

VI. L'INFLUENCE AMERICAINE:
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- LUTTWAK Edward N., "From geopolitics to geo-economics. Logic of conflict, Grammar of commerce", *The national interest*, Summer 1990, pp.17-23.
- HERRING Jan, "Intelligence to enhance american companies competitiveness: the government's role and obligation", *Competitive intelligence review*, volume 5, n°3, 1994, pp.12-16.
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From Geopolitics to Geo-Economics

Logic of Conflict, Grammar of Commerce

Edward N. Luttwak

EXCEPT FOR THOSE unfortunate parts of the world where armed confrontations or civil strife persist for purely regional or internal reasons, the waning of the Cold War is steadily reducing the importance of military power in world affairs.

True, in the central strategic arena, where Soviet power finally encountered the *de facto* coalition of Americans, Europeans, Japanese, and Chinese, existing military forces have diminished very little so far. Nevertheless, as a Soviet-Western war becomes ever more implausible, the ability to threaten or reassure is equally devalued (and by the same token, of course, there is no longer a unifying threat to sustain the coalition against all divisive impulses). Either way, the deference that armed strength could evoke in the dealings of governments over all matters—notably including economic questions—has greatly declined, and seems set to decline further.

Everyone, it appears, now agrees that the methods of commerce are displacing military methods—with disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases. But these are all tools, not purposes; what purposes will they serve?

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Logic and Grammar

BUT THINGS are not quite that simple. The international scene is still primarily occupied by states and blocs of states that extract revenues, regulate economic as well as other activities for various purposes, pay out benefits, offer services, provide infrastructures, and—of increasing importance—finance or otherwise sponsor the development of new technologies and new products. As territorial entities, spatially rather than functionally defined, states can-

competition, wherein any two sides can both gain (or lose) market shares concurrently. The logic of conflict is paradoxical (i.e., governed by apparent contradictions and the coincidence of opposites) because all actions unfold in the presence of an adversary that reacts against whatever is being done. That is why—to give a static example—the worst of approach roads for an attack may be the best, if it confers the advantage of surprise (making the bad road paradoxically good and the good road paradoxically bad). Or, to give a dynamic example—involving the coincidence of opposites—why victorious armies that advance too far advance to their own defeat by overextension, just as weapons that are too effective are the most likely to be made ineffectual by the enemy countermeasures that their very effectiveness evokes. This same dynamic evolution toward the coincidence of opposites is operative at every level of strategy: thus the Soviet Union's accumulation of power eventually resulted in its impotence, as other states were frightened into forming a coalition against Moscow. In all dynamic manifestations of the logic of conflict there is such a culminating point, beyond which actions evolve into their opposite. In the linear logic of everyday life (and economic competition), by contrast, good is good and bad is bad, and success can facilitate further success without any necessary culminating point. For a systematic comparison, see my *Strategy: the Logic of War and Peace* (Cambridge: Harvard University Press, 1987).

not follow a commercial logic that would ignore their own boundaries.

What logic then do they follow?

- Do they seek to collect as much in revenues as their fiscal codes prescribe—or are they content to let other states or blocs of states tax away what they themselves could obtain? Since the former is the reality (that is, a zero-sum situation in which the gain of one is the loss of another), here the ruling logic is the logic of conflict.
- Do they regulate economic activities to achieve disinterestedly transnational purposes—or do they seek to maximize outcomes within their own boundaries, even if this means that the outcomes are suboptimal elsewhere? Since the latter is the predominant, if not exclusive, reality, economic regulation is as much a tool of statecraft as military defenses ever were. Hence, insofar as external repercussions are considered, the logic of state regulation is *in part* the logic of conflict. As such, its attributes include the typically warlike use of secrecy and deception for the sake of surprise (as, for example, when product standards are first defined in secret consultations with domestic producers, long before their public enunciation).
- Do states and blocs of states pay out benefits and offer services transnationally—or (fractional aid allocations apart) do they strive to restrict such advantages to their own residents? Likewise, do they design infrastructures to maximize their transnational utility—or do they aim for domestically optimal and appropriately competitive configurations, regardless of how others are affected? Since the latter is the reality, the logic of state action is again *in part* the logic of conflict. (The competitive building of huge international airports in adjacent, minuscule, Persian Gulf sheikhdoms is an extreme example of such behavior, but such conduct is not uncommon in milder forms.)
- Finally, do states and blocs of states promote technological innovation for its own sake—or do they seek thereby to maximize benefits within their own boundaries? Since the latter is the reality, the logic of conflict

applies. (Three obvious examples are the obstacles that long delayed the introduction of Concorde flights into U.S. airports, Japanese barriers against U.S. supercomputers and telecommunications, and the development of rival High Definition Television formats.)

As this is how things are, it follows that— even if we leave aside the persistence of armed confrontations in unfortunate parts of the world and wholly disregard what remains of the Cold War—World Politics is still not about to give way to World Business, i.e., the free interaction of commerce governed only by its own nonterritorial logic.

Instead, what is going to happen—and what we are already witnessing—is a much less complete transformation of state action represented by the emergence of "Geo-economics." This neologism is the best term I can think of to describe the admixture of the logic of conflict with the methods of commerce—or, as Clausewitz would have written, the logic of war in the grammar of commerce.

The Nature of the Beast

WITH STATES and blocs of states still in existence, it could not be otherwise. As spatial entities structured to jealously delimit their own territories, to assert their exclusive control within them, and variously to attempt to influence events beyond their borders, states are inherently inclined to strive for relative advantage against like entities on the international scene, even if only by means other than force.

Moreover, states are subject to the internal impulses of their own bureaucracies, whose officials compete to achieve whatever goals define bureaucratic success, including goals in the international economic arena that may as easily be conflictual as competitive or cooperative. Actually much more than that is happening: *As bureaucracies writ large, states are themselves impelled by the bureaucratic urge of role-preservation and role-enhancement to acquire*

ministry, as in *Tsurunobu*, the Ministry of Trade. The *Boechō's* head, while a minister, does not hold cabinet rank.

It is true, of course, that, under whatever name, "geo-economics" has always been an important aspect of international life. In the past, however, the outdoing of others in the realm of commerce was overshadowed by strategic priorities and strategic modalities. Externally, if the logic of conflict dictated the necessity for cooperation against a common enemy while, in contrast, the logic of commerce dictated competition, the preservation of the alliance was almost always given priority. (That indeed is how all the commercial quarrels between the United States and Western Europe—over frozen chickens, mircrochips, beef, and the rest—and between the United States and Japan—from textiles in the 1960s to supercomputers in the 1980s—were so easily contained during the past decades of acute Soviet-Western confrontation. As soon as commercial quarrels became noisy enough to attract the attention of political leaders on both sides, they were promptly suppressed by those leaders—often by paying off all parties—before they could damage political relations and thus threaten the imperative of strategic cooperation.) Internally, insofar as national cohesion was sustained against divisive social and economic tensions by the unifying urgencies of external antagonisms, it was armed conflict or the threat of it—not commercial animosities—that best served to unite nations.

NOW, HOWEVER, as the relevance of military threats and military alliances wanes, geo-economic priorities and modalities are becoming dominant in state action. Trade quarrels may still be contained by the fear of the economic consequences of an action-reaction cycle of punitive measures, but they will no longer simply be suppressed by political interventions on both sides, urgently motivated by the strategic imperative of preserving alliance cooperation against a common enemy. And if international cohesion has to be preserved by a unifying

threat, that threat must now be economic. Such a reordering of modalities is already fully manifest in the expressed attitudes of other Europeans to the new undivided Germany, and even more so in American attitudes toward Japan. Gorbachev's redirection of Soviet foreign policy had barely started when Japan began to be promoted to the role of the internally unifying Chief Enemy, judging by the evidence of opinion polls, media treatments, advertisements, and congressional pronouncements.

Should we conclude from all this that the world is regressing to a new age of mercantilism? Is that what "geo-economics" identifies, quite redundantly? Not so. The goal of mercantilism was to maximize gold stocks, whereas the goal of geo-economics (aggrandizement of the state aside) could only be to provide the best possible employment for the largest proportion of the population. In the past, moreover, when commercial quarrels evolved into political quarrels, they could become military confrontations almost automatically; and in turn military confrontations could readily lead to war.

In other words, mercantilism was a *subordinated modality*, limited and governed by the ever-present possibility that the loser in the mercantilist (or simply commercial) competition would switch to the grammar of war. Spain might decree that all trade to and from its American colonies could only travel in Spanish bottoms through Spanish ports, but British and Dutch armed merchantmen could still convey profitable cargoes to disloyal colonists in defiance of Spanish sloop; and, with war declared, privateers could seize outright the even more profitable cargoes bound for Spain. Likewise, the Dutch sent their frigates into the Thames to reply to the mercantilist legislation of the British Parliament that prohibited their cabotage, just as much earlier the Portuguese had sunk Arab ships with which they could not compete in the India trade.

"Geo-economics," on the other hand, is emerging in a world where there is *no superior modality*. Import-restricted supercomputers

a "geo-economic" substitute for their decaying *geopolitical role*.

There is also a far more familiar phenomenon at work: the instrumentalization of the state by economic interest groups that seek to manipulate its activities on the international scene for their own purposes, often by requiring adversarial "geo-economic" stances. No sphere of state action is immune: fiscal policy can be profitably used so as to place imports at a disadvantage; regulations, benefits, services, and infrastructures can all be configured to favor domestic interests in various ways; and, of course, the provision of state funds for domestic technological development is inherently discriminatory against unassisted foreign competitors.

The incidence of both adversarial bureaucratic impulses and adversarial manipulations of the state by interest groups will vary greatly from country to country. But fundamentally, states will tend to act "geoeconomically" simply because of what they are: spatially-defined entities structured to outdo each other on the world scene. For all the other functions that states have acquired as providers of individual benefits, assorted services, and varied infrastructures, their *raison d'être* and the ethos that sustains them still derive from their chronologically first function: to provide security from foes without (as well as outlaws within).

