department and as such is an independent statutory office. An apt description of IGIS role would be to say it is the gatekeeper of the accountability regime for the following intelligence agencies:

- Australian Security Intelligence Organisation (ASIO)
- Australian Secret Intelligence Service (ASIS)
- Office of National Assessments (ONA)
- Defence Intelligence Organisation (DIO)
- Defence Signals Directorate (DSD)
- Defence Imagery & Geospatial Organisation (DIGO)

The IGIS was set up under the Inspector-General of Intelligence and Security Act 1986 to provide independent assurance to the Australian government, the Parliament and its people that the agencies would conduct their activities within the law, behave with propriety, comply with ministerial guidelines and directives and have regard to human rights, on this basis the IGIS is required to regularly monitor the activities of the security agencies, investigates complaints about the agencies including the nature of the complaint and recommendations to government and provide annual reports to the Parliament. To guarantee independence of the office, the IGIS is appointed by the Governor-General for a fixed term of up to 5 years and cannot be dismissed by the government and can be reappointed only once. In order to carry out its duty the IGIS can require any person to answer questions and produce relevant documents, take sworn evidence

and enter agency premises. To further ensure transparency the IGIS subject to scrutiny by Senate legislation committees on its budget and issues relevant to its functions to further ensure that agencies comply with their requirements.

ASIO and IGIS produce annual reports that are tabled in the Parliament. The activities of DSD, DIO and DIGO are referred to in the Department of Defence annual report, while ONA and ASIS do not produce public annual reports.

Ministerial oversight of the agencies

The executive government consists of ministers and parliamentary secretaries elected to the parliament who are members of the political party, or coalition of parties having a majority in the House of Representatives. The ministers responsible for the intelligence and security agencies are:

Prime Minister -ONA

Minister for Foreign Affairs -ASIS

Attorney-General -ASIO

Minister for Defence -DSD, DIO, DIGO

The heads of the intelligence and security agencies answer to their ministers in accordance with normal governmental arrangements, subject in the case of ASIO, ASIS, DSD and ONA, to specific provisions in their Acts. The Intelligence Services Act 2001, establishes the joint parliamentary committee on ASIO, ASIS and DSD and ministers are accountable to Parliament for the agencies on a day-to-day basis. In addition to oversight by individual ministers, the work of the agencies is guided by the National Security Committee of Cabinet (NSC), which includes the Deputy Prime Minister and the Treasurer in addition to the ministers listed above. The NSC, which the Prime Minister chairs, sets broad policy, priorities and budgets for the agencies. The NSC is supported by the Secretaries Committee on National Security (SCNS), a committee of senior officials chaired by the Secretary of the Department of the Prime Minister and Cabinet. SCNS advises the NSC on national security policy, coordinates implementation of policies and programs relevant to national security and gives guidance to departments and agencies involved in intelligence and security.

Courts and tribunals

All agencies are bound by the rule of law and their actions are, consequently, subject to scrutiny by the courts. Security considerations may require on occasion that proceedings be held in

closed courts. There are specialist tribunals also have jurisdiction over aspects of agencies' activities, such as the Administrative Appeals Tribunal that can review decisions to exempt records over 30 years old from release under the Archives Act 1983 . The Security Division of the Administrative Appeals Tribunal can hear appeals from people who require a security clearance in order to perform their employment, but have received a qualified or negative assessment from ASIO.

American Intelligence Agencies

About the C.I.A

The Central Intelligence Agency was created in 1947 with the signing of the National Security Act by President Truman. The National Security Act provides the Director of Central Intelligence (DCI) with coordinating the nation's intelligence activities and correlating, evaluating and disseminating intelligence that affects national security.

The DCI is the head of the United States Intelligence Community whose role is principal advisor to the President for intelligence matters related to national security, and head of the Central Intelligence Agency (CIA). The CIA is an independent agency, responsible to the President through the DCI, and accountable to the American people through the intelligence oversight committees of the U.S. Congress.

About the N.S.C.

The National Security Council is the President's principal forum for considering national security and foreign policy matters with his senior national security advisors and cabinet officials. Created by President Truman, the function of the Council has been to advise and assist the President on national security and foreign policies. The Council also serves as the President's principal arm for coordinating these policies among various government agencies.

About the N.S.A.

NSA is the nation's cryptologic organization, tasked with making and breaking codes and ciphers. In addition, NSA is one of the most important centers of foreign language analysis and research and development within the U.S. government. NSA is a high-technology organisation, it uses technology to collect and analyse foreign and US signals. The expertise and knowledge it develops provide the government with systems that deny foreign powers knowledge of US capabilities and intentions.

The National Security Agency (NSA) takes charge of the most important and sensitive activities in the US intelligence community. The information systems security provides products, and services to protect classified and unclassified national security systems against exploitation through interception, unauthorized access, or related technical intelligence threats.

About the D.I.A.

The Defense Intelligence Agency is a Department of Defense combat support agency. DIA is a major producer and manager of foreign military intelligence, it has over 7000 employees worldwide. DIA provide military intelligence to defense policymakers and the military in both the Department of Defense and the Intelligence Community, in support of U.S. military planning and operations and weapon systems acquisition.

About the F.B.I.

The Federal Bureau of Intelligence is the lead counterintelligence agency in the United States. It has the principal authority to conduct and coordinate counterintelligence and counterterrorism investigations and operations within the United States. The FBI, supported by other U.S. agencies as needed, conducts espionage investigations when the subject of the investigation is not under the jurisdiction of the Department of Defense, Uniform Code of Military Justice.

