



www.icib.eu

INTERNATIONAL
CONFERENCE ON
INTERNATIONAL
BUSINESS

17-19 May 2012 ICIB
Conference Proceedings

Edited by
Aristidis Bitzenis
Vasileios A. Vlachos



**International Conference on
International Business**

(www.icib.eu)

Thessaloniki, 17-19 May 2012

Proceedings edited by

Aristidis Bitzenis

and

Vasileios A. Vlachos

© 2013 «Εργαστήριο Διεθνών Σχέσεων και Ευρωπαϊκής
Ολοκλήρωσης του Πανεπιστημίου Μακεδονίας»
Πανεπιστήμιο Μακεδονίας Οικονομικών και Κοινωνικών
Επιστημών, Εγνατία 156, Τ.Κ. 54006, Θεσσαλονίκη.
<http://www.diethneis-sxeseis.gr>

Τμήμα Διεθνών και Ευρωπαϊκών Σπουδών

Τηλ. 2310 891498 | Fax: 2310 891465

Μπιτζένης Π. Αριστείδης, Ph.D.

ISBN 978-960-98740-3-8

ISSN 2241-5491

Απαγορεύεται η με οποιονδήποτε τρόπο αναπαραγωγή του συνόλου ή μέρους του παρόντος με οποιοδήποτε μέσο, μηχανικό, ηλεκτρονικό, φωτοτυπικό, ή άλλο, χωρίς την γραπτή άδεια του συγγραφέα, σύμφωνα με τον Νόμο 2121/1993 και τους κανόνες του Διεθνούς Δικαίου που ισχύουν στην Ελλάδα.

International Conference on International Business

Chair

Dr. Aristidis Bitzenis, University of Macedonia (Thessaloniki, Greece).

Heads of Scientific Committee

Dr. Aristidis Bitzenis, University of Macedonia (Thessaloniki, Greece).

Dr. John Marangos, University of Crete (Rethymno, Greece).

Head of Organizing Committee

Dr. Aristidis Bitzenis, University of Macedonia (Thessaloniki, Greece).

Members of Organizing Committee

Mr. Charisios Kafteranis, University of Macedonia (Thessaloniki, Greece).

Dr. John Marangos, University of Crete (Rethymno, Greece).

Mr. Vasileios A. Vlachos, University of Macedonia (Thessaloniki, Greece).

Scientific Committee

Members

Dr. Evaghoras L. Evaghorou, University of Piraeus (Piraeus, Greece).

Dr. Konstantinos Hazakis, Democritus University of Thrace (Komotini, Greece).

Dr. Petia Koleva, University Paris Diderot (Paris, France).

Dr. Ilias Kouskouvelis, University of Macedonia (Thessaloniki, Greece).

Dr. Eric Magnin, University Paris Diderot (Paris, France).

Dr. Ioannis Papadopoulos, University of Macedonia (Thessaloniki, Greece).

Dr. Georgios Rizopoulos, University Paris Diderot (Paris, France).

Dr. Bruno Sergi, University of Messina (Messina, Italy).

Dr. Ioannis Tampakoudis, University of Macedonia (Thessaloniki, Greece).

Associated members

Dr. Achilleas Anagnostopoulos, Technological Education Institute of Larissa (Larissa, Greece).

Dr. Nikolaos Konstantopoulos, University of the Aegean (Chios, Greece).

Ms. Christina Sakali, University of Macedonia (Thessaloniki, Greece).

Mr. Vasileios A. Vlachos, University of Macedonia (Thessaloniki, Greece).

Organizers

Department of International and European Studies, University of Macedonia (Thessaloniki, Greece).

International Relations and European Integration Laboratory, University of Macedonia (Thessaloniki, Greece).

Department of International and European Studies, University of Piraeus (Piraeus, Greece).

European Centre for the Development of Vocational Training (Thessaloniki, Greece).

Faculty of Political Science, University of Messina (Messina, Italy).

UMR LADYSS, University Paris Diderot (Paris, France).

School of Business and Economics, Winston-Salem State University (Winston-Salem, North Carolina, USA).



Contents

	page
Preface	7
 SESSION 1: POLICY IN THE EUROPEAN UNION	
How dirty can the PIGS get? Formatting a contemporary social welfare state under economic crisis.	8
Examining the linkages between growth and sustainable development in the eurozone.	37
Reinforcing EU law: The opportunity of a unique European tax.	38
Η ελληνική κρίση και η κρίση του συστήματος διακυβέρνησης της ευρωζώνης	45
 SESSION 2: INTERNATIONAL RELATIONS THEORY	
Intelligence and IR theory: The cases of covert action and economic espionage	65
Ahmet Davutoğlu's strategic depth in the light of international relations theory.	81
Energy diplomacy as a tool of foreign policy: A theoretical approach.	89
 SESSION 3: CAPITALISM	
Capitalism in transition – Old and new issues.	98
Determinants and types of capital movements in the global economic crisis	109
Emigrants' remittances and economic growth in small transition economies: The cases of Moldova and Albania.	129
The development ethics alternative to neoliberal capitalism.	130

Intelligence and IR Theory: The Cases of Covert Action and Economic Espionage

Ioannis L. Konstantopoulos¹

Introduction: Intelligence and IR Theory

The topic of this paper is placed on the domain of Intelligence² Studies which constitute part of Strategic Studies and International Relations. Since the 1980s, the domain of Intelligence consisted the “missing and under-theorized dimension” of International Relations generally, and Strategic Studies in particular. In the mid-1980s Sir Alexander Cadogan, permanent secretary at the British Foreign Office (1938-1945), described intelligence as “the missing dimension of both international affairs and diplomatic history”.³ Andrew and Dilks totally agree with his comments: “Secret intelligence has been described by one distinguished diplomat as ‘the missing dimension of most diplomatic history’. The same dimension is also absent from most political and much military history.”⁴

More recently, Robert Jervis noticed in 2007 that:

“Over the past decade the scholarly community has come to realize that intelligence is often the “missing dimension” in our understanding of many particular international conflicts and of international politics in general”.⁵

¹ Lecturer (elect) at the Department of International and European Studies, University of Piraeus and research associate of its Center of International and European Affairs (C.I.E.A.); member of the Greek Politics Specialists Group of Political Studies Association, U.K. I would like to thank my colleague Andrew Liaropoulos, Lecturer at the Department of International and European Studies, University of Piraeus, as well as Mrs Alexandra Doga, PhD Candidate at Panteion University of Athens, for their insightful comments.