Relatively few states have had to fight to exist, but all states exist to fight—or at least they are structured as if that were their dominant function. Even though most of the existing 160-odd independent states have never fought any external wars, and most of those that have fought have not done so for generations, the governing structures of the modern state are still heavily marked by conflictual priorities, the need to prepare for, or to wage, interstate conflict. In how many major countries does the Minister for Telecommunications, or Energy, or Trade outrank the Defense Minister? Only—appropriately enough—in Japan, where Defense (*Boechō*) is a *Cho* or lesser department (translated as agency), as opposed to a *Sbo* or

cannot be forcibly delivered by airborne assault to banks or universities in need of them, nor can competition in the world automobile market be assisted by the sinking of export car ferries on the high seas. That force has lost the role it once had in the age of mercantilism—as an *admissible* adjunct to economic competition—is obvious enough. But of course the decay of the military grammar of geopolitics is far more pervasive than this, even if it is by no means universal.²

Students of international relations may still be taught to admire the classic forms of *realpolitik*, with its structure of anticipatory calculations premised on the feasibility of war. But for some decades now the dominant elites of the greatest powers have ceased to consider war as a practical solution for military confrontations between them, because non-nuclear fighting would only be inconclusively interrupted by the fear of nuclear war, while the latter is self-inhibiting. (In accordance with the always paradoxical logic of conflict, the application of the fusion technique meant that nuclear weapons exceeded the culminating point of utility, becoming less useful as they became more efficient.)

For exactly the same reason, military confrontations were themselves still considered very much worth pursuing—and rightly so, for war was thereby precluded throughout the decades of Soviet-Western antagonism. More recently, however, the dominant elites of the greatest powers appear to have concluded that military confrontations between them are only dissuasive of threats that are themselves most implausible. It is that new belief that has caused the decisive devaluation of military strength as an instrument of statecraft in the direct relations of the greatest powers.

Hence, while the methods of mercantilism could always be dominated by the methods of war, in the new "geo-economic" era not only the *causes* but also the *instruments* of conflict must be economic. If commercial quarrels do lead to political clashes, as they are now much more likely to do with the

waning of the imperatives of geopolitics, those political clashes must be fought out with the weapons of commerce: the more or less disguised restriction of imports, the more or less concealed subsidization of exports, the funding of competitive technology projects, the support of selected forms of education, the provision of competitive infrastructures, and more.

Playing the New Game

THE DISCUSSION so far has focused on the actual and prospective role of states and, by implication, of blocs of states engaged in "geo-economic" conduct. But what happens on the world economic scene will not of course be defined by such conduct; indeed the role of "geo-economics" in the doings and undoings of the world economy should be far smaller than the role of geopolitics in world politics as a whole.

First, the propensity of states to act geo-economically will vary greatly, even more than their propensity to act geopolitically. For reasons historical and institutional, or doctrinal and political, some states will maintain a strictly *laissez faire* attitude,

²In the train of history, the last wagons, such as the fragile states of sub-Saharan Africa, are still prebellic: they cannot yet wage war on each other, because regimes sustained only by the direct force of their armies cannot send those armies away to remote frontiers. The wagons at the head of the train by contrast are now postbellic because their ruling elites have become convinced that they cannot usefully fight one another. Only the wagons in the middle—countries such as India, Israel, Iran, Iraq, and a few others—are still capable of war with each other. But of course the train of history can not only stop but reverse its direction: in the second century B.C. the Romans already categorized prebellic societies (tribes too loosely organized to resist them) and advanced postbellic societies (of the Hellenized east) for which war could not be profitable. Things changed.

simply refusing to act "geo-economically." Both the very prosperous and the very poor might be in the category, just as both Switzerland and K'urma have long been geopolitically inactive. In other cases, the desirable scope of geo-economic activism by the state is already becoming a focal point of political debate and partisan controversy: witness the current Democratic-Republican dispute on "industrial policy" in the United States. In still other cases, such as that of France, the dominant elites that long insisted on a very ambitious degree of geopolitical activism (ambitious, that is, in terms of the resources available) are now easily shifting their emphasis to demand much more geo-economic activism from the French state. And then, of course, there are the states—Japan most notably—whose geo-economic propensities are not in question.

Second, there is the much more important limitation that states and blocs of states acting "geo-economically" must do so within an arena that is not exclusively theirs, in which they coexist with private economic operators large and small, from individuals to the largest multinational corporations. While states occupy virtually all of the world's political space, they occupy only a fraction of the total economic space, and global political-economic trends such as privatization are reducing that fraction even further. (On the other hand, the role of states is increasing precisely in the economic sectors whose importance is itself increasing, sectors defined by the commercial application of the most advanced technologies.)

Of the different forms of coexistence between geo-economically active states and private economic operators, there is no end. Coexistence can be passive and disregarded, as in the relationship (or lack of it) between the state and the myriad of small, localized service businesses. With neither wanting anything from the other—except for the taxes that the fiscal authorities demand—the two can simply coexist without interacting or communicating.

At the opposite extreme, there is the

intense positive interaction between politically weighty businesses in need of state support on the world economic scene, and the bureaucracies or politicians that they seek to manipulate for their own purposes. Or, going the other way, there is the equally intense and equally positive interaction that occurs when states seek to guide large companies for their own geo-economic purposes, or even select them as their "chosen instrument" (a specialized form of coexistence dates back at least to the seventeenth-century East India companies, Dutch and Danish as well as, most famously, British).

Even more common, no doubt, are the cases of reciprocal manipulation, most notably in the remarkably uniform dealings of the largest international oil companies—whether American, British, or French—with their respective (and otherwise very different) state authorities. In each case, the state has been both user and used, and the companies both instruments and instrumentalizers.

Negative state-private sector interactions are not likely to be common, but they could be very important when they do occur. Geoeconomically active states that oppose rival foreign states will also obviously oppose rival foreign companies that are the chosen instruments of those rivals, as well as private foreign companies that simply have the misfortune to stand in the way. An era of intense "geo-economic" activity might thus become an era of unprecedented risk for important private companies in important sectors. If they invest Y million of their funds to develop X technology, they may find themselves irremediably overtaken by the X project of country Z, funded by the taxpayer in the amount of 2Y million, or 20Y million for that matter. Or private companies may find themselves competing with foreign undercutters determined to drive them out of business, and amply funded for that purpose by their state authorities. As public funding for such purposes is likely to be concealed, a victim-company may enter a market quite unaware of its fatal disadvantage. In such diverse ways the international economy will be pervasively

still leaves room for far more important weapons: the competitive development of commercially important new technologies, the predatory financing of their sales during their embryonic stage, and the manipulation of the standards that condition their use—the geo-economic equivalents of the offensive campaigns of war.

Today, there is a palpably increasing tension between the inherently conflictual nature of states (and blocs of states) and the intellectual recognition of many of their leaders and citizens that while war is a zero-sum encounter by nature, commercial relations need not be and indeed rarely have been. The outcome of that tension within the principal countries and blocs will determine the degree to which we will live in a geo-economic world.

affected by that fraction of its life that is geo-economic rather than simply economic in character (just as in the past the geopolitical activity of the few greatest powers decisively conditioned the politics of the many).

Perhaps the pan-Western trade accords of the era of armed confrontation with the Soviet Union—based on the original General Agreement on Tariffs and Trade—may survive without the original impulse that created them, and may serve to inhibit the overt use of tariffs and quotas as the geo-economic equivalent of fortified lines. And that inheritance of imposed amity may also dissuade the hostile use of all other "geo-economic" weapons, from deliberate regulatory impediments to customs-house conspiracies aimed at rejecting imports covertly—the commercial equivalents of the ambushes of war. But that

Intelligence to Enhance American Companies' Competitiveness: The Government's Role and Obligation

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Yes, the federal government can and should provide intelligence support to the U.S. private sector, but not intelligence gathered via illegal or clandestine means. The most useful and meaningful assistance the U.S. government can provide American companies would be educational: teaching corporate managers how and when to use intelligence and tutoring private-sector intelligence practitioners on ways to enhance their intelligence skills. For the most part, American executives have had little opportunity to learn about intelligence as a management discipline—it is not taught as such in any of our business schools or universities.

A second and equally important action is facilitating the private sector's access to the large amount of international business information the government departments

both sides are talking past each other. Clearly, U.S. firms need to enhance their international competitiveness. Both federal and state governments have a stake in the results as well as the responsibility to help when they can.

On the other side, U.S. firms do not want their government conducting activities on their behalf that is illegal or unethical. Although some government officials believe that is what corporate executives are asking for, they are not. Surprisingly, few corporations even know what the government has to offer—classified or not—and as a result the debate is not making much progress.

Consequently, I believe that the federal government must take the first step. It has a wealth of business information that can be used by American corporations to create the business intelligence (BI) they need to plan better, formulate more effective international strategies, and make more timely operational decisions. The U.S. government has both a vital interest in a strong competitive private sector and a responsibility to assist taxpaying American companies to better understand and use intelligence as a private-sector management tool.

The Legal and Ethical Barriers

There is a lot of fodder by business pundits concerning the U.S. government's role in providing economic intelligence to American companies. Those who argue for such private-sector support are quick to point out the roles played by French, Israeli, and even Russian intelligence services—none of which seem to be economic powerhouses.

On the other side of the issue, U.S. government officials argue that there are insurmountable political and ethical barriers to their collecting and providing economic intelligence to American businesses. They offer self-serving statements such as, "They may be willing to die for America, but not necessarily for General Motors." They question how they can decide which firms they should give the intelligence to: "Who can tell what is and what isn't an American company in these days of multinational companies?"

Both sides of the argument make valid points as well. National intelligence services are responsible for a country's total national security including its military, diplomatic, and economic security. Conducting government intelligence operations for the U.S. private sector would cause other foreign intelligence services to watch them more closely and possibly cut off some liaison exchanges of intelligence. However difficult, governments, like their

private-sector counterparts, are going to have to find a way of simultaneously cooperating and competing with other countries' governments in the new global marketplace of the 1990s.

A closer examination of the private-sector needs for BI and the government's capability to provide it reveals what I believe is a "reasonable" approach to this important issue. Let us start with the most difficult of the issue's elements—the legal and ethical barrier.