About the Department of State

The Executive Branch and Congress has constitutional responsibilities for U.S. foreign policy. Within the Executive Branch, the Department of State is the lead U.S. foreign affairs agency, and the Secretary of State is the President's principal foreign policy adviser. The Department also supports the foreign affairs activities of other U.S. Government departments. It also provides an array of important services to U.S. citizens and to foreigners seeking to visit or immigrate to the U.S. The US State Department handles America's foreign affairs, and thus is both a consumer of strategic intelligence relating to what the rest of the world is up to. They have their own in-house organisation dedicated to intelligence analysis, Bureau of Intelligence and Research (INR).

Chapter 3

The role of the Policymaker

Policymakers play a vital part in the intelligence process. All too often it is thought that once the intelligence has been given to the policymakers the intelligence process is complete.

Policymakers do more than just receive intelligence, they are responsible for shaping it from beginning to end, because without constant reference to policy, intelligence is rendered meaningless. The role of intelligence varies with each government and sometimes with each issue within a government. The way in which a government treats intelligence is the key determinant of the role it plays. Governments are composed of people with various backgrounds and beliefs, which is why policymakers and intelligence officers have different interests. At a very high macro level, everyone wants the same thing, successful policy and national security. But this statement is so general that it is misleading. Success can mean different things to policymakers and intelligence officers. Policymakers define success as the advancement of their agenda, each government interprets their political goals individually and fosters initiatives that are uniquely its own. The success of a political party's agendas must be demonstrable in ways that are easily understood by the electorate because its success is expected to have political windfalls. It is important to remember that all policy is created within a political system, the ultimate reward being the re-election of the party to government. The intelligence community defines its goals differently. Intelligence officers have three wishes: to know everything, to be listened to, and to influence policy for the good, as they understand it. (Kent, S. 1966). In doing that the intelligence community also wants to maintain its objectivity regarding policy, as it is not in the intelligence officers' interest to be seen as becoming advocates for government policies. In a true democratic society the intelligence community must maintain its distance from policy if they hope to produce intelligence that is objective. What is important is that agencies be kept informed about up to date policy directions. Although this sounds logical given the very nature of the intelligence work that is carried out, it does not always happen. All too often, policymakers do not inform the intelligence agencies, either by design or oversight. The end result is that the agencies provide reports that are not wanted by the policymakers but may be of importance to society.

The Coup-de-grace ultimately lies in the policymaker's expectation of support from the permanent bureaucracies of which the intelligence community belong. Policymakers want information that will enable them to make informed decisions, but they do not come to this part of the process empty minded or as wholly objective observers. Already in favour of certain policies and outcomes set out in their policy platforms (pre election promises, party ideologies and the like), they would like to see intelligence that supports their preferences. It is only natural for policymakers to prefer intelligence that will enable them to go where they want. This attitude becomes problematic only when they ignore intelligence that is compelling but contrary to their preferences. This example has recently raised its ugly head with the intelligence provided by certain agents but not mentioned in reports used to support the invasion of Iraq in 2003.

Some policymakers want to keep their opinion open for as long as possible and may hold out from making any decisions, this occurs mostly when the electorate are closely divided, and/or when elections are drawing near. In such circumstances intelligence can occasionally serve to limit the options available to policymakers by indicating that some options are either insupportable or may have potentially bad consequences. "The difficulty arises at the point where intelligence data hits the policymakers eyes. The question is whether the policymaker makes decisions according to public demand or if they already have a mindset and so need the data to suit that mindset". (Blackwill, R1996).

There have been incidents where policymakers seek intelligence that supports known policy preferences, more commonly known as politicization. The children overboard scandal saw politicians ignore intelligence reports containing facts which did not support their political stance. The government in power sought to paint the refugees as crude and irresponsible 'queue jumpers' using their children as weapons. It was latter proved not to be the case. (The Children overboard scandal)

Politicization can also work in the other direction. The intelligence officer's desire to be heard ensures that the information they hold as intelligence, which is supposed to be objective, supports the ideologies or outcomes preferred by the party in power, this directly undermines the desired objectivity of intelligence. Australian history has unveiled such acts of politicization in the not so distant past. ASIO's handling of the Petrov affair just prior to the 1954 election is such an example. Petrov, a Russian spy had defected on 4 April (Griffiths, T 1993) helped the Menzie government across the line to win the election, only latter to be revealed that Petrov did not intend to defect on that date, but was otherwise persuaded by ASIO agents who provided financial support and other incentives. (Manne, R 2002)

In a true democratic society there must not be any blurring of the roles, policymakers are free to offer policy that run counter to intelligence analyses, but intelligence officers are not allowed to

make policy recommendations based on their intelligence. Policymakers and intelligence officers have different institutional and personal investments in the issues on which they work because policymakers are creating policy and hope to accrue other benefits like career achievements, re-election and nice pension for life as a result of successful policy (sarcasms added). Intelligence officers are not responsible for creating policy or for its success, nevertheless they understand that the outcomes of their analysis may affect their own status. However there is a level at which the line of separation blurs, this occurs at the most senior levels of the intelligence community. It is at this level that policymakers will ask senior intelligence officials for their personal views on an issue or policy. Clearly, policy must be guided by the best information available. The electorate would be very critical of a policymaker who ignored the available facts and based his/her actions on their unsupported views of what a situation was like. At the same time, policy ought to be made by those to whom the political system (through the process of democratic elections or appointment) gives the leadership authority. Policymakers must be responsible for the policies. The line of separation becomes more complex when there is a clash of personalities.

