

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

- a Swedish example

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- by Jan Leijonhielm ¹-

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.

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- 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.

The Private Sector Role in Collecting, Processing and Disseminating Intelligence

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"Information is one of the nation's most critical economic resources, for service industries as well as manufacturing, for economic as well as national security . . . In an era of global markets and global competition, the technologies to create, manipulate, manage and use information are of strategic importance for the United States. Those technologies will help U.S. businesses remain competitive and create challenging, high-paying jobs . . ."

**The National Information Infrastructure: Agenda for Action," by the Information Infrastructure Task Force
Printed in The Bureau of National Affairs, Inc. Daily Report for Executives, September 16, 1993**

The availability of open sources increases steadily as private providers take advantage of improvements in computer hardware and software, as well as advances in telecommunications. The days of dedicated information terminals and acoustic couplers attached to telephones are long gone. Portable PCs, with built-in communications capabilities, can be transported easily to any corner of the globe. Strategic alliances are forming among telephone companies, hardware and software developers, cable television companies and publishers, both print and electronic. No matter how hard they try to classify information, intelligence agencies cannot curb the technology that facilitates open sharing.

A discussion of the current state of American intelligence begins with several questions. What is the current state of American intelligence and what impact, if any, does this flood of publicly available information have on the intelligence community? What is the current relationship between intelligence agencies and private industry? How is this relationship changing as the private information industry itself changes? Who owns the data that will travel on the "information superhighway" and who will determine how much it should cost? These are key questions influencing the evolving relationship between private information providers and the intelligence community.

- An American executive is flying to the Middle East to meet with a group of foreign executives for discussions on a possible strategic alliance. How does the executive find background information to prepare for the meeting?
- An American corporation is considering building a factory in Africa, but they are concerned about the political and financial stability of the country. How does the company find reliable information about third world countries?

- A little-known terrorist organization threatens to disrupt the financial community by exploding a bomb in the World Trade Center. How can law enforcement officers gather data on a terrorist group?
- A small plane is confiscated after smuggling drugs across the border from Mexico to Texas. How do drug enforcement officers identify the plane's owner, as well as other assets that may be seized in a drug-related case?

All of these scenarios have two things in common. First, they require some form of information that could be classed as intelligence to answer them. Second, abundant data on each topic is easily accessible in numerous electronic information services, such as the LEXIS®/NEXIS® services and DIALOG® Information services, Inc. This data ranges from financial reports on international companies to stories in international news wires, from aircraft and boat registrations to specific data on personal assets. Individual country information includes risk analysis reports, balance-of-payment figures, import/export numbers, ethnic breakdowns and much, much more. A single search on the name of a suspected cult or terrorist organization can lead down a trail that provides the names of supporters, arms dealers, financial backers and front organizations. A vast amount of electronic information is available and the amount grows every second.

Democratic societies constantly weigh the need for free-flowing information against the security interests of the nation. For many years the security interests of the United States were driven by the realities of the cold war. The Soviet Union and its allies presented a clearly identifiable threat to the West; a threat that was exemplified by the looming menace of nuclear weapons. The fate of the entire world literally hung on the ability of the intelligence community to gather accurate information and to prevent the other side from obtaining accurate information about us. It is difficult to overestimate the effects of this reality on intelligence strategies.

The world has changed dramatically in the last five years. There is still concern over the possible use of nuclear weapons, but the vision of a single, unified threat no longer dominates strategic decisions. We now must deal with a series of regional crises and conflicts that may surface at any time in any part of the world.

This new reality requires a paradigm shift in the ways the intelligence community views its role in protecting national security. What is this new role? First, we must be able to identify existing and potential threats to security. Second, we must be able to gather accurate

and reliable data on these threats. Third, we must utilize this data by maintaining a constant state of readiness to deal with threats before they become crises. Alvin Toffler, in his new book, *War and Anti-War*, discusses knowledge versus throw weight in calculating the preparedness of the nation to deal with threats.

This task is complicated by the proliferation of new nationalities complete with long-standing ethnic conflicts and border disputes. To accomplish the task of monitoring this changing world mosaic, the intelligence community must take advantage of every available resource, including open source information. Political conditions now change rapidly and strategic coalitions are often fleeting. Traditionally, American intelligence agencies collected highly classified data with a narrow focus on a single region and provided the data to a limited audience. The narrow focus of traditional intelligence gathering may be too limited for current needs. Specifically, the intelligence community cannot afford to ignore the growth of readily available open sources of information.

Another aspect of the paradigm shift is the increased threat of economic competition propelled by the formation of regional associations in the European Community, the Far East and Latin America. Economic competition may now be a greater threat to national security than military attack. Any additional information, no matter how trivial it seems, can give a business the slight edge it needs to contend with a foreign competitor. Thus, the intelligence community could potentially strengthen national security by disseminating selected items of information that are currently classified.