No legitimate American business would ask the government to provide BI that had been acquired illegally. In fact, it would be foolish for businesses to use the intelligence because they would be putting their companies in jeopardy of future legal action, a costly and oftentimes ruinous position. The fact that American companies do not illegally gather business information themselves in their private sector business practices seems to have escaped some government officials' attention. No, we don't want U.S. intelligence agents going to jail for General Motors.

Regarding the ethical barriers, it is clearly a more subjective issue. Many U.S. firms have taken the moral high ground, drawing up rather strict ethical standards for business practices. For intelligence operations, only a few have developed specific guidelines, but there is a growing sentiment—strongly encouraged by the private sector's own Society of Competitive Intelligence Professionals (SCIP)—to do so. [I must point out that American company business ethics stand in rather stark contrast to those of their major foreign competitors, who oftentimes place survival above any code of ethics. Under such conditions, U.S. firms that will not play by such foreign rules must at least enhance their protective security from both the unethical and illegal competitive intelligence (CI) practices of their foreign competition.]

Ignorance About Intelligence: The Higher Barrier

Several well-intentioned proponents argue that since the French and Russian governments have used their national intelligence services for economic purposes, so should the U.S. government. In my experience with American corporations, business executives have seldom expressed a desire for government intelligence. In fact, few believe that what the government could provide would even help.

Unfortunately, what I have found in American corporations is a great deal of ignorance about intelligence: "What is it and how do I use it?" is the more likely query from a business executive. This should not surprise us

that function independently of one another and operate with little or no input from the business community. In fact, well-regarded information professionals and consultants have pointed out that what is needed is a federal directory service that can direct the private-sector customer to the appropriate source of government information. It would be even better if the directory or clearinghouse could itself be that source of information such as a "one-stop-shop" for international business information.

In practice, most federal bodies are creating information that can be of benefit to the private-sector intelligence professional. Among the major potential providers are the Department of Commerce, Government Printing Office (GPO), Library of Congress, NASA, State Department, the Department of Defense, the Environmental Protection Agency, and the National Science Foundation. Even mission-specific departments can play a significant role in providing BI. For instance, the Department of Agriculture and its organizations, such as the Forest Service and the National Agricultural Library, possess information of a competitive nature involving global market share of American products. So do the National Library of Medicine and the Food and Drug Administration, where much knowledge about the emerging biotechnology market is being accumulated.

The most logical and best source of such information, however, is the U.S. Department of Commerce, but even its international information programs are little known by U.S. companies with BI needs. In fact, Commerce made its first appearance at the SCIP 1992 Annual Meeting in Washington, DC, and, by all accounts, it was a major success.

Unfortunately, it is not always clear which international division should be queried for what information. Current actions by the Department of Commerce include expanding its overseas collection of business information, mostly through the U.S. Foreign Commercial Service, and improving the relevancy, accuracy, and dissemination of this information to U.S. exporters. This activity should be actively encouraged.

As far as government-produced "intelligence" by the National Intelligence Community (IC), very little is available to the private sector. However, the unclassified intelligence information that is accessible runs the gamut from the CIA's *World Fact Book* and *International Energy Statistical Review* to organizational charts of certain foreign governments, such as China. The potentially useful Foreign Broadcast Information Service (FBIS) dailies contain current radio broadcast information on foreign govern-

In this vein, Motorola was very fortunate. Guided by the vision and determination of its then CEO and Chairman, Bob Galvin, the company set out to create the intelligence capability he believed it would need to survive and succeed in the future business world. It anticipated competing in a global industry that would be greatly more competitive than Motorola had experienced in the past. Bob believed that it was his responsibility to prepare the company for that future competition today, before it was upon him.

After several attempts, he hired an experienced CIA official who was known for his pioneering and organizational skills. Together they set out to create their first modern BI organization, designed to support corporate planning and decision making on a global basis. After 3 years, the program was well founded and culturally accepted by the company's senior management team. With the program in place, a second CIA officer, one well known for his strong management and leadership abilities, was brought in to run the program. And, he has done it superbly. The Motorola program today is a respected BI operation, one that many companies use as a "best-in-class" benchmark in developing or improving their own operations.

The lesson to be learned from this real-world case is that creating an effective and viable BI program is possible, but it requires considerable experience and professional-level skills to do it right. This is what the U.S. government has to offer, but it will require an organized program to "institutionalize" that knowledge and experience, and transfer it to the private sector.

Facilitating Private-Sector Access to Government Information

The federal government collects and produces large amounts of information concerning international business, trade, economics, and related government policies. A good portion of this information is of foreign origin, and some contains valuable analysis by our officials stationed abroad. In theory, this information is available to the private sector, but in practice its availability and utility have not been brought to the public's attention. In private-sector language, there has been no marketing of the product, and few outside the Washington beltway are even aware it exists.

The best of corporate information service professionals have difficulty in identifying and obtaining the government's international business information from which BI can be derived for their companies. The federal information scene is a bewildering array of agencies and services

and its role in business planning, management, and decision making. Unless senior management understands the value and utility of intelligence, they not only will not use it, but they will not fund it. Again, at the root of this "Catch-22" type of problem is the almost total absence of professional education for the business community.

To those of us who have served in national intelligence organizations and have seen firsthand the competitive advantage that a formal and organized intelligence program provides, it is very difficult to understand why more American companies haven't taken the same organized and systematic approach to the gathering, analysis, and use of intelligence in their businesses. But ignorance has many dimensions. Some executives do not truly believe they need it—they stress the marketing side of the business equations, ignoring the competition. Others believe because they "get" the intelligence they need, they assume other managers in the company "get" what they need also—or at least they should. Yet others know they need better intelligence but do not know how to "get" it.

Few American companies have been successful in creating the organization and skills necessary to produce the intelligence needed by various corporate functions. These range from strategy formulation to R&D planning to conducting effective competitive bidding. Companies that have tried to develop their own intelligence operations usually attempt it two or three times before hiring on a successful approach or giving up all together.

The need for more complete and timely information about today's global business environment is critical. The need for intelligence about the players and external forces creating that environment is what we are talking about:

- *Competition, customers, suppliers, and governments and their capabilities, plans, and intentions*
- *The markets, local economics, and political and social forces that influence purchasing decisions*
- *The technology and the products and regulatory constraints that are imposed on them*

These forces all make up the business environment that companies must compete in. Those firms that are the most informed about their competitive situation are usually the best prepared to make decisions and act. Those companies that have an intelligence program designed to gather and analyze the business information and create actionable intelligence for their managers and decision makers are the most likely to succeed.

Education is an area where the government could help significantly. The Intelligence Community provides instructors and educational materials for the teaching of intelligence in a traditional national security context. They could also provide similar material on intelligence analysis and its use by business managers. (I've attempted to get Georgetown University in Washington, DC, interested in this and with some funding I believe they would do so. The Hartford Graduate Center—an extension of Renaissance Polytechnic Institute—has established a Business Intelligence Research Center dedicated to developing a better understanding of intelligence as a business discipline, by both practitioners and managers. A request for assistance to the Director of Central Intelligence in 1992 by the Center, unfortunately, was turned down because of its business relationship.)

There is little doubt American companies need better international business information, the raw material from which BI is derived. Unfortunately, few U.S. corporations have the organization or the skills to translate such information into intelligence. A Conference Board study published in 1988 (Report 913) found that only about 3 percent of the more than 300 firms surveyed had fully developed intelligence programs. (A recent review of that study's findings concluded there has been no appreciable increase in the last 5 years.)

So, interestingly enough, if the government were to provide better intelligence information to the private sector, the companies would have to significantly enhance their capabilities to transform that information into useful intelligence. Since this is the field I have been working in since leaving the CIA in 1983, I can speak with some authority. Few American companies have either the intelligence organization or dedicated, trained personnel to gather, analyze, and produce the intelligence needed in their business. Thus, the government can help corporations with the training of BI collectors and analysts. The provision of educational materials and some training assistance through interested university programs would be a welcomed first step.

However, the principal barriers to greater utilization of both foreign and domestic BI information by American

ment and related business activities worldwide.

Of possibly greater importance are translations of foreign business and R&D materials by the IC's Joint Publications Research Service. This international information is available at nominal cost from either the Department of Commerce's National Technology Information Service (NTIS) or the Library of Congress' DOCEX program. Unfortunately, few American companies make use of these services for BI purposes. (Interestingly, those few companies that do know about it and use it in their BI programs believe they derive definite competitive advantage over those companies that do not. So, not surprisingly, you do not see many public testimonials on the value of government-source business information.)

At present, the U.S. government policy regarding classified economic or BI is not to provide it directly to private sector firms but, rather, to disseminate it to appropriate departments. These agencies then have the responsibility to see that it is used in ways most favorable to the U.S. government and, as appropriate, private-sector interests. However, because of the restrictive use of such intelligence and the bureaucratic difficulty of using it outside government circles, little benefit has actually accrued to the U.S. private sector to date. As the IC sees it, they are doing their job: collecting it, analyzing it, and providing it to the appropriate departments and agencies. It is then the agencies' job to use it and help the private sector.

However, there has been no initiative by any government department or agency to find out what the private sector's BI needs are. Since the intelligence is "classified," no one in the private sector even knows it exists, let alone who to ask for it—a classical case of the government "copping out."

In sum, the federal departments and agencies have done a good share of the foreign business information gathering. In particular, the foreign missions have collected the information, and analyzed, organized, and tried to disseminate it whenever possible. Much of it, however, is still classified, and therefore "nonexistent," as far as the potential private sector consumer is concerned.

Some of these restrictions must be removed and information, whether open or of a confidential nature, must be allowed to circulate more freely, even under controlled circumstances. There are still inhibiting "minders" in the government tied to the past, which do not make sense in today's global economy.

Creating opportunities for federal and corporate representatives to meet and discuss intelligence matters would be an important first step. Another, perhaps more practical initiative should be directed toward offering an integrated information-sharing service for the many sources of federal information: one 800 number for the private sector intelligence analysts to call, one FEDLINE to dial from the company or junior college library, one sympathetic ear for BI professionals whose corporate decision makers are waiting for a competitive assessment would be a welcomed assistance to the private sector.