² A simple definition of intelligence is that of Shulsky & Schmitt: “Intelligence refers to information relevant to a government’s formulation and implementation of policy to further its national security interests and to deal with threats from actual or potential adversaries”, Abram N. Shulsky & Gary J. Schmitt, *Silent Warfare: Understanding the World of Intelligence* (Washington D.C.: Brassey’s, Inc., 2002, 3d edition), p. 1. See also: Mark M. Lowenthal, *Intelligence: From Secrets to Policy* (CQ Press, 2003, second edition), p. 1; as well as the classic: Sherman Kent, *Strategic Intelligence for American World Policy* (Princeton, N.J.: Princeton University Press, 1949).

³ Christopher Andrew, and David Dilks (eds.), *The Missing Dimension: Governments and their Intelligence Communities in the Twentieth Century* (Urbana, IL.: University of Illinois Press, 1984); Christopher Andrew, “Intelligence and International Relations in the Early Cold War”, *Review of International Studies*, Vol. 24, No. 3, 1998, p. 321.

⁴ Len Scott “Sources and Methods in the Study of Intelligence: A British View”, *Intelligence and National Security*, Vol. 22, No. 2, 2007, p. 189-90, reprinted in: Loch K. Johnson (ed.), *Strategic Intelligence: Intelligence and the Quest for Security, Vol. 1: Understanding the Hidden Side of Government* (Westport, Connecticut & London: 2007).

⁵ Robert Jervis, “Intelligence, Civil-Intelligence Relations, and Democracy”, in Thomas C. Bruneau and Steven C. Boraz (eds.), *Reforming Intelligence: Obstacles to Democratic Control and Effectiveness* (Austin: University of Texas Press, 2007), p. xix.

The goal of this paper is to bridge the gap between IR Theory and Intelligence that Len Scott, Peter Jackson, Christopher Andrew, Michael Fry, Miles Hochstein, and Adam Svendsen have several times recognized:

“Intelligence has attracted limited interest from scholars of political philosophy and International Relations [...] (IR) theory. But interest in intelligence within the political science community has been confined mainly to those scholars working on theories of decision making. Intelligence is all but absent, conversely, in the work of most international relations theorists, and does not figure in key IR theory debates between realist, liberal, institutionalist, constructivist and post modernist approaches. It is interesting to note that, while there exists an implicit (and sometimes explicit) assumption that the study of intelligence falls within the realist camp, contemporary neo-realist writers have largely ignored intelligence in their reflections.”⁶

“As more intelligence and intelligence related material than ever before enters the public domain, scholars of international relations must take greater account [in the] study of the role of intelligence.”⁷

“... but what is more remarkable and regrettable is the failure to integrate intelligence studies, even in a primitive way, into the mainstreams of research in international relations.”⁸

“Accordingly, international relations theory in its entirety, therefore, is not ‘irrelevant’ to intelligence studies.”⁹

At the same time this paper tries to falsify Philip H.J. Davies who claims that IR theory is basically irrelevant to intelligence: “For its part, international relations theory is mostly about an *attitude* towards international relations rather than any real knowledge of it. So, it is not much help”.¹⁰

The main question which this paper tries to answer is: “What theoretical conclusions can we reach as far as IR Theory is concerned by exploring Intelligence Studies?”

This question will be answered by examining and analyzing two special case studies (covert action and economic espionage) as vehicles in order to assess the validity of the basic theories of International Relations (Realism and Liberalism). I select covert action because this activity refers to the domain of security and foreign policy (a privileged realm of Realism), but although it is well researched by students of intelligence, there is a lack of connecting it with IR theory.¹¹ The focus will be limited to the case of the United States during the Cold

⁶ Len Scott & Peter Jackson, “The Study of Intelligence in Theory and Practice”, *Intelligence and National Security*, Vol. 19, No. 2, 2004, p. 146-7.

⁷ Christopher Andrew, “Intelligence, International Relations and ‘Under-theorisation’”, *Intelligence and National Security*, Vol. 19, No. 2, 2004, p. 170.

⁸ Michael G. Fry & Miles Hochstein, “Epistemic Communities: Intelligence Studies and International Relations”, *Intelligence and National Security*, Vol. 8, No. 3, 1993, p. 14.

⁹ Adam D.M. Svendsen, “Connecting Intelligence and Theory: Intelligence Liaison and International Relations”, *Intelligence and National Security*, Vol. 24, No. 5, 2009, p. 715.

¹⁰ *Ibid.*, p. 714.