Given these new realities the balance between free-flowing information and the security interests of the United States appear to be merging in a way that clearly tilts to a free flow. Some information should remain classified for legitimate security reasons. However, large amounts of data that are routinely collected by intelligence agencies, which may have no direct bearing on national security, may be of great use to American businesses.

This brings us to the second question posed above. What is the current relationship between intelligence agencies and private industry?

First, the industry provides open sources of information to anyone willing and able to pay for them. This includes domestic intelligence organizations as well as private businesses — both domestic and foreign. It is quite probable that some of the information going overseas

ends up in the hands of foreign intelligence organizations. With exceptions, providers treat data as neutral and don't inquire as to its uses. As an example of an exception, Mead Data Central was approached several times by various organizations within the Soviet Union that wanted to subscribe to the NEXIS service. We always treated these inquiries with care due to the possibility that the organization could be a front for Soviet security.

The data contained in these open sources come from a variety of providers, including government agencies and courts, academic institutions, print publishers, electronic publishers, and many others. Much of the material is useful for intelligence work. Improvements in hardware and software, combined with the increasing willingness of print publishers to go electronic, will only serve to expand the amount of available information for public use.

Second, the industry provides customized information, taken from open sources, to various government organizations. The provider may simply package predetermined chunks of information and feed them to the recipient by electronic means, or the provider may add an assortment of editorial and/or technological enhancements that are tailored to individual needs. Other private sector information providers have similar agreements with government agencies and we expect to expand this relationship in the future.

Third, the information industry provides a variety of contracting services that go beyond the data itself. Examples include the creation and maintenance of private databases, software development, and telecommunications consulting. Numerous projects in this area currently exist, and the potential exists for many more as the intelligence community finds appropriate ways to work with outside vendors.

There is a fourth possible role for private industry that needs further exploration and leads into the third question. How is the relationship between intelligence agencies and private industry changing as the private information industry itself changes? The industry can develop a partnership with the government to increase the availability of information, including some information that is currently classified, to a wider audience. The Clinton administration clearly supports this policy and is taking steps to make it a reality by guiding the development of a comprehensive information infrastructure. The administration's position is stated clearly in the first paragraph of the report from the National Information Infrastructure task force:

"All Americans have a stake in the construction of an advanced National Information Infrastructure (NII), a seamless web of communications networks, computers, data-bases, and consumer electronics that will put vast amounts of information at user's fingertips. Development of the NII can help unleash an information revolution that will change forever the way people work and interact with each other."

The administration hopes to lead the world in creating an information superhighway that will make massive amounts of information instantly accessible to anyone, at any time, in any place. The report also states clearly that private industry, with minimal assistance from the federal government, will lead this venture.

This policy recognizes two facts implicitly. First, technological innovations, currently funded and developed by private industry, are driving new applications of information without government assistance or direction. At best, the government can attempt to influence the direction of these innovations through selective funding, tax incentives and appeals to national interest. Second, by embracing an open information policy, the administration is reaffirming a basic fact of a free society. Information will spread openly. The benefits to be gained from this open flow outweigh the risks. Authoritarian regimes that attempted to suppress technology in order to maintain security, such as the Soviet Union and Cuba, tend to either fall into decay or lag dramatically behind in technological progress.

The Clinton administration provided additional evidence of its position on October 4th when the President introduced a change in policy regarding the Freedom of Information Act. In his Memorandum for Heads of Departments and Agencies, President Clinton emphasized that the underlying principle of the act was ". . . that an informed citizenry is essential to the democratic process . . ." He called upon federal departments and agencies to renew their commitment to the act by reducing the backlog of information requests. He then went on to say that:

". . . our commitment to openness requires more than merely responding to requests from the republic. Each agency has a responsibility to distribute information on its own initiative, and to enhance public access through the use of electronic information systems. Taking these steps will ensure compliance with both the letter and spirit of the Act."

The potential benefits of this policy for private industry are clear, but what can the intelligence community expect to gain in return?

The most obvious gain is improved efficiency, both in collecting data, as well as in disseminating it. The National Information Infrastructure Task Force recognized that private industry is already developing technologies and systems to support an information infrastructure. By actively supporting this private development, the government could save the expense of developing and maintaining its own parallel systems, improve its own collection and dissemination networks and strengthen the competitive position of the United States.