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ECONOMIC INTELLIGENCE AND THE CIA

Loch K. Johnson
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Although during the Cold War the Central Intelligence Agency (CIA) and the rest of the American intelligence community dealt primarily with military and political developments in the world (and especially the Soviet Union), international economic issues gradually gained in importance. The extensive involvement of the CIA and its companion agencies in economic intelligence has fallen into several categories of activity: intelligence collection, analysis, counterintelligence, and covert action. Since this nation's national security is intimately intertwined with its economic security, America's secret agencies will continue to pursue intelligence on the economic activities of other nations—yet, if current policy persists, not to the extent of systematic spying against a range of foreign business targets.

the economy, stupid!" had been the mantra among Clinton's campaign strategists in 1992; now, within the government's community of national security planners, the slogan seemed to be, "It's economic security, stupid!"

This essay examines presidential use of the nation's premier intelligence organization, the Central Intelligence Agency (CIA), to advance America's economic security. In keeping with the central theme of this issue, the essay attempts to capture the increasingly complex problems presidents confront in dealing with international economic objectives.

Although during the Cold War the American intelligence community dwelt primarily on military and political developments in the world (and especially in the USSR), international economic issues gradually gained in importance (U.S. Congress 1992). Moreover, the secret agencies have always enjoyed a close connection to segments of the American business community. The extensive involvement of the CIA and its companion agencies in economic intelligence falls into several categories of activity: collection, cover, analysis, counterintelligence, and covert action.

COLLECTION

While the CIA has eschewed spying for U.S. companies, it has devoted considerable attention to the worldwide gathering of information about economic matters that might affect the interests of the United States—the collection task. A former director of Central Intelligence (DCI), Stansfield Turner, recalled shortly before the demise of the Soviet Union one of many reasons why economic intelligence grew in importance for the United States during the 1970s:

In 1974, we were taken by the Soviets. We didn't know much about the international grain market and the Soviets tricked us into a bad deal on U.S. grain sales. We got taken. Now the CIA collects on this subject. We know more about Soviet grain production than they do.¹

More recently, in the aftermath of the Cold War and the accelerated shift of resources toward economic collection (now accounting for an estimated 40 percent of the total),² the intelligence agencies have given their attention to such topics as the Uruguay Round of the General Agreement on Trade and Tariffs (GATT), the North American Free Trade Agreement (NAFTA), and a host of specific international trade negotiations. In addition to the "traditional" interests suggested in this listing, six main clusters of topics have attracted the resources of America's intelligence agencies.

Just as President George Washington understood from first-hand battlefield experience, so have his successors known that the world is a decidedly dangerous place for the United States. British men-of-war and marauding Barbary pirates have given way to nuclear-tipped ICBMs, terrorist bombings, and illicit narcotics. In his review of the major threats facing this nation, the Clinton administration's first Secretary of Defense, Les Aspin, pointed to the presence of outlaw states, with Cuba, Iran, Iraq, and North Korea high on the list; the proliferation of nuclear, biological, and chemical weapons; the possibility that democratic reform of former totalitarian regimes might fail, especially in Russia; and America's global economic decline.

The question of economic competitiveness served as a centerpiece in the 1992 presidential campaign of Bill Clinton. On the eve of assuming the presidency, he vowed to "make the economic security of our nation a primary goal of our foreign policy"—a theme he repeated frequently during his successful bid for re-election in 1996. Coupled with his abiding attention to domestic economic issues, foreign economic policy became one of the president's foremost concerns during his first term in office. He created a National Economic Council (NEC), touted as equal in status to the National Security Council. Long a maid-in-waiting to defense issues, matters of trade and aid had risen high on the national security agenda. "It's

First, the CIA has tried to answer the question: Are foreign governments playing fairly in their economic relations with the United States? In government-to-government economic transactions, the United States seeks "a level playing field."³ Is a foreign government involved in a bribing situation? Has it tried to rig contracts? To what extent are foreign governments lobbying—or counterlobbying—in the United States on behalf of their economic self-interests? Of central concern here are the large deals pursued by foreign government-backed firms or by the governments themselves. The core purpose is to uncover inappropriate business practices. The *modus operandi* used by the intelligence agencies for economic targeting (as with most collection operations) is initially to scan the open source literature, in search of major business transactions involving foreign governments. This initial step usually discloses knowledge gaps about the prospective deal-making, which the secret agencies then attempt to fill through clandestine means.

On the technical side, the National Intelligence Council (NIC) has a national intelligence officer (NIO) for science and technology. "During the Cold War, that person would have spent much more of his time on Soviet military technology," notes a recent NIC chairman, "but now [he or she spends] more time on broader types of technology that are in the commercial and economic area."⁴ The goal: finding macroeconomic intelligence—without engaging in commercial spying against private foreign businesses—that might make America more competitive in the world marketplace.

Here is another technique—and another linkage between intelligence "spooks" and the commercial world: The CIA "debriefs" (questions) selected international business people on their return from trips abroad especially if they have been to exotic, relatively closed portions of the globe that U.S. policy officers would like to know more about (Sudan, for example).

Little is known about the extent to which the CIA may also "task" business people before they travel abroad, asking them to keep an eye out for specific intelligence requirements—in essence, recruiting individuals, subtly or not, to spy for the United States while they carry out their own business transactions. The public record does include some examples, though, of close CIA-business cooperation in gathering information on foreign events and conditions, including assistance from Hughes Aircraft Corporation in recovering a sunken Soviet submarine (Hersh 1975).

Second, the intelligence community spends a large chunk of time preparing studies for officials representing the United States at international trade conferences. These include the preparation of regional matrices

indicating who is likely to be allied with whom on key votes, and what configurations of alliances are likely to coalesce around what deals. Among other chores, the secret agencies undertake an exhaustive review of the foreign media for clues about the negotiating positions of conference attendees—open-source intelligence work.

With varying levels of success the entire range of covert, intrusive intelligence collection—including electronic surveillance, agent insertion, and the theft of documents—is also deployed against foreign negotiators (some allies are excepted). As with arms-control negotiations, the U.S. government tries to come to the bargaining table at international trade conferences with as much information as possible to improve its likelihood of success.

Third, the monitoring of economic sanctions has become increasingly vital to the U.S. government and, therefore, to the intelligence agencies. The Bush administration was determined that Saddam Hussein, the Iraqi dictator, would pay a price for his invasion of Kuwait in 1990. Global economic sanctions would demonstrate the resolve of the anti-Iraqi coalition.

Tracking how well the sanctions were working during this period became a matter of high priority in the American national security establishment. Top-secret reports on sanctions were faxed daily from CIA headquarters to the White House. The CIA assumed the responsibility for coordinating all-agency source material on the progress of sanctions against Iraq, providing "one-stop shopping" for busy policy officers. These daily summaries were, and continue to be, augmented by "Week in Review" progress reports and "Perspective" studies on the fidelity of specific countries to the sanctions rules.

The monitoring of sanctions has been an enormous undertaking involving the close tracking of money, oil, transportation, arms flows, firm activities, and the behavior of individual traders. All Iraqi ships were closely tracked. On the eve of the Persian Gulf War in 1991, the accuracy of this monitoring enabled the U.S.-led coalition to pinpoint violators, and the United States issued some 1800 *demarches* against those who had broken the sanctions agreement.⁵ Ninety percent of Iraq's imports were closed off, and 97 percent of its exports (Blackwell and Carter 1993).

Initially, the White House hoped the sanctions would inflict sufficient pain on Iraq to force its capitulation and withdrawal from Kuwait, without resorting to the use of U.S. troop intervention. While this objective fell short, the sanctions did (and continue to) inflict a high level of discomfort on Iraq, helping to tame its roguery.

The successful monitoring of the Iraqi sanctions has led to the establishment of interagency sanctions-monitoring teams, housed at CIA headquarters, which focus on additional nations. High among the collection targets for these teams have been the Balkans region, as well as all Sino-Iranian commercial transactions. The Department of the Treasury is one of the intelligence community's most important consumers of information on sanctions violators; its Office of Foreign Assets Control is responsible for enforcing sanctions.

Fourth, the intelligence agencies have been active in another macroeconomic process called "foreign acquisitions review." Serving a Committee on Foreign Investment in the United States (an interagency panel, which also includes organizations outside the intelligence community, such as the Department of Commerce), the charge of the intelligence agencies is to contribute whatever information it can toward answering the question: How much foreign investment and buying is occurring inside the borders of this nation?

Fifth, the intelligence agencies have a catch-all responsibility for maintaining a data bank on irreputable businesses abroad—"bad actors" in the international marketplace guilty of past violations of sanctions, money laundering, the proliferation of fissionable materials and weapons parts, the aiding and abetting terrorist organizations. The Federal Reserve Board, the Treasury Department, the Commerce Department, and several other government entities are in a position to feel only part of this elephant; the intelligence agencies, and particularly the CIA, are expected through their global information-gathering to gain a sense of the whole and to pass this more complete picture on to the relevant government agencies.

Based on intelligence findings, Treasury's Office of Foreign Assets Control—among other government organizations—can inform U.S. banks and firms not to deal with a particular corporation, because it is actually a Libyan front for weapons-acquisition. Or, when the Department of Defense spots a suspicious looking cargo ship at sea—perhaps bearing illegal weapons in its hull bound for, say, Iraq—the computers at the CIA can run a check on the parent company in search of prior improper shipments abroad.

Sixth, the macroeconomic experts at both the CIA and its companion agencies have been drawn into the battle against narcotics, too. Cooperating with the Center for Counternarcotics (CNC), these experts have been helpful in tracing the flow of "narco-dollars"—the profits and laundering operations of drug dealers. As a senior CIA economic analyst puts it, "Money is the mirror image of the real world."

This list of six collection priorities for economic intelligence is simply meant to be suggestive of a much wider range of economic data-gathering carried out by the intelligence agencies—and includes just some of the most recent emphases. Throughout the Cold War and increasingly today, thousands of specialists inside the intelligence community have been engaged in the planning and direction of economic collection operations, their focus ranging from an interest in Russian oil reserves to the price of rubber in Malaysia.