¹¹ Exceptions are the following: Adam D.M. Svendsen, *Intelligence Cooperation and the War on Terror* (London and New York: Routledge, 2010); Ariel Levite, *Intelligence and*

War because a) this country is a traditional democracy, b) covert action was the central tool of the Cold War's confrontation between the two superpowers and a voluminous literature has been developed, c) it is difficult to both have access to and assess recent data about recent covert actions, and d) of space limitations. Moreover, I select the case of economic espionage, because a) I will try to present the "crucial experiment" that Grieco proposes, in the privileged field of Neoliberalists (economy & technology): "It is widely accepted –even by neoliberals – that realism has great explanatory power in national security affairs. However, international political economy would appear to be neoliberalism's preserve. Indeed, economic relationships among the advanced democracies would provide opportunities to design "crucial experiments" for the two theories."¹² and b) because as Professor Alexander argues "Economic espionage and industrial intelligence and spying upon friends really does remain another 'missing dimension to the missing dimension'. It deserves a volume or symposium in its own right."¹³

A. The Case of Covert Action

Definition, history and types of covert action

Covert action – an American invention¹⁴ – refers to the domain of foreign policy and security, and it has been characterized as a middle way ("middle option")¹⁵ between war and diplomacy, as a "third option"¹⁶ between doing nothing (the first option) when a state's vital interests are endangered, and using military force (the second option), which might create political, strategic, operational, economic, legal and ethical dilemmas. Also, some analysts referred to it as the

Strategic Surprises (New York: Columbia University Press, 1987; Constantinos Koliopoulos, *Strategic Surprise: intelligence services and surprise attacks* (Ellinika Grammata, Athens 2000, in Greek); Ioannis Konstantopoulos, *Economy and Espionage: Theory and Practice* (Piotita Publications, Athens, 2010, in Greek); Toni Erskine, "'As Rays of Light to the Human Soul'? Moral Agents and Intelligence Gathering", *Intelligence and National Security*, Vol. 19, No. 2, 2004.

¹² Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism", in David Baldwin A. (ed.), *Neorealism and Neoliberalism: The Contemporary Debate* (New York: Columbia University Press, 1993), p. 131.

¹³ Martin S. Alexander, (ed.), "Introduction: Knowing Your Friends, Assessing Your Allies – Perspectives on Intra-Alliance Intelligence", in Alexander S. Martin, (ed.), *Knowing Your Friends: Intelligence Inside Alliances and Coalitions from 1914 to the Cold War* (London, Portland: Frank Cass, 1998), p. 7.

¹⁴ Roy Godson, *Dirty Tricks or Trump Cards: U.S. Covert Action & Counterintelligence* (New Brunswick (U.S.A.) and London (U.K.): Transaction Publishers, 2001), p. 2; Shulsky & Schmitt, op. cit., p. 76, 96;

¹⁵ Bruce D. Berkowitz & Alan E. Goodman, *Best Truth: Intelligence in the Information Age* (New Haven & London: Yale University Press, 2000), p. 126; James M. Scott & Jerel A. Rosati, "'Such Other Functions and Duties': Covert Action and American Intelligence Policy", in Loch K. Johnson (ed.), *Strategic Intelligence: Intelligence and the Quest for Security, Vol. 3: Covert Action: Behind the Veils of Secret Foreign Policy* (Westport, Connecticut & London: 2007), p. 84.

¹⁶ James M. Scott & Jerel A. Rosati, op. cit., p. 84; Lowenthal, op. cit., p. 124-5

“quiet option”¹⁷, denoting, firstly, the inadequate emphasis given by international relations theorists and, secondly, the fact that this secret activity may be less noisy and embarrassing than sending in the Marines. Henry Kissinger, former U.S. Secretary of State and National Security Adviser, puts it eloquently: “We need an intelligence community that, in certain complicated situations, can defend the American national interest in the gray areas where military operations are not suitable and diplomacy cannot operate”.¹⁸ President Richard Nixon agrees totally with him: “Overt economic or military aid is sometimes enough to achieve our goals. Only a direct military intervention can do so in others. But between the two lies a vast area where the United States must be able to undertake covert actions. Without this capability, we will be unable to protect important U.S. interests.”¹⁹ Orwell elegantly summarized the *raison d’être* of covert action: “We sleep safe in our beds because rough men stand ready in the night to visit violence on those who would do us harm.”²⁰

Moreover, some intelligence experts don’t agree with the term “covert action”, because it emphasizes secrecy over policy and use instead the British term “special political action” which clearly indicates its indissoluble relation with policy.²¹ They think that the defining characteristic of covert action is its influence of other states’ foreign policy (as one of the available means to policymakers to advance their foreign policy goals) and not its secretive attribute. According to Berkowitz and Goodman “nothing brings the intelligence community as close to the making of policy as covert action.”²² Moreover, during the Carter Administration (1977-1981), because of the President’s qualms about the use of force, covert action was replaced with “special activity” – an innocuous and comical phrase according to Lowenthal.²³

As far as the definition of covert action is concerned there are two kinds of definitions: official and academic. The first kind is covered by the U.S. National Security Act which defines covert action as “An activity or activities of the United States Government to influence political, economic or military conditions abroad, where it is intended that the role of the United States Government will not be apparent or acknowledged publicly” and as “such other functions and duties related to intelligence affecting the national security.”²⁴

¹⁷ Berkowitz & Goodman, *op. cit.*, p. 124; James M. Scott & Jerel A. Rosati, p. 84; Kevin A. O’Brien, “Covert Action: The “Quiet Option” in International Statecraft, in Loch K. Johnson (ed.), *Strategic Intelligence*, Vol. 3, p. 24, 31; Loch K. Johnson, “Preface”, in Loch K. Johnson (ed.), *Strategic Intelligence*, Vol. 3, p. xii.

¹⁸ Loch K. Johnson, “Preface”, in Loch K. Johnson (ed.), *Strategic Intelligence*, Vol. 3, p. xii.

¹⁹ William Daugherty, *Executive Secrets: Covert Action & the Presidency* (The University Press of Kentucky, 2004), p. 9.

²⁰ O’Brien, *op. cit.*, p. 53.

