

THE CRITICAL ROLE OF OPEN SOURCES AND PRODUCTS IN ECONOMIC INTELLIGENCE COOPERATION BETWEEN GOVERNMENT AND INDUSTRY

- a Swedish example

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Last year when the newly appointed head of Russian Foreign Intelligence Service, Jevgenij Primakov visited Sweden, he declared that SVR's emphasis in the future would be on economic intelligence. I asked him if this branch of intelligence in his opinion had led to any noticeable advantages for Soviet or Russian industry and if not what changes would have to be implemented in order to accomplish this. He gave - not unexpectedly - an evasive answer. The reality is that the Russian experience of economic intelligence probably has the worst record in world history - enormous sums have been wasted on clandestine intelligence in this field but resulting in a minimal impact on the country's economic potential. Whether this is the result of excessive use of secret sources which leads to inability to implement the results in R&D or production is subject of a dissertation in itself.

However tempting it may be to enlarge on this subject - and it is indeed an instructive example of wasted resources, where more reliance of open sources may have led the country in a totally different direction - it is not the task I have been entrusted.

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In today's world there are clear signs that economic intelligence will become an increasingly important instrument in order to increase a country's competitiveness and one of the subsequent questions is what advantages exist in a combined effort between government and industry in this field? I am not implying that such a cooperation is in any way unknown in the West - there are numerous examples of intelligence services selling their products in one way or another and close relationships between intelligence communities and military industry as in the US.

What I have in mind is the type of cooperation Sweden has experienced during a period of thirty years - from 1960 to 1990- in the field of economic intelligence and if perhaps not unique seems to be a rarely used approach. When describing the "Swedish way" , I am doing this humbly as I am fully aware that this approach is much easier accomplished in a country in which the intelligence community, concerned industry and state agencies are fairly small. Nevertheless you may be able to find some ideas consistent with present trends and problems concerning cooperation between government and industry in the intelligence field.

Swedish economic intelligence in its modern form started during the Second World War with an effort to analyse the German economic endurance under the circumstances. Unfortunately - at least to the people involved in this project - the war ended before a definite conclusion could be reached. The General Staff, under whose auspices the studies had been carried out, nevertheless decided to continue studies with the aim of analysing the Soviet economic performance, as this for natural reasons was of great interest to Sweden and information as well as analyses were scarce in the West overall, not to speak of Sweden.

At the end of the 1950-ies a decision was taken to form a separate organisation in form of a trust with industry and government as equal partners. The main reasons for this decision were:

- to cope with growing demands a larger organisation was needed
- Swedish industry experienced an increasing need for analysis but had limited own resources
- the General Staff had an interest in participating in Swedish industry's evaluation of economic progress in the Eastern bloc
- there were strong personal ties between concerned political, military and industrial leaders, not unfrequent in smaller countries

The newly formed organisation, called The Stockholm Institute for Soviet and East-European Economic Affairs was during its existence normally staffed with five to eight researchers, two to three of which with post graduate exams and the remainders usually students of economy with a background from the military language school. As the Institute also had an educational mission, these students have to a great extent filled government's and industry's demand for qualified experts in the field. To a certain extent Russia also benefited from this, as one student for the moment is economic advisor to the Russian government. Only the Director of the Institute had a mixed academic/intelligence background.

The board of the Institute played a significant role thanks to its numerous and high level representatives including i a the present Prime Minister, the Junior Minister of Finance, the Commander-in-Chief or Chief of Defence Staff, ambassadors, heads of State Agencies as well as CEO's of private enterprises and banks. The Board, representing their different spheres of interest proved to be an important steering function in choosing suitable subjects for research and a key to vital sources. Chairmanship and casting vote alternated between industry and government.

The task of the Institute was to provide relevant background analyses of economic development in the eastern bloc through reports, seminars, briefings etc. Thanks to extensive contacts within the international academic and research community, fact-finding tours in the countries concerned and flow of information from industry and government (ministries, embassies etc), the Institute was in a position to gather information on a broader basis than is usual. In particular the access to partner countries intelligence estimates and opinions provided a unique - at least for Sweden - opportunity to fuse the analyses of intelligence communities and open research and thus give an edge to the product. On top of that, the Institute had full freedom to consult researchers and experts, for example Russians. This opportunity should perhaps be used more today, since there are many good and independant scholars who for several reasons may give us a more diversified view of Russian developments.