COVER

Closely related to intelligence collection is the matter of cover, that is, providing camouflage for intelligence operations abroad. The presence of the CIA overseas has to be concealed, insofar as possible, because it is engaged in improper and usually illegal activities. Yet, CIA officers and their agents have relatively few places to hide. Some are integrated into the embassy structure, although the Department of State blanches at too much of this, wishing to maintain the purity of its diplomatic corps.

Intelligence officers can pretend they are someone else: travelling journalists, students and faculty abroad, missionaries, or government officials outside the foreign policy apparatus. Yet, by and large, members of these occupational groups reject the "contamination" of spies—in part out of fear that foreign governments may reduce the legitimate desires of their members to travel overseas, maybe even imprison them under the mistaken impression they are spies themselves. In light of this criticism by journalists and others (Subcommittee on Oversight 1979), the CIA has turned toward a venue of cover related to the business world: U.S. corporate camouflage.

American corporations are present around the globe, just like the CIA. They also appear to be less squeamish about providing cover to intelligence personnel than are missionaries, scholars, journalists, and non-secret government agencies. Eugene Fodor, the president of Fodor's Travel Guides, Inc., once proclaimed that "...I was glad, and proud to be of help" (in providing cover for CIA activities overseas) (Van Gelder 1975, A1). The *New York Times* (1974) reported the existence of 200 U.S. intelligence agents stationed abroad posing as business people. Here, then, is another significant linkage between secret agencies and the business community.

Moreover, much of the hardware used for technical intelligence collection is manufactured by well-known American companies: Lockheed, TRW, Northrop, Martin Marietta, among others. To ensure that the spy machines are built according to the DCI's specifications, the intelligence agencies have had to open their most closely held technological secrets to these companies. The CIA has also had close ties to the nation's weapons

capabilities. For, as a senior intelligence analyst has said, "one must study a nation's economy if one wishes to know its military."⁸

While much of the U.S. intelligence reporting on economic matters has been first rate (tracing the flow of petrodollars, for example, as well as anticipating OPEC investment strategies and monitoring world crop production), it has also been subject to criticism from time to time. While in the House of Representatives, military specialist Les Apsin (D, WI) (1981) routinely berated the CIA for overestimating the Soviet military through a faulty economic analysis of its resource allocations compared to those for the Pentagon.

Also controversial during the Cold War were the agency's interpretations of American, Soviet, and worldwide oil supplies—made public by the CIA in a rare declassification of oil "estimates" (the name, recall, applied to a major intelligence forecast) (CIA 1977a, 1977b).

The most damaging critique of economic intelligence came at the end of the Cold War. Critics were appalled that the U.S. intelligence community had failed in its most important mission: predicting major outcomes in the U.S.S.R. Senator Daniel Patrick Moynihan (D, NY) (1981) led the attack with a scathing appraisal ending with a call for the abolition of the CIA. In response, the DCI declassified a parade of agency documents that had reported in close detail the decline of the Soviet economy throughout the 1980s—though without going so far as to predict its actual collapse (Gates 1992a).

While the bold Moynihan barrage caught the attention of the media, the DCI's rebuttal was better documented and more compelling—if less interesting to the media. DCI Gates pointed out that no one—anywhere, in the U.S. government (including Moynihan, except in the vaguest of terms), in academe, or even in the Kremlin—had, or could have, anticipated the precise moment when communism would fail in the Soviet Union. While Gates conceded the CIA has never owned a crystal ball, he maintained that intelligence community had provided a rich chronicle for policy makers that traced the steady deterioration of key Soviet economic indicators.

COUNTERINTELLIGENCE

Testifying before Congress in 1992, DCI Gates said that in the most extreme cases counterintelligence measures are necessary to "protect our economy from those who do not play by the rules" (1992b). The CIA and the FBI work together to inform U.S. companies who are the targets of foreign intelligence services, he disclosed, adding:

laboratories, again sharing top secret information on Soviet weaponry and other matters. The collaboration between cloaks and blue suits is well established across a broad plain of manufacturing activities and it becomes a short step for businesses, once entwined, to find themselves pressured to cooperate with the CIA's foreign cover problem.

ANALYSIS

The vast amount of information which pours into the CIA from various sources must be sorted out and interpreted by experts trained to understand the meaning of events in foreign places. A leading economic intelligence officer at the CIA provided this perspective on her job:

Those of us on the economic side are not in competition with the *Wall Street Journal*. We try to provide information of broad economic trends. Our consumers include, for example, the National Economic Council, the USTR, and the Commerce Department. The NEC is a new institution [established in 1993] and had to be convinced that we can be useful [to its members]. The kind of support we now give is probably divided fifty-fifty between day-to-day, direct "tactical" intelligence and the longer-term finished intelligence that we have always done. We do about one estimate a year on the economic intelligence front—not our most important contribution.⁷

The NEC has already displayed a strong dependence on economic intelligence from the secret agencies. As a senior CIA official told a reporter: "Just about every day, [NEC deputy director] Bo Cutter is asking the CIA for information on economic issues. The National Economic Council is treating the CIA like an extension of its own staff" (Dreyfuss 1994, 18).

Indeed, from the very beginnings of modern intelligence in the wake of World War Two, the analysis of economic data has been an important part of the daily reports and more in-depth research prepared by U.S. intelligence officers for the government's decision makers. A vital part of the anti-communist struggles that engulfed Western Europe after the war took place not only in the mountains of Greece and Yugoslavia, but in the labor unions of Italy, France, and other key nations of the Western Alliance. Analyses on the economic health (that is, the pro-West, laissez-faire orientation) of these labor unions held high priority at the CIA.

Moreover, soon after its creation in 1947, the CIA turned rapidly toward the analysis of economic trends inside America's newest nemesis, the Soviet Union, especially with an eye toward understanding its armament

In coordination with the FBI, we inform an individual company as we detect an intelligence operation directed specifically at it overseas. In all such cases, we take care to protect sources and methods. This sometimes requires that the information be provided in a generic fashion, but we usually find a way to tell the company what it needs to know to take corrective action (1992b).

Recently, the FBI reportedly lodged protests in Paris after counterintelligence officers uncovered operations by the French secret service against IBM and Texas Instruments (Waller 1992). Indeed, the FBI has a lengthy history of aiding U.S. businesses against hostile intelligence operations. The bureau started a program in 1974 called Developing Espionage and Counterintelligence Awareness (DECA), which alerts defense contractors as well as other businesses to the dangers of foreign intelligence services and how to defend themselves (Fort 1993).

COVERT ACTION

During the Nixon administration, in operations against the socialist candidate (later president) of Chile, Salvador Allende, the CIA relied heavily on economic disruption—particularly the secret inciting of trucker strikes to impede the flow of commerce throughout Chile. A CIA director at the time wrote in his notes from a White House meeting that a primary objective of the anti-Allende campaign in Chile was to "Make the economy scream;" the U.S. ambassador at the time vowed in secret cables to Washington that "not a nut or bolt will be allowed to reach Chile under Allende" (Trevorton 1987, 105).

In a remarkably close secret relationship between a U.S. corporation and the CIA, International Telephone and Telegraph offered the Nixon administration \$1 million or more under the table to assist the covert action in Chile. For ITT feared that Allende would expropriate its holdings in Chile (Shanahan 1973).⁹ Two decades later, the Reagan Administration pulled out most of the clandestine economic stops against the Sandinista regime in Nicaragua, including the bombing of power plants and the mining of port facilities by CIA operatives (*Report of the President's Special Review Board* 1987).

This is but a small sampling of operations that have been or could be used by intelligence agencies to disrupt foreign industry. One conclusion is certain: the centrality of an adversary's economy to its survival has not been lost on the CIA's Operations Directorate.

CONCLUSION

Although without the fanfare it has attracted recently, economic intelligence has been an important part of the intelligence community's work throughout the modern era. Whether via collection, the quest for improved cover abroad, analysis, counterintelligence, or covert action, policy officers have insisted on a wide range of economic intelligence activities, and the secret agencies have frequently turned to the business community for assistance (and, when it comes to counterintelligence help in particular, vice versa). What is new about the current debate is the concentration on the question of the degree to which the intelligence agencies and the business community should become even more deeply intertwined with one another.

Should U.S. secret agencies also help American corporations to spy on their competitors? Assist in counterintelligence even when it is strictly business-against-business espionage, with no foreign intelligence agency implicated?

The most controversial issue, clearly stated by reporter Robert Dreyfuss, is whether or not the CIA should "target individual foreign companies, then share proprietary trade secrets and technology with private U.S. companies" (1994, 68). Imagine that Saudi Arabia seeks a \$30 billion telecommunications contract to help modernize its oil industry and government communications facilities. Several countries enter their bids for this lucrative contract: France, Japan, Germany, England, and the United States. Unbeknownst to any of these competitors, the Saudis are leaning toward the German bid, but for only one reason: its service component is the most attractive. What if the CIA could find out about this Saudi position before the final contract is let, reporting the intelligence to the American company involved in the bidding? The company could quickly sweeten the service component of its bid and possibly move ahead of the Germans during the end game of this big-bucks negotiation.¹⁰

As Stansfield Turner has noted, the chance to have a "higher probability of winning" through a little help from the CIA is sorely tempting (Dreyfuss 1994, 68). Edward Luttwak, the well-known strategist, puts the case stronger still: entry of the agency into the realm of commercial espionage is just a matter of time. "The reality," he says, "is that the CIA will get into this in a pragmatic, organic kind of way" (Dreyfuss 1994, 68).