Although it is not often admitted in the public domain, personalities do matter. The truth is government is made of many working parts not all working collaboratively as one of laws and departments, the personalities and relationships of the people filling the positions also affects the working relationships of the agencies. During the 1940s and early 1950s strong pressures had built up within the labour movement over the activities of Communists in the trade unions of Australia. In 1975 the Australian Prime Minister, Gough Whitlam dismissed the heads of both ASIS and ASIO. The former because it was believed that he had been secretly assisting the CIA in covert activities in East Timor. (Jose, J.1981) Then, at the beginning of November, it was revealed in the press that a former CIA officer, Richard Lee Stallions, had been channelling funds to Doug Anthony, leader of the Country Party, then in opposition. It was reported that Stallions was a close friend and former tenant of Doug Anthony. There were also allegations that the CIA had offered the opposition unlimited funds in their unsuccessful attempt to defeat the ALP government in the 1974 election. (Aitchison, R. 1974) Victor Marchetti, a former CIA officer, confirmed that the CIA had indeed funded both opposition parties, and a Sydney newspaper stated that the Liberals had been on the receiving end since the late 1960's. (Sydney Sun,1977)

On 6 November, the head of the Department of Defence met with the Governor General Sir John Kerr, and publicly said "This is the greatest risk to the nation's security there has ever been." (Coxsedge, J. et.al, 1982) Two days latter another senior defence official held a meeting with the Governor General in which he was briefed about allegations that The Prime Minister was jeopardising the security of American bases in Australia. (Australian Financial Review,

1977) On that day, the CIA in Washington informed ASIO that all intelligence links with Australia would be cut unless a satisfactory explanation was given of the prime Minister's behaviour. (Australian Financial Review, 1977). The agency had already expressed reservations about releasing intelligence reports to certain key government ministers who had once been very active in the anti-Vietnam protest movement. (Albinski, 1977), as the Prime Minister did not want his staff to be positively vetted. On 9 November, Kerr was received at the Defence Signals Directorate for another briefing. On the 11th, the Governor General used the Australian Constitution and dismissed the Whitlam government.

Intelligence agencies do not have complete control over their *modus operandi*. The budget allocated to an agency or department is of primary concerns for policymakers as information collection is one of the major intelligence cost, particularly technical intelligence. Policymakers tend to assume, incorrectly, that the agencies acquire information from all areas, at least to some minimal level. Thus, when a low-priority issue surfaces, it is expected that a certain level of collected information already exists and that collection can be quickly increased. Both assumptions may be further from the truth. Collection is the foundation of intelligence, but when policymakers place limits on collection as a result of cost, the intelligence community obeys. Like policymakers, intelligence officials are aware of the cost of collection, but they can not spend more on collection than the governments and its budget is willing to allocate. The customary practice is for the government to set limits on collection resources that are lower than the intelligence community would like. Policymakers work in a world dominated by limited budgets and this means that they want the biggest bang for the buck. Relating intelligence input (resources: budgets, people) to intelligence output (outcomes: analyses, operations) is an extremely difficult task, however, it is a very important task and one that could yield dividends to both the intelligence community and the policymakers.

Intelligence most often deals in ambiguities and uncertainties. If a situation were known with certainty, there would be very little need for intelligence. Some policymakers can not appreciate why the multi-billion-dollar intelligence community can not resolve issues. Many of them assume that important issues are ultimately "knowable," when in fact many are not. Policymakers may also be suspicious of intelligence that supports their political rivals. They may suspect that the opposition has consorted with the intelligence community to produce intelligence that undercuts their position. Time is an important factor in the political sphere. Governments know that they have to produce policies which will be successful during their first term in office. As a result most senior policymakers tend to think in blocks of time no longer than four years, the tenure of a term in office, not so the intelligence community, as it is part of

the permanent bureaucracy, it thinks in longer periods of time. It does not face the deadline that elections impose on the governments. That said intelligence agencies may face changes in their immediate leadership, new governments could mean new policies and changes in the requirement of information.

In the United States, partisan politics has also become a factor in the policy-intelligence relationship. Prior to 1976, intelligence was not seen as part of the benefits of an election victory. Directors of Central Intelligence (DCI's) were not automatically replaced with each new government, as were the heads of virtually all other agencies and departments. President Richard Nixon tried to use the CIA for political ends in an attempt to curtail the Watergate investigations. But it was the Carter administration (1977-1981) that ended the political separateness of the intelligence community. Jimmy Carter, in his 1976 campaign, lumped together Vietnam, Watergate, and investigation of U.S. intelligence agencies. When Carter won the presidency, DCI George H.W. Bush (1976-1977) offered to stay on and abstain from involving the intelligence agency and himself in party politics, however, President Carter chose his own DCI. This was the first time a serving DCI had been asked to step down by a new government. Similarly, Ronald Reagan made "strengthening the CIA" part of his 1980 campaign and also brought in a new DCI, William Casey (1981-1987). In a presidential transition within the same party, President Bush kept on DCI Williams Webster (1987-1991) for most of his term. Bill Clinton replaced DCI Roberts Gates (1991-1993) with James Woolsey (1993-1995). Thus when a new government enters the White House it means a change in DCIs as well. However, in 2001, President George W. Bush retained DCI George Tenet, who had been appointed by Clinton, despite some advice from within Bush's own party to remove him. Tenet thus became the first DCI since Helms to survive a party change in the presidency, but it is not clear that a new practice has been established.