²¹ Lowenthal, *op. cit.*, p. 124. British terminology now uses the term “disruptive action”. Len Scott, “Secret Intelligence, Covert Action and Clandestine Diplomacy”, *Intelligence and National Security*, Vol.19, No. 2, 2004, p. 324.

²² Berkowitz & Goodman, *op. cit.*, p. 124.

²³ Lowenthal, *op. cit.*, p. 124.

²⁴ *Ibid.*

The second kind includes various definitions. Actually every student of intelligence gives his own definition and there is not a “correct” one. Turner in his dictionary concerning U.S. Intelligence defines covert action as “[...] a secret government program in pursuit of foreign policy objectives by influencing events abroad in ways unattributable to the U.S. government.”²⁵ Aldrich referred to “operations to influence the world by unseen methods – the hidden hand – [that] became ubiquitous and seemed to transform even everyday aspects of society into an extension of this battleground [the Cold War].”²⁶

Daugherty gives a rather complicated definition and equates covert action with influence: “[...] in simplest terms covert action is influence. It is a program of multiple, subordinate, coordinated, interlocking intelligence operations, usually managed a long period of time, intended to influence a target audience to do something or to refrain from doing something, or to influence opinion (e.g. the general public, business elites, or political or military leadership).”²⁷ Godson also uses the verb “influence” but his definition is simpler: “Covert action means influencing conditions and behavior in ways that cannot be attributed to the sponsor.”²⁸ According to Shulsky and Schmitt, covert action “refers to “the attempt by one government to pursue its foreign policy objectives by conducting some secret activity to influence the behavior of a foreign government or political, military, economic, or societal events and circumstances in a foreign country”.²⁹ Bennett gives a rather complex definition “Activities carried out in a concealed or clandestine manner in order to make it difficult, if not impossible, to trace those activities back to the sponsoring intelligence service or nation.”³⁰ But his definition is weak because he emphasizes secrecy and does not explain the goal of covert action. Moreover, he confuses “covert” with “clandestine”, since their difference is obvious: in the former emphasis is given on “concealment of identity of those conducting the operation” and the latter on “concealment of the operation.”³¹

Although both the academic study and use of covert action increased radically from the Cold War and after, covert action is not a new phenomenon. History is replete of examples of covert action and unfortunately it is such a vast topic with such a voluminous literature that it is impossible to be tackled adequately in one paper. Covert action has its origins in Ancient Greece – where the institution of *proxenia* had undertaken not only the task of collection of intelligence but, also

²⁵ Michael A. Turner, *Historical Dictionary of United States Intelligence* (Lanham, Maryland & Toronto & Oxford: The Scarecrow Press, Inc., 2006)

²⁶ Richard J. Aldrich, *The Hidden Hand: Britain, America and Cold War Secret Intelligence* (Woodstock & New York: The Overlook Press, 2001), p. 5;

²⁷ Daugherty, op. cit., p. 12.

²⁸ Godson, p. xxxi

²⁹ Shulsky & Schmitt, op. cit., p. 75.

³⁰ Richard M. Bennett, *Espionage: An Encyclopedia of Spies and Secrets* (London: Virgin Books Ltd., 2002): 54.

³¹ Jan Goldman, *Words of Intelligence: A Dictionary* (Lanham, Maryland & Toronto & Oxford: The Scarecrow Press, Inc., 2006): 24-5.

the conduct of covert action³² – Ancient Persia and Ancient China³³ and is present even in the Bible.³⁴ Over the following centuries the practice of covert action was copied by Arabs, Turks, Afghans, Mongols, and Hindus.³⁵ Until, the nineteenth and twentieth centuries intelligence and covert action were identical due to the evolution of Westphalian diplomacy in the fifteenth and sixteenth centuries. In the fifteenth century secret operations were an integral part of diplomatic activities of Venice and the other Italian states.³⁶ Moreover, the British used effectively and systematically the tool of covert action during their whole history, while the Americans from the American Revolution, through the two world wars and the Cold War, since the current War against Terrorism, are resorting to the “quiet option.”³⁷

³² André Gerolymatos, *Espionage and Treason: A Study of the Proxenia in Political and Military Intelligence Gathering in Classical Greece* (J.C. Gieben, 1986); Frank Santi Russell, *Information Gathering in Classical Greece* (Ann Arbor: The University of Michigan Press, 1999).

³³ Ralph D. Sawyer, *The Tao of Spycraft: Intelligence Theory and Practice in Traditional China* (Westview Press, 2004).

³⁴ Rose Mary Sheldon, *Spies of the Bible* (London: Greenhill Books, MBI Publishing, St. Paul, 2007).

³⁵ John D. Stempel, “Covert Action and Diplomacy”, *International Journal of Intelligence and Counterintelligence*, Vol. 20, No. 1, 2007, p. 122.

³⁶ *Ibid*, p. 123.