Yet, for others, this pathway leads to unbridled spying against allies—perhaps even the use of dirty tricks (covert actions) that could result in trade wars, maybe even shooting wars. More preferable is the nurturing of trade relations that are cooperative in spirit and helpful to all, sewn together with international agreements against commercial intelligence operations. As a former senior CIA analyst has emphasized, using the language of game

theory: "Economic relations should be viewed as a multiperson, positive-sum game, not two-person zero-sum games [like the U.S.-Soviet rivalry during the Cold War]."11

From this less belligerent point of view (far too innocent, from the Luttwak perspective), entirely appropriate are voluntary consultations between business people and intelligence officials over collection and analytic issues. How good are the new port facilities in Ogafanoga? Can you help with cover? Is this your interpretation of probable Saudi oil pricing? These are useful lines on inquiry that only business people may be able to answer effectively. Appropriate, too, are FBI/CIA warnings to businesses about foreign intelligence activities aimed against them—the current practice. Nor can one gainsay joint lobbying by business and intelligence interests on behalf of funding for technical systems—all (for better or for worse) part and parcel of pressure-group democracy as widely practiced in the United States.

Yet, if one seeks better international trade cooperation rather than the unleashing of an economic spy war among democracies, some ties between business and intelligence, and some commercial intelligence activities, seem questionable. Paid collection, for example, is espionage, plain and simple—highly risky for business people abroad, just as it is for anyone else. As for the CIA targeting Toyota with hopes of stealing its automobile designs or sales strategies, the agency presently has no foreign agents in the foreign business sector to rely upon; and developing such assets is a long and difficult task. Moreover, which of the American auto companies should receive this information, even if it could be purloined? And if the CIA were caught red-handed with its hands in a Toyota safe, would the inevitable rupture in U.S.-Japanese relations have been worth it?

That U.S. businesses have shown virtually no interest in an espionage partnership with the CIA also speaks volumes against the idea: Ford et al. are no doubt capable of their own business snooping and have been at it much longer than the CIA. Further, American companies may well be concerned that the CIA could end up spying on them—Operation CHAOS visits the corporate board room.

Moreover, economic covert actions that envision the destruction of foreign crops or livestock lie so far away from the traditional values of the American people as to be at face value inappropriate. The same is true for the bombing of power plants and the mining of harbors (outside a declaration of war).

The strongest case for an expanded intelligence agency role can be found in the domain of counterintelligence. If through their normal economic intelligence activities, the CIA or its companion agencies should learn of

a foreign-business espionage operation targeted against a specifically American corporation (inasmuch as there are any left), it would be sensible to pass this information along to the target business (duly protecting sensitive sources and methods)—whether the espionage was sponsored by a hostile intelligence service or a foreign business.

"Our national security is inseparable from our economic security," Secretary of State Warren Christopher told the Senate Foreign Relations Committee on November 4, 1993. That is why the secret agencies will continue to pursue economic intelligence, while at the same time—one hopes—rejecting unwarranted operations urged by some who evidently place the short-term profit margin above all other considerations.

Answers to the questions raised in this paper will emerge out of a political dialogue among the president, Congress, and intelligence professionals. The answers arrived at will not only reflect different definitions of the economic intelligence "problem" but also different views about the role of the president in the policy making process. As such, they will provide a window through which to judge which of the competing notions of presidential leadership will emerge as dominant.

NOTES

¹Remarks, West Point Senior Conference, United States Military Academy, June 9, 1990. West Point, NY.

²Author's interviews with CIA officials. June 1993, Langley, Virginia.

³Author's interviews with senior CIA economic analyst. April 1, 1994, Langley, Virginia.

⁴CIA symposium on Teaching Intelligence. 1993. Tyson's Corner, Virginia.

⁵Author's interviews with CIA officials. 1993-94. Langley, Virginia.

⁶Author's interviews with senior CIA economic analyst. April 21, 1994. Washington, DC.

⁷CIA Symposium on Teaching Intelligence. 1993. Tyson's Corner, Virginia.

⁸Author's interview with CIA analyst. April 1, 1994. Langley, Virginia.

⁹The funding proposal was ultimately rejected by the Nixon administration, which pursued the same objective using CIA funds. See Kissinger (1979).

¹⁰The author is grateful to Les Aspin for suggesting this line of hypothetical example.

¹¹Remarks, West Point Senior Conference, United States Military Academy, June 9, 1990. West Point, NY.

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America's Information Edge

Joseph S. Nye, Jr., and William A. Owens

THE POWER RESOURCE OF THE FUTURE

KNOWLEDGE, MORE than ever before, is power. The one country that can best lead the information revolution will be more powerful than any other. For the foreseeable future, that country is the United States. America has apparent strength in military power and economic production. Yet its more subtle comparative advantage is its ability to collect, process, act upon, and disseminate information, an edge that will almost certainly grow over the next decade. This advantage stems from Cold War investments and America's open society, thanks to which it dominates important communications and information processing technologies—space-based surveillance, direct broadcasting, high-speed computers—and has an unparalleled ability to integrate complex information systems.

This information advantage can help deter or defeat traditional military threats at relatively low cost. In a world in which the meaning of containment, the nuclear umbrella, and conventional deterrence have changed, the information advantage can strengthen the intellectual link between U.S. foreign policy and military power and offer new ways of maintaining leadership in alliances and ad hoc coalitions.

The information edge is equally important as a force multiplier of American diplomacy, including "soft power"—the attraction of American democracy and free markets.¹ The United States can use its

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WILLIAMS/CARTOONISTS & WRITERS SYNDICATE

"Soft power" is the ability to achieve desired outcomes in international affairs through attraction rather than coercion. It works by convincing others to follow, or getting them to agree to, norms and institutions that produce the desired behavior. Soft power can rest on the appeal of one's ideas or the ability to set the agenda in ways that shape the preferences of others. If a state can make its power legitimate in the perception of others and establish international institutions that encourage them to channel or limit their activities, it may not need to expend as many of its costly traditional economic or military resources. See Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power*, BasicBooks, 1990.

information resources to engage China, Russia, and other powerful states in security dialogues to prevent them from becoming hostile. At the same time, its information edge can help prevent states like Iran and Iraq, already hostile, from becoming powerful. Moreover, it can bolster new democracies and communicate directly with those living under undemocratic regimes. This advantage is also important in efforts to prevent and resolve regional conflicts and deal with prominent post-Cold War dangers, including international crime, terrorism, proliferation of weapons of mass destruction, and damage to the global environment.

Yet two conceptual problems prevent the United States from realizing its potential. The first is that outmoded thinking clouds the appreciation of information as power. Traditional measures of military force, gross national product, population, energy, land, and minerals have continued to dominate discussions of the balance of power. These power resources still matter, and American leadership continues to depend on them as well as on the information edge. But these measures failed to anticipate the demise of the Soviet Union, and they are an equally poor means of forecasting for the exercise of American leadership into the next century.

In assessing power in the information age, the importance of technology, education, and institutional flexibility has risen, whereas that of geography, population, and raw materials has fallen. Japan adapted to these changes through growth in the 1980s far better than by pursuing territorial conquest in the 1930s. In neglecting information, traditional measures of the balance of power have failed to anticipate the key developments of the last decade: the Soviet Union's fall, Japan's rise, and the continuing prominence of the United States.

The second conceptual problem has been a failure to grasp the nature of information. It is easy to trace and forecast the growth of capabilities to process and exchange information. The information revolution, for example, clearly is in its formative stages, but one can foresee that the next step will involve the convergence of key technologies, such as digitization, computers, telephones, televisions, and precise global positioning. But to capture the implications of growing information capabilities, particularly the interactions among them, is far more difficult. Information power is also hard to categorize because it cuts across all other military, economic, social,

and political power resources, in some cases diminishing their strength, in others multiplying it.

The United States must adjust its defense and foreign policy strategy to reflect its growing comparative advantage in information resources. Part of this adjustment will entail purging conceptual vestiges. Some of the lingering Cold War inhibitions on sharing intelligence, for example, keep the United States from seizing new opportunities. Some of the adjustment will require innovation in existing institutions. Information agencies need not remain Cold War relics, as some in Congress describe them, but should be used as instruments that can be more powerful, cost effective, and flexible than ever before. Likewise, the artificially sharp distinction between military and political assets has kept the United States from suppressing hate propaganda that has incited ethnic conflicts.

MILITARY CAPABILITY AND INFORMATION

THE CHARACTER of U.S. military forces is changing, perhaps much more rapidly than most appreciate, for, driven by the information revolution, a revolution in military affairs is at hand. This American-led revolution stems from advances in several technologies and, more important, from the ability to tie these developments together and build the doctrines, strategies, and tactics that take advantage of their technical potential.

ISR is the acronym for intelligence collection, surveillance, and reconnaissance. Advanced C4I refers to technologies and systems that provide command, control, communications, and computer processing. Perhaps the best-known advance is precision force, thanks to the videotapes of precision-guided munitions used in Operation Desert Storm. The latter is a broader concept than some imagine, for it refers to a general ability to use deadly violence with greater speed, range, and precision.

In part because of past investments, in part serendipitously, the United States leads other nations in each of these areas, and its rate of improvement will increase dramatically over the next decade. Sensors, for example, will give real-time continuous surveillance in all types of weather over large geographical areas. Fusing and processing information—making sense of the vast amount of data that can be gathered—

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will give U.S. forces what is called dominant battlespace knowledge, a wide asymmetry between what Americans and opponents know. With that, the United States will be able to prevail militarily, whether the arena is a triple-canopy jungle, an urban area, or similar to Desert Storm. Improvements in command-and-control systems and in other communications technologies—already funded and entering service—posit leaps in the ability to transfer information, imagery, and other data to operating forces in forms that are immediately usable. In short, the United States is integrating the technical advances of ISR, C4I, and precision force. The emerging result is a system of systems that represents a qualitative change in U.S. military capabilities.

These technologies provide the ability to gather, sort, process, transfer, and display information about highly complex events that occur in wide geographic areas. However, this is important for more than fighting wars. In a rapidly changing world, information about what is occurring becomes a central commodity of international relations, just as the threat and use of military force was seen as the central power resource in an international system overshadowed by the potential clash of superpowers.

There has been an explosion of information. Yet some kinds of information—the accurate, timely, and comprehensible sort—are more valuable than others. Graphic video images of Rwandan refugees fleeing the horror of tribal hatreds may generate worldwide sympathy and demands for action. But precise knowledge of how many refugees are moving where, how, and under what conditions is critical for effective action.