In Australia the intelligence agencies are treated no differently than other permanent bureaucracies. A change of government means a change in the head of intelligence. Each party has its preference. (See appendix A) although the change may not be immediate. For intelligence to be useful, political leaders have to be willing to allow their ideologies 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.

One must note the potential effect of external intrusions on the relationships, particularly that of the electronic new media. Contrary to popular belief, television news does not foster major changes in policy. What it does do is serve as a means of communication for policymakers and their political leaders, and it competes with the intelligence community as an alternative source of information. There have been occasions where the media obtain information before the intelligence community does and when this happens the electronic media especially the twenty four hour operations such as CNN who put a premium on speed have the capacity and willingness to show their audience what they know. The intelligence community does not have the same luxury and tends to take more time in preparing its initial report. Being publicly outdone by the media can lead policymakers to believe mistakenly that the media offer much the same coverage as the intelligence community and at greater speed and less cost. The other such circumstance occurs when documents are leaked. From time to time intelligence documents are leaked to the media, this is primarily politically driven. The Australian public has been subjected to this sort of political stunt for many years. Between the 50's and 70's the hunt for 'Reds under the beds' was part of the Australian life. News media would reveal names of 'commos' who were plotting to destabilise the Australian political system. A Royal Commission into Espionage failed to meet the expectation of many Australians who had hoped to see a vivacious saga unroll. . (The records of the Royal Commission on Espionage)

The end product of the intelligence process is often the object of controversy. When policymakers are given information that can change policy they want to take action however intelligence officers, although sympathetic and sometimes supportive, are also concerned about safeguarding the sources and methods of intelligence, whilst maintaining their ability to collect information. This occurrence is often reflected in foreign policy, when governments are informed of actions carried out by a foreign government which may have a negative impact on the relationship of both countries. By disclosing their knowledge the intelligence source may well be compromised. If intelligence exists solely to support policy and if it can not be used, it begins to lose its purpose.

Chapter 4

Who Does Economic Intelligence Serve?

Throughout the Cold War, economic information was a key target for both sides. In fact, the KGB dedicated significant resources to the collection of economic information. The massive Soviet site at Lourdes, Cuba gave them unique and in-depth access to a wide spectrum of US commercial communications. The Soviets were interested principally in technology or information relevant to building or countering weapons systems and used communications intercepts to negotiate very favourable terms with US companies on large wheat purchases in the early 1970s.

The political relationship between Australia and the United States of America is currently very strong. Since commencing work on this paper the United States has publicly announced the support provided by Australia towards to the war on terrorism. The Australian continent has been the hub of communication interception since the 1950's. But even before the 2003 War on terrorism began reporter Ross Coulthart delivered a bombshell to the intelligence community by revealing a letter in which the director of Defence Signal Directorate, Martin Brady revealed the existence of a signatory alliance between UK-USA allowing Australian citizens and companies to be spied on. Australia is part of the Echelon alliance that monitors all communication, our role is to intercept and monitor all phone, fax and data communication passing through satellites over the Indian and Pacific Ocean. Coulthart went further and travelled to the United States to interview spies of the National Security Agency who allege that since the end of the Cold War Echelon has been used to provide American companies with intelligence in order to give them trade advantages. This was reinforced when Australian spies leaked reports about bugging the Chinese embassy in Canberra because the US was receiving the information before the Australia intelligence agency did. The concern was over trade negotiations for wheat being sold to China which US and Australian companies were bidding for. (Coulthart. R, 1999) With the United States economy in decline it would be reasonable to postulate that as an associate of such an alliance, Australia may be doing more than just supporting the United States fight terrorism in the context described in the media.

The war on terrorism is more than just a few fundamentalists going about willy-nilly. It is part of a global movement expressing its concerns about the United States isolationist practices. Its is

not east meets west, it's about the United States forcing its economic theories and agenda upon the rest of the world.

It is here that the true importance of intelligence work is revealed, the real reason for their existence. As discussed in Chapter 2, intelligence is more than just about military issues. Economics is the main driver of intelligence and the key players in the world of economics are the International Monetary Fund (IMF) and the World Bank. Both institutions began life at the end of World War II as a result of the United Nations Monetary and Financial Conference. The World Bank whose real name is the International Bank for Reconstruction and Development was originally designed to help developing countries. The IMF was given the task of providing global economic stability and preventing global depression. Its funds are derived from taxpayers money from countries all over the world yet the IMF is responsible to no-one, it simply reports to the banks of those countries who asserted power at the end of WWII, with the United States being the only country with the power of veto. At the time of conception John Keynes, an economist, had developed a simple model, ensuring that governments play a part in regulating the economy in their countries. Keynes identified probable market failures and argued that the IMF could provide the necessary pressure on countries to ensure high level employment. This means that a country may continue to import and export goods which in turn support other countries. Today the IMF supports countries that are ready to implement the Adam Smith economic ideology, a so called totally deregulated free market. Government intervention is frowned upon by both institutions. Unfortunately we have seen with our own eyes the misery caused by the introduction of a free market in developing countries. Even a powerful country like Russia did not escape the market failures caused by free market implementation. Why, because markets are open to uncertainties, in areas where the market cannot provide government intervention is required. The problem arises here because there is no government support. For a market to exist the following factors are necessary: demand of a commodity or good, the supply of commodity or good and money as consideration of receipt of the commodity or good, without these markets are can not exist the result is the leaves a vacuum in society. What this means is that although there is a demand the market will not enter the society because it can not make profit. A way to minimise this risk of market uncertainties is by having access to information before the market does, (insider trading), this way uncertainties are reduced and the probability for profit is increased. By using communication interception it is possible to know what the markets are doing but better still what they intend to do.