³⁷ For the British see: Alan Haynes, *The Elizabethan Secret Services* (Phoenix Mill, Stroud, Gloucestershire: Sutton Publishing, 2000); Alan Marshall, *Intelligence and Espionage in the Reign of Charles II, 1660-1685* (Cambridge: Cambridge University Press, 1994); Christopher Andrew, *Defend the Realm: The Authorized History of MI5*, (New York: Alfred A. Knopf, 2009); Michael Smith, *The Spying Game: The Secret History of British Espionage* (Politico's, 2004); Nigel West, *MI6: British Secret Intelligence Operations 1909-1945* (New York, Random House, 1983); Richard J. Aldrich, *The Hidden Hand: Britain, America and Cold War Secret Intelligence* (Woodstock & New York: The Overlook Press, 2001); Stephen Dorrill, *MI6: Fifty Years of Special Operations* (London: Fourth Estate, 2000). For the U.S. see selectively: Bruce D. Berkowitz and Alan E. Goodman *Best Truth: Intelligence in the Information Age* (Yale University Press/New Haven and London: 2000); Christopher Andrew, *For the President's Eyes Only: Secret Intelligence and the American Presidency from Washington to Bush* (Harper Collins Publishers, 1995); Gregory F. Treverton, *Covert Action: The Limits of Intervention in the Postwar World* (New York: Basic Books, 1987); Jeffrey-Jones, *Cloak and Dollar: A History of American Secret Intelligence* (New Haven, CT: Yale University Press, 2002); Jeffrey T. Richelson, *A Century of Spies: Intelligence in the Twentieth Century* (Oxford: Oxford University Press, 1995); John Prados, *Presidents' Secret Wars: CIA and Pentagon Covert Operations from World War II to the Persian Gulf* (New York: William Morrow, 1996); John Prados, “The Future of Covert Action”, in Loch K. Johnson (ed.), *Handbook of Intelligence Studies* (London and New York: Routledge, 2007), Loch K. Johnson, *America's Secret Power: The CIA in a Democratic Society* (New York: Oxford University Press, 1989); Loch K. Johnson, ed., *Strategic Intelligence, Vol. 3: Covert Action: Behind the Veils of Secret Foreign Policy* (Westport, Connecticut and London: Praeger Security International, 2007); Mark M. Lowenthal, *Intelligence: From Secrets to Policy* (Washington D.C.: CQ Press, 2003); Roy Godson, *Dirty Tricks or Trump Cards: U.S. Covert Action & Counterintelligence* (New Brunswick (U.S.A.) and London (U.K.): Transaction Publishers, 2001); Stephen F. Knott, *Secret and Sanctioned: Covert*

From an academic point of view, covert action is one of the four disciplines³⁸ (or elements or missions) of intelligence, together with collection, analysis and counterintelligence.³⁹ However, as Elizabeth Anderson supports “the specific subject of covert action as an element of intelligence has suffered a deficiency of serious study”.⁴⁰ In the case of intelligence disciplines the cannon that “not only each part but also the whole is important” is valid. Every discipline is important on its own right, but we should have a holistic approach. We should follow Roy Godson’s view that the disciplines “... are symbiotically related to each other and to overall policy and strategy [...] covert action, counterintelligence, analysis and collection benefit the *entire* intelligence system, and at the same time the *entire* intelligence system benefits each of them.”⁴¹ But, also, one has always to keep in mind that while collection and analysis has to do with the acquisition of information by using secret means and methods and counterintelligence has to do with the protection of information, covert action has to do with the execution of a state’s policy.⁴²

The direction of covert action can be towards the government of a country, the society as a whole, or a particular part of it.⁴³ Covert operations may take place both in periods of peace and war.

Covert action encompasses a broad spectrum of activities and it is difficult to provide a comprehensive list of its types. Several students of intelligence offered their own version of types (or categories or methodological/operational subsets or areas). Lowenthal proposes five types 1) paramilitary operations, 2) coups, 3) economic activities, 4) political activities, and 5) propaganda.⁴⁴ Johnson⁴⁵ and

Operations and the American Presidency (New York, Oxford: Oxford University Press, 1996); William J. Daugherty, *Executive Secrets: Covert Action & the Presidency* (The University Press of Kentucky, 2004); William J. Daugherty, “The Role of Covert Action”, in Loch K. Johnson (ed.), *Handbook of Intelligence Studies* (London and New York: Routledge, 2007).

³⁸ Although some professionals and students of intelligence doubt whether covert action is part of intelligence on the grounds that its purpose is to influence situations and foreign policies in/of other countries and not the traditional acquisition or protection/denial of information. For more details about this debate see Shulsky & Schmitt .

³⁹ For an analysis of those disciplines see: Bruce D. Berkowitz & Alan E. Goodman, *Best Truth: Intelligence in the Information Age* (New Haven & London: Yale University Press, 2000), Loch K. Johnson, (ed.), *Strategic Intelligence: Intelligence and the Quest for Security, Vols.1-5* (Westport, Connecticut & London: 2007a); Loch K. Johnson, (ed.), *Handbook of Intelligence Studies* (London and New York: Routledge, 2007b); Lowenthal op. cit.; Shulsky & Schmitt, op. cit.

⁴⁰ Elizabeth Anderson, “The Security Dilemma and Covert Action: the Truman Years”, *International Journal of Intelligence and Counterintelligence*, Vol. 11, No. 4, 1998-99, p. 403.

⁴¹ Godson, op. cit., p. xxvii, 6.

⁴² Shulsky & Schmitt, op. cit., p. 8;

⁴³ Shulsky & Schmitt, op. cit., p. 77;

⁴⁴ Lowenthal, op. cit., p. 129-30.

⁴⁵ Johnson inspired by the “escalation-ladder metaphor” of Herman Khan created a “ladder of escalation” for covert actions based on two criteria: a) degree of intrusiveness abroad and the

O'Brien use identical categories (with the difference that he unifies the first and the second category of Lowenthal).⁴⁶ Godson gives four similar categories, omits the dimension of economic activities and adds this of intelligence assistance.⁴⁷ Treverton makes a rather narrow distinction (propaganda political action and paramilitary operations) and ignores economic activities and intelligence assistance.⁴⁸ Daugherty chooses the same categories plus one new: information warfare. Finally, Shulsky and Schmitt propose five, more complicated types: 1) covert support of a friendly government, 2) influencing perceptions of a foreign government, 3) influencing perceptions of a foreign society, 4) support for friendly political forces, and 5) influencing political events by violent means.⁴⁹

Covert action and IR Theory

In this part of the paper I will assess the validity of the Neoliberalism assumption's of democratic peace theory⁵⁰, by using covert action as a vehicle. As far as Realism is concerned, I reach the following conclusions from the analysis of covert action: Firstly, covert action is a capability that a state develops in order to confront its security dilemmas in an anarchic international system. If the world was one of angels then both intelligence agencies and covert action would be useless. Covert action is both a result of international anarchy and a verification of such a situation. Secondly, since covert action is one of the means (hand in hand with military power, diplomacy, economic coercion, alliances e.t.c.) of statecraft that a state has at its disposal in order to achieve its political goals, it can be considered as a way of internal balancing towards external threats, as a means of self-help, and as a proof of the validity of this principle. Thirdly, the capability of covert action renders cooperation among nations more difficult in an anarchical international system which is governed by fear and lack of trust among its members.