Military information on the disposition, activity, and capabilities of military forces still ranks high in importance because military force is still perceived as the final arbiter of disagreements. More to the point, concerns that military force may be used still figure prominently in what states do.

The growing interdependence of the world does not necessarily establish greater harmony. It does, however, make military force a matter of interest to audiences outside the local theater. The direct use of

America's Information Edge

military force no longer calls up the specter of escalation to global nuclear holocaust, but it remains a costly and dangerous activity. The Gulf War raised the price of oil worldwide. Russian military operations in Chechnya have influenced the political actions of Muslims from North Africa to Indonesia. The armed conflict in Bosnia colors the character and future of NATO and the United Nations. Military force tears the fabric of new interrelationships and conditions the political and economic behavior of nearly all nations. These considerations suggest a general framework within which the emerging military capabilities of the United States can be linked to its foreign policy.

The concept of deterrence undergirding the emerging American military system of systems envisions a military strong enough to thwart any foreign military action without incurring a commensurate military risk or cost. Those who contemplate a military clash with the United States will have to face the prospect that it will be able to halt and reverse any hostile action, with low risk to U.S. forces.

The United States will not necessarily be able to deter or coerce every adversary. Deterrence and coercion depend on an imbalance of will as well as capabilities, and when a conflict involves interests absolutely vital to an adversary but peripheral to the United States, an opponent may not yield short of a complete American victory in battle. Still, the relationship between willpower and capabilities is reciprocal. Superior battlefield awareness cannot reduce the risk of casualties to zero, but it can keep that risk low enough to maintain the American public's support for the use of force. The ability to inflict high military costs in the early phases of a conflict can undermine an adversary's will, unity, and hope that it can prevail. Because the United States will be able to dominate in battle, it has to be prepared for efforts to test or undermine its resolve off the battlefield with terror and propaganda. But military force can deter the use of those instruments as well.

THE INFORMATION UMBRELLA

THE INFORMATION technologies driving America's emerging military capabilities may change classic deterrence theory. Threatening to use military force is not something Americans will do automatically

[...]

any opponent and more from the ability quickly to reduce the ambiguity of violent situations, to respond flexibly, and to use force, where necessary, with precision and accuracy.

The core of these capabilities—dominant situational knowledge—is fungible and divisible. The United States can share all or part of its knowledge with whomever it chooses. Sharing would empower recipients to make better decisions in a less-than-benign world, and should they decide to fight, they could achieve the same kind of military dominance as the United States.

These capabilities point to what might be called an information umbrella. Like extended nuclear deterrence, they could form the foundation for a mutually beneficial relationship. The United States would provide situational awareness, particularly regarding military matters of interest to other nations. Other nations, because they could share this information about an event or crisis, would be more inclined to work with the United States.

The beginnings of such a relationship already exist. They were born in the Falklands conflict and are being developed today in the Balkans. At present, the United States provides the bulk of the situational awareness available to the Implementation Force, the U.N. Protection Force, NATO members, and other nations involved in or concerned with the conflict there. It is possible to envision a similar central information role for the United States in other crises or potential military confrontations, from clarifying developments in the Spratly Islands to cutting through the ambiguity and confusion surrounding humanitarian operations in Cambodia and Rwanda. Accurate, real-time, situational awareness is the key to reaching agreement within coalitions on what to do and is essential to the effective use of military forces, whatever their roles and missions. As its capacity to provide this kind of information increases, America will increasingly be viewed as the natural coalition leader, not just because it happens to be the strongest but because it can provide the most important input for good decisions and effective action for other coalition members. Just as nuclear dominance was the key to coalition leadership in the old era, information dominance will be the key in the information age.

All this implies selectively sharing U.S. dominant battlespace knowledge, advanced C4I, and precision force. Old-era thinking might recoil

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or easily and has always had some undesirable side effects. In an era in which soft power increasingly influences international affairs, threats and the image of arrogance and belligerence that tends to go with them undercut an image of reason, democracy, and open dialogue.

America's emerging military capabilities—particularly those that provide much more real-time understanding of what is taking place in a large geographical area—can help blunt this paradox. They offer, for example, far greater pre-crisis transparency. If the United States is willing to share this transparency, it will be better able to build opposing coalitions before aggression has occurred. But the effect may be more general, for all nations now operate in an ambiguous world, a context that is not entirely benign or soothing.

In this setting, the emerging U.S. capabilities suggest leverage with friends similar to what extended nuclear deterrence once offered. The nuclear umbrella provided a cooperative structure, linking the United States in a mutually beneficial way to a wide range of friends, allies, and neutral nations. It was a logical response to the central issue of international relations—the threat of Soviet aggression. Now the central issue is ambiguity about the type and degree of threats, and the basis for cooperation is the capacity to clarify and cut through that ambiguity.

The set of fuzzy guidelines and meanings the Cold War once provided has been replaced by a deeper ambiguity regarding international events. Because nearly all nations viewed the international system through Cold War lenses, they shared much the same understanding. To nations throughout the world, the character and complexities of a civil war in the Balkans would have been far less important than the fact of disruption there because the event itself could have triggered a military confrontation between NATO and the Warsaw Pact. Details on the clashes between Chinese and Soviet border guards did not really matter; what counted was that a split had appeared in one of the world's great coalitions. Now the details of events seem to count more. With the organizing framework of the Cold War gone, the implications are harder to categorize, and all nations want to know more about what is happening and why to help them decide how much it matters and what they should do about it. Coalition leadership for the foreseeable future will proceed less from the military capacity to crush

THE SOFT SIDE OF INFORMATION POWER

THE INFORMATION age has revolutionized not only military affairs but the instruments of soft power and the opportunities to apply them. One of the ironies of the twentieth century is that Marxist theorists, as well as their critics, such as George Orwell, correctly noted that technological developments can profoundly shape societies and governments, but both groups misconstrued how. Technological and economic change have for the most part proved to be pluralizing forces conducive to the formation of free markets rather than repressive forces enhancing centralized power.

One of the driving factors in the remarkable change in the Soviet Union was that Mikhail Gorbachev and other Soviet leaders understood that the Soviet economy could not advance from the extensive, or industrial, to the intensive, or postindustrial, stage of development unless they loosened constraints on everything from computers to xerox machines—technologies that can also disseminate diverse political ideas. China tried to resist this tide, attempting to limit the use of fax machines after the 1989 Tiananmen Square massacre, in which they were a key means of communication between protesters and the outside world, but the effort failed. Now not only fax machines but satellite dishes have proliferated in China, and the government itself has begun wiring Internet connections and plans to install the equivalent of an entire Baby Bell's worth of telephone lines each year.

This new political and technological landscape is ready-made for the United States to capitalize on its formidable tools of soft power, to project the appeal of its ideals, ideology, culture, economic model, and social and political institutions, and to take advantage of its international business and telecommunications networks. American popular culture, with its libertarian and egalitarian currents, dominates film, television, and electronic communications. American higher education draws some 450,000 foreign students each year. Not all aspects of American culture are attractive, of course, particularly to conservative Muslims. Nonetheless, American leadership in the information revolution has generally increased global awareness of and openness to American ideas and values.

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from such a prospect, and it would have to overcome long-established prejudices against being open and generous with what might broadly be called intelligence. In the past, two presumptions supported this reluctance: first, that providing too much of the best information risked disclosing and perhaps even losing the sources and methods used in obtaining it, and second, that sharing information would disclose what the United States did not know and reduce its status as a superpower.

These assumptions are now even more questionable than before. The United States is no longer in a zero-sum game that makes any disclosure of capabilities a potential loss for itself and a gain for an implacable opponent. The character of this growing prowess is different. For one thing, the disparity between the United States and other nations is quite marked. U.S. investment in *isr*—particularly the high-leverage space-based aspects of this set of systems—exceeds that of all other nations combined, and America leads by a considerable margin in *c4i* and precision force as well. It has already begun, systematically, to assemble the new system of systems and is well down the revolutionary path, while most nations have not yet even realized a revolution in military affairs is under way.

Some other nations could match what the United States will achieve, albeit not as early. The revolution is driven by technologies available worldwide. Digitization, computer processing, precise global positioning, and systems integration—the technological bases on which the rest of the new capabilities depend—are available to any nation with the money and the will to use them systematically to improve military capabilities. Exploiting these technologies can be expensive. But more important, there is no particular incentive for those nations to seek the system of systems the United States is building—so long as they believe they are not threatened by it. This is the emerging symbiosis among nations, for whether another nation decides to make a race out of the information revolution depends on how the United States uses its lead. If America does not share its knowledge, it will add incentives to match it. Selectively sharing these abilities is therefore not only the route of coalition leadership but the key to maintaining U.S. military superiority.

If it does not share its information lead, the United States will encourage competitors.

In this information-rich environment, those responsible for four vital tasks can draw on America's comparative advantage in information and soft power resources. These tasks are aiding democratic transitions in the remaining communist and authoritarian states, preventing backsliding in new and fragile democracies, preempting and resolving regional conflicts, and addressing the threats of terrorism, international crime, proliferation of weapons of mass destruction, and damage to the global environment. Each requires close coordination of the military and diplomatic components of America's foreign policy.

Engaging Undemocratic States and Aiding Democratic Transitions

Numerous undemocratic regimes survived the Cold War, including not only communist states such as China and Cuba but a variety of

unelected governments formed by authoritarians or dominant social, ethnic, religious, or familial groups. Ominously, some of these governments have attempted to acquire nuclear weapons, among them Libya, Iran, Iraq, and North Korea. U.S. policies toward these countries are tailored to their respective circumstances and international behavior.

The new landscape waits for the United States to project its ideals, culture, and institutions.

The United States should continue selectively to engage those states, such as China, that show promise of joining the international community, while working to contain those regimes, like Iraq's, that offer no such hope. Whether seeking to engage or isolate undemocratic regimes, in every case the United States should engage the people, keeping them informed on world events and helping them prepare to build democratic market societies when the opportunity arises.