Government intervention may come in several forms, including providing intelligence in the form of information to the private sector. A free market is only free if there is no intervention. If the intelligence agencies are providing information to the private sector on any issues such as bribes or advancement in technology they are intervening with the market. The argument proposed here is that there is government intervention irrespective of the economic and or political ideology. The Office of National Assessment is responsible for assisting government in policy development by providing policymakers with intelligence. These policies are the backbone to trade, both domestic and foreign. Governments will intervene when markets fail to meet social needs, and the policymaker's role is to guide government as to when and how intervention is most likely to be helpful. Intervention comes in many forms and providing information on business intelligence gathered by government agencies and disseminated to the private sector may well and truly be a form of governmental intervention even if it is in policy form. To the trained eye providing intelligence in any form to the private sector goes against the doctrine of competition. There exist a real risk that both policymakers and private sector business may become complacent, if information accessed by intelligence agencies is directly provided to them.

One of the leading proponents of this view has been former Director of Central Intelligence Stansfield Turner. In an article in 1991 issue of Foreign Affairs entitled "Intelligence for a New World Order," Mr. Turner stated: "...the preeminent threat to US national security now lies in the economic sphere. We must, then, redefine 'national security' by assigning economic strength greater prominence. If economic strength should now be recognized as a vital component of national security, parallel with military power, why should America be concerned about stealing and employing economic secrets?" (Turner, S 1991)

When the Clinton administration took office it made several changes to the way it would use the intelligence community. The new administration saw the United States as the sole superpower left and with that it no longer had a formidable enemy to threaten its military. It took the view that during the Cold War the United States had allowed its political allies to take advantage of international trade and that because of its economic ideology and its opposing to any sort of government regulation, the United States was losing its international competitiveness. The end of the Cold War saw the United States identify a new threat, that of economic ideology. Consequently the Clinton administration established the National Economic Council in the White House to give economic issues the same importance the National Security Council gives national security. It has always been known that economic intelligence is a prime source of information for policymakers, but to consider it as national security sent alarms bells ringing to many of its former allies. What was extraordinary was the way in which the intelligence would be used and distributed.

"James Woolsey the CIA director said at his at his time of appointment that economic intelligence had become the hottest topic in the intelligence policy." Washington Post, February 3 1993 p 1 in R. Jeffrey Smith, "Administration to Consider Giving Spy Data to Business"

"President Clinton has ordered the Central Intelligence Agency to make economic espionage of America's trade rivals a top priority." James Risen, Clinton reportedly Orders CIA to Focus on Trade Espionage, Los Angeles Times, July 23,1995 P A1.

"Clinton Reportedly Orders CIA to Focus on Trade Espionage," Los Angeles Times, July 23, 1995,Pg A1

This is further confirmed by the Sunday Times which 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 businesses and use electronic eavesdropping to gather details of company operations. (Sunday Times London, 1995)

The above goes to show that the United States is not invulnerable. Its extreme dependence on oil from the Middle East is a source of vulnerability and one that would be felt in U.S. domestic politics with a vengeance if the flow of oil were to be curtailed or its price sharply increased. United States interests are global, and it has become the single dominate economic power, but other economic grouping in Europe and Asia are growing in ways that will reduce the ability of the United States to dictate economic terms. This is not liked by the U.S. From this argument it would be plausible to preconceive that American policymakers would not limit their ability to make policy if they could have access to information which gave then the upper hand. The argument put forward by certain governments and their intelligence agencies claiming that intelligence can not be supplied to businesses because business is global is a weak one. What counts is if the business can profit the local community.

There is no question that economic intelligence is needed to support policy making which has been an important area of intelligence collection and analysis for many years. The development of new economic theories is needed to answer questions about information economics or network effects. The intelligence community has traditionally been active in three key areas:

First, it has provided support to government officials as they make economic policy. This support has included analysis of bilateral and multilateral economic negotiations' identification of economic trends and understanding the intentions of economic competitors, integration of vast amounts of disparate data to present a complete picture of the economic and political factors affecting international stability, and helping policymakers understand the 'rules of the economic game' as it is played by others, eg. to monitor foreign subsidies, lobbying, bribes and import restraints. A second area of activity for the intelligence community has been to monitor trends overseas in technology that could affect national security. The United States and Australian governments need to be aware of foreign developments in computers, semiconductors, telecommunications and the like, which might impact on military capabilities or national security interests. The third area of responsibility is economic counterintelligence, that is, the identification and neutralisation of foreign intelligence services spying on citizens, companies and government, and stealing information and/or technology for use within their own countries.

The reasons given by the United States as support for their economic espionage practices are "to contribute where appropriate to policy efforts aimed at bolstering our economic prosperity" by "helping policymakers understand economic trends. (White House, 1996).

Three areas have emerged as the focus of economic espionage:

- 1 Stopping foreign practices, especially bribery that hurt US firms. "Economic intelligence can help by identifying threats to private economic enterprises from unfair trading practices"
- 2 Stopping thefts of American corporate secrets, "There is an important role, a counterintelligence role of helping American business know when they are being compromised.
3. Supporting US negotiations in trade talks "There are pressing needs to support, by intelligence, the formulation of our trade policy. (John Deutch, J. 1995),

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 US firms. The United States has been accused of stealing advanced technology from European companies so that it can provide to American companies information that help them compete on the global market. Mr Woolsey (DCI) does admit that the U.S. has spied on European companies for the one reason, as outlined in the Campbell report (Campbell, D. 1999) of keeping in touch with who is being bribed. The United States has argued that European products are often more costly, less technically advanced or both, than American competitors, and so bribery is a way of winning contracts. But the DCI has denied providing private sector U.S. companies with that kind of information. The U.S. approaches the government being

bribed using diplomatic means and tells its officials that the U.S. does not appreciate such corruption. As such it may result in a new contract being bid for.