Democratic Peace Theory and Covert Action

In order to estimate the implications of covert action for the theory of democratic peace one has to take into consideration the evidence. If the student of

serious violation of international law and national sovereignty and b) intensified assaults on the international order (degree of the intensity of violence). Johnson L. K., *Secret Agencies: U.S. Intelligence in a Hostile World*, Yale University Press, 1996.

⁴⁶ O'Brien, op. cit., p. 25.

⁴⁷ Godson, op. cit., p. 3.

⁴⁸ Gregory F. Treverton, *Covert Action: The Limits of Intervention in the Postwar World* (New York: Basic Books, Inc., Publishers, 1987), p.13.

⁴⁹ Shulsky & Schmitt, op. cit., p. 77-90.

⁵⁰ Because of space limitations we will not examine its second and third assumption those about economic interdependence and international institutions/international law. However, from a first reading it seems that covert action poses serious questions for economic interdependence as well as raises important legal issues and might be incompatible with the principles of international law (especially the non-interference principle) and the UN Charter.

intelligence delves into the history of covert action during the Cold War he/she can find the following interesting cases of U.S. covert action⁵¹:

- The U.S.A. and the U.K. engineered the downfall of Iranian Prime Minister Mohammad Mossadeq in 1953.
- The Eisenhower administration toppled the government of Jacobo Arbenz in Guatemala, in 1954, although many in Washington viewed his regime as democratic.
- The U.S.A. gave assistance to rebels in Indonesia in order to overthrow Sukarno in 1957-58.
- The U.S.A. were intervened covertly in Laos which had an elected government in the late 1950s and this case has been ignored in the literature.
- President Eisenhower ordered the C.I.A. to remove Patrice Lumumba, Prime Minister of the Congo in 1960
- The U.S.A. played an important role in the removal of Cheddi Jagan in British Guyana and Joˆao Goulard in Brazil in the 1960s.
- The Richard Nixon’s administration, fearing the electoral victory of the Chilean socialist Salvador Allende and his Popular Unity movement, attempted to prevent him from taking office in 1970 and later encouraged the Chilean military to topple him. Henry Kissinger commented eloquently: “I don’t see why we need to stand by and watch a country go communist due to the irresponsibility of its own people.” It is a clear statement that emphasizes the importance of anticommunism and containment over the externalization of democratic norms that seems critical for the democratic peace theorists.
- U.S. covert operations in Nicaragua after the elections of 1984.

Except the previous clear examples, Forsythe believes that there is evidence of C.I.A. involvement in the United Kingdom in 1959, in the Dominican Republic in 1965, in Greece in 1967, in Jamaica from 1967 and in India (on various years).⁵²

⁵¹ Alexander B. Downes & Mary Lauren Lilley, “Overt Peace, Covert War?: Covert Intervention and the Democratic Peace”, *Security Studies*, Vol. 19, No. 2, 2010; Bruce Russett, *Grasping the Democratic Peace: Principles for a Post-Cold War World* (Princeton, N.J.: Princeton University Press, 1993); David Forsythe, “Democracy, War, and Covert Action”, *Journal of Peace Research*, Vol. 29, 1992; Kim Jaechun, “Democratic Peace and Covert War: A Case Study of the U.S. Covert War in Chile”, *Journal of International and Area Studies*, Vol. 12, No. 1, 2005; Patrick James & Glenn E. Mitchell II, “Targets of Covert Pressure: The Hidden Victims of the Democratic Peace”, *International Interactions*, Vol. 21, No. 1, 1995; Raymond Cohen, “Pacific Unions: A Reappraisal of the Theory that Democracies do not go to War with Each Other”, *Review of International Studies*, Vol. 20, No. 3, 1994; Stephen Van Evera, “American Intervention in the Third World: Less Would Be Better”, *Security Studies*, Vol. 1, No. 1, 1991; Tarak Barkawi, “Democracy, Foreign Forces, and War: The United States and the Cold War in the Third World”, *Center for International Security and Arms Control (CISAC)*, 1996.

⁵² Forsythe, op., cit.

Although there is an expanding bibliography about the relationship between democracy and war, as well as an interesting academic debate among IR theorists about the myth or reality of the so-called democratic peace theory, very few scholars use covert action as a vehicle in order to validate or falsify this “theory”.⁵³ Critics of the democratic peace theory argue that covert action undermines democratic theory’s validity and constitutes at best an exception and at worst a potential invalidation and a possible anomaly for it. The argument of critics is straightforward: covert action is conducted by intelligence services under the auspices of their political leadership and serves political goals and is totally compatible with the Clausewitzian philosophy. In other words, covert action is the conduct of war by other means in order to fulfill political goals. Even if democracies don’t fight each other openly, by their official army, they can fight “shadow wars” and frequently use their cover capabilities in order to remove elected governments from power, a phenomenon labeled *covert foreign regime change*.⁵⁴ According to the previous empirical data critics seem to be vindicated.