In addition, any partnership between private industry and the government would be a two-way street. The synergy created through the free exchange of information among businesses, the media and various government entities expands the knowledge base. Each entity contributes its own unique perspective by bringing diverse resources to bear on an issue. The intelligence community could collect valuable feedback about the information it released, creating a circle of information that would be useful in analyzing data. In effect, the intelligence community would gain a whole new network of analysts.

A simple example illustrates this point. The LEXIS/NEXIS services offer an electronic clipping service, called the ECLIPSE™ feature, that allows someone to track a topic automatically. Several other online services have a similar feature. On September 30 of this year, The White House issued an announcement that President Clinton had appointed 12 people to the Foreign Intelligence Advisory Board, a panel that advises him on foreign-policy issues. An ECLIPSE search verified that the news had been picked up by the major wire services on the same day. These stories specifically discussed the appointments to the panel.

There is nothing extraordinary about this. However, one of the wire service stories stood out. This story was filed by the Xinhua General News Service, the official news agency of the People's Republic of China. If you are familiar with Xinhua, you may think of it primarily as a source of information on China. In this case, they were reporting on U.S. government affairs, specifically an issue of interest to the intelligence community. In this instance, the feedback loop closed quickly.

This raises a number of interesting questions that go to the heart of a democratic society committed to free-market principles and raises a pertinent question. Who will actually own the data on the information superhighway? This question is particularly relevant when the data originates from a public source, such as a government agency.

We now arrive at the fourth and final question raised at the beginning of the article. Assuming government and private industry are able to forge a partnership that is beneficial to both parties, who actually owns the data, and who determines what it should cost? There are costs associated with the collection, processing and dissemination of information, no matter its ultimate purpose. If intelligence agencies do choose to make information more widely available, there will be costs.

The lowest-cost alternative is to release the raw data in a stream of unformatted ASCII text and make it available through a network like Internet. The costs to the government are low and, theoretically, anyone with a PC, phone line, and modem can access the data.

The reality is that very few people, outside of large corporations, can afford to actually use a service like this. The data itself is just that — data. There is no way to research it, and the data has no internal organization. End-users expect more than a stream of raw data.

Imagine you want to serve a cake at a party. You have several options, the cheapest of which is to buy the raw ingredients and make the cake yourself. You can even customize it to your exact specifications. However, it takes time and expertise to successfully bake a cake.

Your second option might be to buy a cake mix. It will take less time and you don't have to have any special skills other than the ability to follow directions. However, you will pay more for the cake mix than you would for the ingredients to bake it from scratch.

The third option is to buy a cake from a bakery. Not only is this the most convenient option, you can probably have the cake made to your exact specifications. You will pay a premium for this service. And the more precise your specifications, or the more complex the cake, the more you are likely to pay.

Large corporations, which often have significant information management resources at their disposal, can afford to buy the raw ingredients, in this case data. They can then build and maintain their own databases or pay an outside source to do it for them. Once the raw data is organized it can be made accessible to end users for researching.

Most end-users have neither the time, the money, nor the expertise to accomplish this task. They are willing to pay an additional price to have the data packaged in some form that is usable. The more value that is added to the raw data, such as customizing it to fit the precise specifications of the end user, the more costly the finished product is likely to be.

Private-sector information providers typically take raw data and add value to it — through structured organization and a variety of editorial enhancements, such as combining related documents, indexing, and adding page numbers. They also develop search mechanisms that enable users to retrieve and display specific documents, then print and/or store the results for later use.

The end-user actually pays for and receives more than the data itself. Increasingly, private providers are also able to customize data for specific users, enabling a variety of pricing options that often makes otherwise hard-to-find information affordable to individuals and smaller organizations.

Conceivably the data could be made available through both a large-scale network, such as Internet, and through a network of private information providers. This would provide consumers a choice. The market will eventually establish a value for the information. If end-users want access without having to pay the costs of creating and maintaining their own databases, they can establish the price they are willing to pay for the added value.

There are benefits to be gained all around by disseminating previously classified types of information through private sector sources. By helping American businesses cope with competitive challenges from abroad, intelligence agencies perform more fully their mission of protecting national security. Information consumers would have access to value-added information in a form that can be used immediately or stored for later use. The information providers would potentially expand their markets through offering additional services, which would increase revenues and profits.

One fact is certain. Access to all types of information will increase as technology expands the means by which individuals can receive that information. The Clinton Administration clearly supports a strategy that leverages this growth in America's favor and that takes advantage of the existing resources offered by private information providers. These companies are ready to work with government agencies, including the intelligence community, to make this strategy a reality.

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Link Page

[Previous](#) [The Critical Role of Open Sources and Products in Economic intelligence Cooperation Between Government and Industry-a Swedish Example](#)

[Next](#) [Putting Functionality in the Open Source Network](#)

[Return to Electronic Index Page](#)