Mr. Woolsey went further saying "Why do you bribe? It's not because your companies are inherently more corrupt. Nor is it because you are inherently less talented at technology. It is because your economic patron saint is still Jean Baptiste Colbert, whereas ours is Adam Smith. In spite of a few recent reforms, your governments largely still dominate your economies, so you have much greater difficulty than we in innovating, encouraging labour mobility, reducing costs, attracting capital to fast-moving young businesses and adapting quickly to changing economic circumstances. You'd rather not go through the hassle of moving toward less dirigisme. It's so much easier to keep paying bribes. Get serious, Europeans. Stop blaming us and reform your own statist economic policies. Then your companies can become more efficient and innovative, and they won't need to resort to bribery to compete. And then we won't need to spy on you." (Wall Street Journal, 2000)

This statement strikes at the heart of the issue, that economic theories are the drivers of the work carried out by the intelligence organisations. This would explain the shift in focus by different governments and why intelligence agencies are there to reduce uncertainties in markets. Because among the commodities for which markets are most imperfect are those associated with knowledge and information. A much more important point flows from Mr. Woolsey's forthright acknowledgment of spying on U.S. allies. Whether or not detecting bribery is the true motive, the occasions in which a foreign company behaves corruptly can be uncovered only if its communications are constantly under surveillance, including when it acts lawfully. These communications are tracked by means of intercepting the world's communications highways, which also carry the private messages of U.S. business and those of the citizens of every nation. It is true the French do it too, and the Russians, and the Chinese. In early 1995 the French government exposed an American economic espionage effort, and shortly afterward a similar effort against Japan was revealed by the US press. The French insisted that five US citizens, four of them diplomats attached to the embassy, leave the country. (Times London, February 24, 1995) But whichever government is doing the spying, it amounts to an attack on privacy and constitutional rights and two or three wrongs certainly do not make a right. The second concern is the manner in which evidence of corruption is used. To use it as America did in Saudi Arabia and Brazil, as a way of obtaining business for American firms, amounts to cooperation in the corruption while nominally oppose it. That means that evidence of corruption is being used as leverage, rather than a register of opposition to corrupt practices. The existence of widespread corruption in a country is an important indicator of a potentially unstable regime. Author Paolo

Mauro in an article titled, "The effects of Corruption on Growth, Investment, and Government Expenditure," International Monetary Fund Working Paper 96/98, provides a strong argument that "Corruption lowers economic growth", because corruption rewards businesses on the basis of their political connections rather than the quality of their products and other strengths valued in a market economy.

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 jeopardising relations with their biggest ally. Instead, they "had been looking forward to France taking the lead on this." A former US intelligence official related, "because France doesn't worry too much about US sensitivities." (Wall Street Journal, February 23, 1995) The French, according to numerous press reports, have aggressively used the resources of their intelligence services to spy on and steal information from foreign businessmen. Pierre Marion, former head of the French external intelligence service, DGSE, has even bragged in his memoirs about French efforts to spy on foreign companies during his tenure. (Marion, P. 1991) IBM and Texas Instruments were among the US companies to be victimized. "When it comes to business it's war." Marion publically announced that his service was "able to obtain for the French company Dassault confidential documents from the American competition, which Dassault was the able to undercut (Spectator London 1994). The recent book Friendly Spies, by Peter Schweizer, describes economic intelligence collection activities by the Israelis, Germans, Japanese, and South Koreans, as well as the French. In any event, countries which conduct economic espionage on behalf of local businesses will face growing complications. The "blurring" of companies' national identities is happening not just in the United States, but in the rest of the world as well. (Schweizer, P. 1993)

Today, the United States preaches the gospel of globalization, free markets and interdependence in the world economy, especially when others complain about the impact of the U.S. presence in their markets and economies. In the economic arena, the United States adopts an engaged stance because it suits its economic interest. But in its political relations, the United States is following an increasingly opposite path, including its commitment to NATO.

The United States considers itself a moral leader on matters of free trade, hence it 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. American policymakers should consider that the United States may need the cooperation of Paris (or other western capitals) to help deal with a mutual security threat at some point in time.

The desired cooperation will be less likely to be forthcoming if the US government has created animosity through its policy of economic spying. This was clearly displayed the build up to the 2003 Iraqi invasion. European nations made it clear that they would not support the US in any intervention, other than through the United Nations. Now that the initial invasion of Iraq has been successful by the United States and its allies Collin Powell made clear reference that France would have to be punished for not supporting the US. (World Today, 2003). Punishment could surely be in the form of excluding French firms successfully bidding for new contracts with the new regime or even maintaining existing business with Iraq. It is here that having the ability to intercept communications give the United States and it's allies an advantage. On the other hand the United States has said it would consider Australian involvement in the rebuilding of Iraq.

Chapter 5

Economic Intelligence, What's in it for us?