Sebastian Rosato, a critic from the Realist school of thought concludes from the various cases of covert regime change among democracies that “democracies do not always treat each other with trust and respect when they have a conflict of interest,”⁵⁵ and as a result the norms explanations for democratic peace theory are undermined. Referring to the United States, Stephen Van Evera declares that in nine of the eleven cases in which elected nationalist or leftist regimes in the Third World have adopted policies that disturbed Washington . . . the United States attempted to overthrow the elected government. And he concludes that “[...] American leaders have favored democracy only when it has produced governments that support American policy. Otherwise they have sought to subvert democracy.”⁵⁶ According to James and Mitchell, “Covert attacks provide a serious challenge to the cultural premise of democratic peace”⁵⁷; such interventions, Rosato writes, suggest that “democratic trust and respect has often been subordinated to security and economic interests.”⁵⁸

Even Georg Sørensen who does not belong to the realist camp writes that “these and other examples are hardly evidence of Kant’s expectation about democracies developing peaceful relations based on a common understanding and a shared moral foundation.” He concludes that “the USA turns against some democracies because it fears that they will hurt US economic interests, or they will

⁵³ With the exception of: Forsythe, op.cit.; Jaechun, op.cit.; Cohen, op.cit.; Sebastian Rosato, “The Flawed Logic of Democratic Peace Theory,” *American Political Science Review* 97, no. 4 (November 2003); Stephen Van Evera, “The Case Against Intervention”, *The Atlantic Monthly* 1990, adapted and updated version appeared in Stephen Van Evera, “American Intervention in the Third World: Less Would Be Better”, *Security Studies*, Vol. 1, 1991. Russett in his book *Grasping the Democratic Peace* refers some pages to covert action but does not expand on it.

⁵⁴ Downes & Lilley, op. cit., p. 267.

⁵⁵ Sebastian Rosato, op. cit., p. 590.

⁵⁶ Van Evera, op. cit., p. 7.

⁵⁷ James & Mitchell II, op. cit.

⁵⁸ Rosato, op. cit., p. 591.

develop into communist regimes which threaten US security, or they will do both.”⁵⁹

Advocates of the democratic peace thesis, who believe that their “theory” has or approaches the status of a scientific law⁶⁰, offer three counterarguments. Firstly, based on definitional grounds and by tightening the definition of democracy, they claim that the limitations imposed by democracy could be effective because the states-targets⁶¹ of covert action by democracies were not actually democratic (consolidated democracies or mature liberal democracies or long-term democracies), but unstably democratic. They fall into the middle of the democracy/autocracy spectrum.⁶² Russett claims that “these (target governments) were not fully democratic”.⁶³ Secondly, by evoking the Correlates of War Project which limits “interstate war” to cases where a state commits at least one thousand troops to battle or suffer at least one hundred battle fatalities, they support the view that covert action cannot be characterized as “war”.⁶⁴ Thirdly, they claim even that covert action promotes democracy because both a large war is avoided and the legitimacy of the democracy (and its institutions) which commits covert action is not endangered.⁶⁵

Realists, on their part present their objections. Firstly, Clausewitz has characterized war as “the continuation of politics by other means” and those means can be both overt (military power exercised by national armed forces) and covert (shadow wars)⁶⁶. Secondly, proponents of the democratic peace thesis by being committed to the concept of “interstate war” of the Correlates of War Project – created by Small and Singer – they remove from their analysis other forms of organized violence such as covert action and this is a methodological weakness.⁶⁷ Thirdly, policymakers can exploit the definitional confusion created by the concept of democracy and try to justify foreign interventions against democracies by refusing their regime’s type.

B. The Case of Economic Espionage

Definition, dimensions and history of Economic Espionage

⁵⁹ Downes & Lilley, op. cit., p. 268.

⁶⁰ According to Jack Levy: “This absence of war between democracies comes as close as anything we have to an empirical law in international relations.” Jack Levy, “Domestic Politics and War”, in Robert I. Rotberg & Theodore K. Rabb, (eds.), *The Origin and Prevention of Major Wars* (Cambridge: Cambridge University Press, 1988), p. 88.

⁶¹ With the exception of Chile.

⁶² Downes & Lilley, op. cit., p. 268; James & Mitchell II, op. cit. 86; , Russett, op. cit., p. 121-2; Jaechun, op. cit., p. 27; Barkawi, op. cit., p. 2; Mary Lauren Lilley & Alexander B. Downs, “Covert Action, Democratic Peace, and the Cold War”, www.duke.edu/~gelpi/covertpeace.pdf; Cohen, op. cit., p. 219.

⁶³ Russett, op. cit., p. 121-2, Jaechun, op. cit., p. 27.

⁶⁴ Downes & Lilley, op. cit., p. 268; James & Mitchell II, op. cit. p. 91; Russett, op. cit., p. 12-3; Jaechun, op. cit., p. 28.

⁶⁵ Forsythe, op. cit.; James & Mitchell II, op. cit., p. 91; Mary Lauren Lilley & Alexander B. Downs, “Covert Action, Democratic Peace, and the Cold War”.

⁶⁶ For example some types of covert action like coups and paramilitary operations.

⁶⁷ Barkawi, op. cit., p. 3.

The second case study – economic espionage – deals mainly with economic security. Economic espionage is a peculiar issue and a neglected element of intelligence. It differs from geopolitical espionage because the goal of the latter is the early warning for both capabilities and intentions of an adversary to conduct warfare, while the goal of the former is the collection and analysis of economic and technological intelligence in order to help policymakers receive the optimum decisions. However, two factors blur this distinction: firstly, some materials and high-tech equipment are necessary for both a states' defense industry and civilian industry (dual-use-technology). Secondly, it is commonly accepted that the political and military strategy of a state – and especially of great powers – always have an economic parameter.⁶⁸

In the specialized literature of economic espionage there is a definitional confusion between economic espionage from the one part, and business intelligence/espionage-industrial espionage from the other, as the subject is under-researched and under-theorized and different academic fields (sociology, criminology, law) use different terminology, as each focuses on a separate aspect of the phenomenon.