Organizations such as the U.S. Information Agency are vital to the task of aiding democratic transitions. Again, China is instructive. USIA's international broadcasting arm, the Voice of America, has in the last few years become the primary news source for 60 percent of the educated Chinese. America's increasing technical ability to communicate with the public in foreign countries, literally over the heads of their rulers via satellite, provides a great opportunity to foster democracy. It is ironic to find Congress debating whether to dismantle USIA just when its potential is greatly expanding.

Protecting New Democracies

Democratic states have emerged from the communist Soviet bloc and authoritarian regimes in other regions, such as Latin America, where for the first time every country but Cuba has an elected government. A major task for the United States is preventing their reversion to authoritarianism. Protecting and enlarging the community of market democracies serves U.S. security, political, and economic interests. Capitalist democracies are better trading partners and rarely fight one another.

An important program here is the International Military Education and Training program. Begun in the 1950s, IMET has trained more than half a million high-level foreign officers in American military methods and democratic civil-military relations. With the end of the Cold War, the program has been expanded to deal with the needs of new democracies and emphasizes training civilians to oversee military organizations and budgets. With an annual budget less than \$50 million, IMET is quite cost-effective. Two similar Defense Department efforts are the Marshall Center in Garmisch, Germany, and the Asia-Pacific Center for Security Studies in Hawaii, which train both military and civilian students and promote contacts among the parliaments, executives, and military organizations of new democracies.

Preventing and Resolving Regional Conflicts

Communal conflicts, or conflicts over competing ethnic, religious, or national identities, often escalate as a result of propaganda campaigns by demagogic leaders, particularly those who want to divert attention from their own failings, establish their nationalist credentials, or seize power. Yet in developing countries, telephones, television, and other forms of telecommunication are rapidly growing, creating an opening for information campaigns by USIA and other agencies to undermine the artificial resolve and unity created by ethno-nationalist propaganda. At times, U.S. military technology may be used to suppress or jam broadcasts that incite violence, while USIA can provide unbiased reports and expose false reports. U.S. air strikes on Serb communications facilities, for example, had the added benefit of making the transmission of Serbian propaganda more difficult.

The negotiation of the Bosnian peace agreement at Dayton, Ohio, last fall illustrated a diplomatic dimension of information power. The United States succeeded in getting an agreement where for years other negotiating parties had failed in part because of its superior information assets. The ability to monitor the actions of all parties in the field helped provide confidence that the agreement could be verified, while detailed maps of Bosnia reduced potential misunderstandings. The American-designed three-dimensional virtual reality maps also undoubtedly helped the negotiating parties in drawing cease-fire lines and resolving whether vehicles traveling various roads could be targeted with direct-fire weapons, and generally demonstrated the capacity of U.S. troops to understand the terrain in Bosnia as well as or better than any of the local military groups.

Information campaigns to expose propaganda earlier in the Rwandan conflict might have mitigated the tragedy. Rwanda has only 14,000 phones but some 500,000 radios. A few simple measures, such as suppressing extremist Hutu radio broadcasts that called for attacks on civilians, or broadcasting Voice of America (VOA) reports that exposed the true actions and goals of those who sought to hijack the government and incite genocide, might have contained or averted the killing.

Such cases point to the need for closer coordination between the USIA and the Department of Defense in identifying hateful radio or television transmissions that are inciting violence and in taking steps to suppress them and provide better information. In some instances the United States might share intelligence with parties to a dispute to reassure them that the other side is not preparing an offensive or cheating on arms control or other agreements.

Crime, Terrorism, Proliferation, and the Environment

The fourth task is to focus U.S. information technology on international terrorism, international crime, drug smuggling, proliferation of weapons of mass destruction, and the global environment. The director of the CIA, John M. Deutch, has focused his agency's efforts on the first four of these, while the State Department's new Office of Global Affairs has taken the lead on global environmental issues. Information has always been the best means of preventing and count-

tering terrorist attacks, and the United States can bring the same kind of information processing capabilities to bear abroad that the FBI used domestically to capture and convict the terrorists who bombed the World Trade Center. On international crime and drug smuggling, various U.S. agencies, including the CIA, FBI, Defense Intelligence Agency, and Department of Defense, have begun working more closely with one another and their foreign counterparts to pool their information and resources. Such efforts can help the United States defeat adversaries on and off the battlefield.

The United States has used its information resources to uncover North Korea's nuclear weapons program and negotiate a detailed agreement for its dismantlement, to discover Russian and Chinese nuclear cooperation with Iran quickly and discourage it, to bolster U.N. inspections of Iraqi nuclear facilities, and to help safeguard enriched uranium supplies throughout the former Soviet republics. And mounting evidence on environmental dangers such as global warming and ozone depletion, much of it gathered and disseminated by American scientists and U.S. government agencies, has helped other states understand these problems and can now begin to point the way to cost-effective remedies.

THE MARKET WILL NOT SUFFICE

MANY of the efforts in these four overarching tasks have been ignored or disdained by some who have clung to narrow Cold War notions of U.S. security and of the roles of various agencies in pursuing it. Some in Congress, for example, have been reluctant to support any defense spending that does not directly involve U.S. combat troops and equipment. However, defense by other means is relatively inexpensive. Programs like the Partnership for Peace, USIA, IMET, the Marshall Center, the Asia-Pacific Center, the military-to-military dialogues sponsored by the U.S. unified command, and the Defense Ministerial of the Americas constitute only a tiny fraction of the defense budget. Although it is impossible to quantify these programs' contributions, we are convinced they are highly cost-effective in serving U.S. security needs. Similarly, USIA's achievements, like those of IMET and other instruments of soft power, should be more

THE COMING AMERICAN CENTURY

THE PREMATURE end of what *Time* magazine founder Henry Luce termed the American century has been declared more than once by disciples of decline. In truth, the 21st century, not the twentieth, will turn out to be the period of America's greatest preeminence. Information is the new coin of the international realm, and the United States is better positioned than any other country to multiply the potency of its hard and soft power resources through information. This does not mean that the United States can act unilaterally, much less coercively, to achieve its international goals. The beauty of information as a power resource is that, while it can enhance the effectiveness of raw military power, it ineluctably democratizes societies. The communist and authoritarian regimes that hoped to maintain their centralized authority while still reaping the economic and military benefits of information technologies discovered they had signed a Faustian bargain.

The United States can increase the effectiveness of its military forces and make the world safe for soft power, America's inherent comparative advantage. Yet a strategy based on America's information advantage and soft power has some prerequisites. The necessary defense technologies and programs, ISR, C4I, and precision force, must be adequately funded. This does not require a bigger defense budget, but it does mean the Defense Department, which is inclined to accelerate and expand these capabilities, should be granted flexibility in setting funding priorities within its budgetary top line. Congressional imposition of programs opposed by the military and civilian leaders in the Defense Department—such as the requirement to buy more B-2 aircraft at a cost of billions of dollars—detract from that flexibility and retard the military leverage that can be gained by completing the revolution in military affairs. Channels to parlay these new military capabilities into alliances and coalitions must be supported: military-to-military contacts, IMET, and the Marshall and Asia-Pacific Centers. Information is often a public good, but it is not a free one. Constraints on the sharing of system-of-systems capabilities and the selective transfer of intelligence, imagery, and the entire range of America's growing ISR capabilities should be loosened.

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appreciated. USIA's seminal contribution of keeping the idea of democracy alive in the Soviet bloc during the Cold War could be a mere prologue.

Some argue that the slow, diffuse, and subtle process of winning hearts and minds can be met by nongovernmental news organizations. These organizations, as well as the millions of private individuals who communicate with friends and colleagues abroad, have done much to disseminate news and information globally. Yet the U.S. government should not abdicate the agenda-setting function to the media because the market and private individuals cannot fulfill all the information needs of American

In Rwanda, Voice of America could have countered extremist Hutu radio broadcasts.

foreign policy. The Voice of America, for example, broadcasts in 48 languages and has an audience tens of millions greater than CNN, which broadcasts only in English. The station's role in China illustrates the problem of market failure: one of the reasons it is the leading source of news for educated Chinese is that Rupert Murdoch ended his broadcasting of the BBC World Service Television News in China, reportedly to win a commercial concession from the Chinese communist government. In addition, VOA can broadcast in languages such as Serbo-Croatian, which are spoken in a geographic area too small to be more than a commercial niche market but crucial for foreign policy. Nonetheless, current budget cuts could force VOA to drop its broadcasting in as many as 20 languages.

The market will not find a private means to suppress radio broadcasts like those of the perpetrators of genocide in Rwanda. There is no economic incentive for breaking through foreign efforts to jam broadcasts or compiling detailed reports on communal violence in the 30 or so ongoing conflicts that rarely make the front page. Left to itself, the market is likely to continue to have a highly uneven pattern of access to the Internet. Of the 15,000 networks on the global Internet in early 1994, only 42 were in Muslim countries, and 29 of these were in Turkey and Indonesia. In response, USIA and the U.S. Agency for International Development have worked to improve global access to the Internet.

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Diplomatic and public broadcasting channels through which information resources and advantages can be applied must be maintained. The USIA, VOA and other information agencies need adequate funding. The Cold War legislation authorizing the USIA, which has changed little since the early 1950s, draws too sharp a line in barring USIA from disseminating information domestically. For example, while USIA should continue to be prohibited from targeting its programs at domestic audiences, Congress has discouraged USIA even from advertising its Internet sites in journals that reach domestic as well as foreign audiences. Congress should instead actively support USIA's efforts to exploit new technologies, including the agency's new Electronic Media Team, which is working to set up World Wide Web home pages on democratization and the creation and functioning of free markets.

The final and most fundamental requirement is the preservation of the kind of nation that is at the heart of America's soft power appeal. In recent years this most valuable foreign policy asset has been endangered by the growing international perception of America as a society riven by crime, violence, drug abuse, racial tension, family breakdown, fiscal irresponsibility, political gridlock, and increasingly acrimonious political discourse in which extreme points of view make the biggest headlines. America's foreign and domestic policies are inextricably intertwined. A healthy democracy at home, made accessible around the world through modern communications, can foster the enlargement of the peaceful community of democracies, which is ultimately the best guarantee of a secure, free, and prosperous world. ☪