The American market is in a crisis, interest rates are at a record low, American factories are closing down and moving overseas where the price of labour is cheaper. Today there are more products being imported into the U.S. than exported out. There is now an even greater need to develop policy which will reverse this trend and U.S. industry needs to ensure that it is the world leader. Ostensibly, conducting economic espionage against foreign trade and business competitors in support of the US private sector would "help" the U.S. competitiveness and economy.

Support for US business has been and remains an important policy priority for the US government. Secretary of State Warren Christopher declared in a speech that one of the first pillars of foreign policy is that it serve the economic needs of the United States.'

(<http://dosfan.lib.vic.edu/ERC/economics/coordinator/Business.html>) As both the Australian and United States governments make policy in support of global competitiveness, they will be supported in part with information and analysis provided by the intelligence community.

Australian and American businesses are, therefore, the indirect beneficiaries of that intelligence support, since the policies are being made on the private sector's behalf. The intelligence community is not, therefore, new to the issue of economic intelligence. Further, economic issues are and will remain a foreign policy priority and therefore will be the focus of considerable activity by the intelligence community in order to provide support to government officials. What is new is public suggestion by some that intelligence resources should be used in an entirely different way, that of providing direct support to the US private sector. Economic competition, however, is fundamentally different. It is, first and foremost, not a zero sum game. There are no winners and losers, because the gains and losses transcend national boundaries. If the car manufacturer Holden in Australia design and produce a car and sells a large number of them in the United States, Holden is a winner and the American car manufacturers like Chevrolet and Ford are losers. But what really happens is, the American buyers are winners because they buy a car which best suits them at a cost which is affordable. American manufacturing companies that supply Holden are also winners, so are the car salesmen who sold the cars and the service garages who will maintain the vehicles. This example has been achieved with the sale of the new Holden Monaro.

Undertaking a program of providing direct intelligence support to the private sector would be both a significant departure from past practice and a major operational challenge. Governments will need to consider what is "foreign" and what is not because its growing more complicated due to a consequence of globalisation. One person who has closely studied these issues of national corporate identity and national economic interests is Robert Reich, during his former tenure as a teacher at the Kennedy School of Government at Harvard University. Mr. Reich published two compelling articles in the Harvard Business Review, "Who Is Us?" and "Who Is Them?" which describe the complex and fragmented nature of today's global economic environment. (Harvard Business Review Jan-Feb 1990)

The competitiveness of Australian and American owned corporations is no longer the same as it was in the 50-60's. A country's ownership of businesses is much less relevant to the country's economic future than the skills, training, and knowledge commanded by that country's workers, because workers who are increasingly employed within their country are employed by foreign owned corporations or who's control is dominated by overseas shareholders. Although the country's identity has shifted, the workers belong to the country, its just that their labour has been sold off to foreign companies, this is the reality of globalisation. Those changes will affect a host of government policies besides making a new initiative like economic espionage very problematic. Economic espionage and national allegiance of corporations will become more difficult, Mr. Reich offers a straightforward answer to the question of, "Who Is Us?" (and therefore who or what is worthy of government support). It is "the country's work force," Under those circumstances, it would be inappropriate for any other government to provide support to entities with uncertain identities if doing so would cause injury to others.

Both Australian and US intelligence community are not currently organized to produce and disseminate classified information directly to the private sector, because it would require a new commitment of personnel and resources. An issue for the government to consider might be that when the intelligence available on a particular issue is uncertain policymakers will still try and do their best in providing for a suitable or at least a satisfactory solution. But complications could arise if that same uncertain information were to be shared with the private sector. The private sector consumers might decide that the intelligence contradicted policy decisions, or at least cast doubt on the viability of the policy. For example, the government might be trying to encourage private investment in a country or region, but if intelligence analysis shared with the private sector indicated that the economic prospects for that area were poor, then the business world might choose not to invest.

The intelligence community produces prodigious volumes of economic and financial information, but that intelligence is produced in response to the needs and requirements articulated by government consumers, not solely the private sector. There is no doubt that some data would be of use to a business consumer, but it would take a significant retooling of the intelligence requirements on economic issues and the processing of that intelligence to insure the routine, timely delivery of relevant information. What has not been seen in public is the private sector asking the intelligence community for direct assistance. It appears that the private sector is content to work with the policies created by government. That is not to say they completely steer away from economic intelligence, quite contrary, the business world is out there leading in many ways. It uses business intelligence based on models used in information gathering, risk management and controls, competition intelligence and the like, looking at what possible future developments may arise and cut in their market share. There are no doubts that economic spies do exist and are working for the private sector, some may have even been employed and trained by government intelligence agencies, but they don't go around advertising this. In a March, 1993 Washington Post article, local executives raised concerns that intelligence sharing "could give an unfair advantage to big companies," and "would run the risk of 'spoiling relationships with other countries who would become suspicious of how level the information playing field is (Washington Post, March 9, 1993). CEO's are fearful that if their businesses are suspected of CIA involvement customers and suppliers overseas will be scared off. They're also afraid that American companies themselves may eventually fall under the intelligence agency's eye. If a company needs the help of an intelligence agency to tell them what's going on in their area of business, then they're already in trouble and should not be in business. If sharing intelligence with the private sector is such a great idea, then why is there no demand for such support from the intended recipients? Certainly the private sector is not shy about asking for government assistance in any number of other areas, such as import restraints, foreign market access, or tax breaks. If intelligence support for business had any utility at all, we would have heard from the private sector by now.

CONCLUSION

The question is not whether such economic intelligence should be collected at all, but rather whether it should be provided by the intelligence agencies to the private sector in any form including policy developed by government.