In principle, membership of the Institute was open to any governmental agency with interest in this area of research - i e the ministries of foreign affairs, trade, defence, military agencies- as well as enterprises and financial institutions operating in the field. The obligation, apart from a yearly fee, consisted of an agreement to handle written material as confidential and furnish the Institute with appropriate information. The Institute agreed to regard all recieved information as confidential and keep the clients informed on memberships. On the non-governmental side, the members were mainly larger enterprises, trading companies and banks, including the Bank of Sweden.

During its existence the Institute gradually became the centre for East Bloc economic intelligence and analysis in Sweden. As such, it greatly influenced Swedish authorities and enterprises view of the development of the Soviet bloc's economic performance. Thereby it also strongly contributed to a national knowledge strategy as well as trade strategy for industry in its field. The staff of the Institute served on numerous committees, strategic research projects and study groups. Even as important was the role of ad hoc think tank and a source of information with extensive archives, open to members. The concept was to furnish members with a wide range of information ranging from weekly industrial news to continuous updating of macroeconomic developments and very extensive area and branch studies, some of which won international reputation.

The results and conclusions that may be drawn from three decades of the Institute's activity could be summed up in this way:

- in a small country it is of greatest importance to use existing resources as efficiently as possible. An institution like this seemed to be the most flexible solution under given circumstances and time proved this assumption right.
- the willingness to share knowledge with the aim of having access to a common product and resource base is a prerequisite in this model, but can only be accomplished on the basis of mutual trust. This trust may emanate from anything between personal relations or a feel for the need to increase of national competitiveness, but most important is probably the feeling that your information really is considered confidential and is treated accordingly.
- the increasing need for declassification or "demystifying" intelligence represents no great problem in this model. Since economic intelligence by definition is less sensitive sourcewise - by this I of course do not include clandestine business intelligence or industrial espionage as this was not the task - than military or political intelligence the frontiers between information and intelligence are for the most part possible to cross without causing harm. The use of open sources - which accounted for around 80 per cent of the total - in studies of Soviet economy presents a special methodical problem as many of you are aware of. To distinguish between disinformation, "naturally" false information and misleading information due to erratic methods is a cumbersome and time-consuming task.

- it is a clear advantage to have customers who are able to put exact and relevant questions. A sophisticated question very often tends to produce sophisticated answers and feedback is made easier.
- by concentrating resources and using them efficiently a lot of unnecessary duplicating work can be avoided. From an economic point of view both government and industry managed to save considerable sums as they did not have to create their own analytical functions. The yearly membership fee was approximately equivalent to half a monthly salary for a qualified researcher. To completely avoid competing agencies is difficult. As far as you succeed, the gains can be considerable.
- of course there also exist dangers and traps when an institution of this character more or less gets national monopoly in its field. When you don't meet with resistance to your conclusions, you easily fall victim to self-complacency. By continuous comparison with estimates of similar foreign institutes and partner countries this risk may at least be partly eliminated. In view of the very limited resources, I venture to say the Institute stood up very well in international comparison. Not seldom its conclusions were better than those drawn by other intelligence services with far greater resources.

In 1990 the Institute ceased to exist as a combined effort mainly because of the changes in the target countries and the presumed greater flow of information from these. It remains to be seen if this was a wise decision. The new political instability in the east coupled with economic hardship for several years to come will constitute a very uncertain future, especially in Russia. The possibility of a renewed Soviet or Russian empire - not only in economic terms - would have far-reaching implications not only for the neighbouring countries. The need for a comprehensive approach to these questions where economic, political, military, environmental and other components could be analysed within one institutional framework and in cooperation between all concerned parties may not be so far off.

An embryo has perhaps already taken shape through recent efforts to bring together representatives from Swedish government and industry with the aim of a more efficient use of open sources. I firmly believe that this is the way to go if we are to tackle the two crucial tasks for the future: to increase national competitiveness and understand what is happening in a rapidly changing world.

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