Intelligence can be used to enhance the state's economic well-being. In a market economy, however it is much less clear which economic issues have a national security dimension that justifies or requires the involvement of intelligence agencies. In general, the relationship between intelligence and economic information depend critically on the extent to which a nation sees its economic situation and relationships in national security terms. If this argument is true, then one can surmise that the Clinton administration identified very early on that economic downturn would grip the US. (Just need to follow the trend in economic history, timing was ideal, the end of the cold war, intelligence community with many trained agents not being productive causing a shift in supply. This translates to a different focus on the type of intelligence gathered.)

The problem with economic intelligence 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 should be used to investigate, identify and analyse any potential for adverse political developments or outright security threats before they turn major. Only if policymakers are sufficiently informed about the state of the world and the likely developments, can they be expected to make sound judgments in the areas of internal and external security, national defence and foreign relations. In saying that intelligence agencies should never be above or be regarded above the law. In a democracy accountability is vital. The rule of law must guard against any inappropriate activities and functions of intelligence services. Law must be the regulator of the intelligence community activities and procedures to guarantee proper execution, protection and transparency.

Finally policymakers are free to reject any intelligence offered to them, This is inherent in a system that is dominated by the policymakers. On the face of it Australia's capacity to exercise any real influence on global matters such as war, peace and disarmament is so limited that any attempt to exert it would be quixotic. But hosting of the joint facilities like Pine Gap and Nurrungar with their unique intelligence gathering, arms control and disarmament verification and early warning functions strengthens our capacity to regularly put views at the highest level to the United States administration.

Maintaining our physical integrity and sovereignty must be our first foreign policy priority, as it is for any country. We perhaps place more emphasis than has been traditional under a labour government in works of this kind on Australia's alliance with the United States, we are conscious that while our defence policy is one of self-reliance, it is self-reliance within an alliance framework.

The premise of those in Washington who see economic intelligence as a primary target for American intelligence agencies have tried to justify their argument by saying that international economic competition inherently poses a national security threat. Such an unwarranted assumption betrays a fundamental misunderstanding of economics and will distract U.S. intelligence agencies from their proper function: gathering information on genuine security threats. This may well be a reason why the September 11 attacks were not detected. But more, it could also lead to an unhealthy and potentially corrupt relationship between those agencies and American corporations. Worse it may jeopardise relations with other democratic capitalist countries.(Kober, Stanley. 1992.)

Information technology superiority in communication interception is part of the Australian political process, it gives us the ability to develop policy for good economic management domestically and on the world market. But it should also provide the Australian policymakers with the necessary information on how much support our neighbours need. Ethically Australia should be leading the way to a fairer trade system even if the United States can't. Our technological superiority should not be used to snatch deals from our competitors by undercutting them in the markets. Australia should take time to consider the possible complications caused by using intelligence information obtained from the information super high without the owners explicit consent, but more should also be mindful that supplying intelligence information to the United States may come back to haunt us in the global market. In any event responsibility must ultimately lie in the hands of government and policymakers. Parliament has authority over the intelligence agencies by the budget it provides. As true representative of the people, parliamentary oversight committees need access to classified information. Adequate legislation needs to be in place supporting access to reports and investigations Intelligence serves and is subservient to policy and it works best both analytically and operationally when linked to clearly understood policy goals that are designed for the long term good of all people.

Appendix A

ASIO Heads	Dates	Prime Minister	Dates
Justice Geoffrey Reed	16/March/1949-30/June/1950	Joseph Benedict Chifley, PC (Australian Labor Party)	13 July 1945 - 19 December 1949
Colonel (later Brigadier Sir) Charles Spry CBE DSO	6/7/1950-21/1/1970	Robert Gordon Menzies (later Sir Robert), PC, KC (Liberal Party of Australia)	19 December 1949 - 26 January 1966
Colonel (later Brigadier Sir) Charles Spry CBE DSO	6/7/1950-21/1/1970	Harold Edward Holt, PC, CH (Liberal Party of Australia)	26 January 1966 - 19 December 1967
Colonel (later Brigadier Sir) Charles Spry CBE DSO	6/7/1950-21/1/1970	John McEwen (later Sir John), PC (Country Party)	19 December 1967 - 10 January 1968
Colonel (later Brigadier Sir) Charles Spry CBE DSO	6/7/1950-21/1/1970	John Grey Gorton, PC (Liberal Party of Australia)	10 January 1968 - 10 March 1971
Peter Barbour	22/1/1970-28/9/1975	William McMahon (later Sir William), PC, CH (Liberal Party of Australia)	10 March 1971 - 5 December 1972
Frank Mahony CB OBE	29/9/1975-8/3/1976	Edward Gough Whitlam, QC (Australian Labor Party)	5 December 1972 - 11 November 1975
Justice Sir Edward Woodward OBE	7/9/1981-28/7/1985	John Malcolm Fraser, PC, CH (Liberal Party of Australia)	11 November 1975 - 11 March 1983
Harvey Barnett AO	7/9/1981-28/7/1985	Robert James Lee Hawke, AC (Australian Labor Party)	11 March 1983 - 20 December 1991
Alan Wrigley AO	7/10/1988-8/10/1988		
John Moten	10/1/1992-8/10/1988	Paul John Keating (Australian Labor Party)	20 December 1991 - 11 March 1996
David Sadleir AO	10/1/1992-27/4/1992		
David Sadleir AO	10/10/1996-27/4/1992	John Winston Howard (Liberal Party of Australia)	11 March 1996 -
Dennis Richardson	10/10/1996-11/10/1996-present		

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