Economic espionage is not identical with business intelligence/espionage as the latter strictly refers to the collection and analysis of information from a company, usually multinational, against another company. If those companies collect information by using clandestine means, the accepted term is industrial espionage. While industrial espionage is conducted by an entity of private sector, economic espionage is conducted by the government of a state by using its secret agencies.⁶⁹

According to Samuel Porteous economic espionage is defined as the “clandestine or illicit attempts by foreign interests to assist their economic interests by acquiring economic intelligence⁷⁰ which could be used to sabotage or otherwise interfere with the economic security of another country”.⁷¹ Randall M. Fort determines it as “the acquisition by secret means of information concerning the

⁶⁸ See: Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (London: Hyman, 1988); Klaus Knorr, *Power and Wealth: The Political Economy of International Power* (Basic Books, Inc., Publishers, 1973); Edward Meade Earle, “Adam Smith, Alexander Hamilton, Friedrich List: The Economic Foundations of Military Power”, in Peter Paret, (ed.), *Makers of Modern Strategy: From Machiavelli to the Nuclear Age* (Princeton University Press, 1994).

⁶⁹ Loch K. Johnson, (1996), op. cit., p. 147.

⁷⁰ Economic intelligence is “policy or commercially-relevant economic information, including technological data, financial, commercial and government information, the acquisition of which by foreign interests could, either directly or indirectly, assist the relative productivity or competitive position of the economy of the collecting organization’s country”, Samuel D. Porteous, “Economic/Commercial Interests and the World’s Intelligence Services: A Canadian Perspective”, *International Journal of Intelligence and Counterintelligence*, Vol. 8, No. 3, 1995, p. 297.

⁷¹ Ibid.

economy, trade and/or intellectual property by a secret agency/service which uses secret sources and methods”.⁷²

Economic espionage has three distinct dimensions. The first, macroeconomic espionage, refers to the use of secret agencies by a states’ government in order to acquire intelligence concerning the world economic and technological developments and activities with the ulterior purpose the advancement of its strategic interests. According to the second entitled microeconomic espionage, a state’s government via its secret agencies is involved in the collection of intelligence in order to assists private companies (usually multinationals) in the international economic arena, creating by that way a direct or indirect collaboration.⁷³ The third dimension is economic counterintelligence: the identification and neutralization of foreign intelligence services actions of economic espionage.⁷⁴

Economic espionage has deep roots in history and is not a new phenomenon invented by intelligence services in order to justify their existence after the end of the Cold War and serve their bureaucratic interests.

The central target of economic espionage during and after the Cold War was/is the U.S.A. because:

- She is the pioneer as far as economics and technology is concerned
- Their open society is their weakness and facilitate such an activity
- The development of technology facilitates the conduct of economic espionage

It is normal that both the U.S.S.R./Russia and China were/are conducting economic espionage in all its dimensions in order to bridge the economic and technological gap between them and the U.S.A., since they were/are competitors. But the unique feature of economic espionage is that even US’s allies (Japan, France) conduct economic espionage against her.⁷⁵

As far as the U.S.A. is concerned, her political and intelligence leadership refuse that they conduct economic espionage (especially microeconomic espionage). But the evidence vindicates Edward Luttwak who claims that: “They

⁷² Randall M. Fort, “Economic Espionage”, in Roy Godson & Ernest May & Gary Schmitt (eds.), *U.S. Intelligence at the Crossroads* (1995), p. 181.

⁷³ Johnson, op, cit., p. 147-8.

⁷⁴ Evans J.C., “US Business Competitiveness and the Intelligence Community”, *International Journal of Intelligence and Counterintelligence*, Vol. 7, No. , 3, 1995.

⁷⁵ For the economic espionage war between the U.S. and its allies and adversaries both during, and after, the Cold War, see: Ioannis L. Konstantopoulos, “Macroeconomic Espionage: Incentives and Disincentives”, RIEAS: Research Paper: No. 143, June 2010; Ioannis L. Konstantopoulos, “Europe-USA Relations: The Phenomenon of Economic Espionage among Allies” in Stivachtis, Yannis A. (ed.), *The New Europe: Politics, Economics, and Foreign Relations* (Athens: Athens Institute for Education and Research, 2010); John J. Fialka, “Stealing the Spark: Why Economic Espionage Works in America”, *The Washington Quarterly*, Vol. 19, No. 4 (Autumn 1996); John J. Fialka, *War by Other Means: Economic Espionage in America* (W.W. Norton & Company, Inc., 1997); Steven Fink, *Sticky Fingers: Managing the Global Risk of Economic Espionage* (Dearborn Trade Publishing, 2002).

said that the lady can't, the lady won't, the lady mustn't – and the lady does"⁷⁶ and not U.S. Secretary of State Henry Stimson who in 1929 who believed that Gentlemen do not read each other's mail".⁷⁷

Economic Espionage and IR Theory

But what are the consequences from the study of economic espionage for Realism's basic assumptions? According to its first principle, the state is the most important actor in international system and the basic unit of analysis in International Relations. This is verified by the fact that intelligence services conduct microeconomic espionage against foreign companies (multinationals) which ask for help from their own intelligence services in order to protect against this threat which indicates that multinationals depend on the cooperation and advice of their country's intelligence services.

The second principle argues that states exist, function and compete in a system characterized by international anarchy. In the anarchical system where states try to protect and promote their interests by every means at their disposal, they come to conflict with other states who are doing the same. So international relations are characterized by conflict and competition. In the domestic sphere of a state, which is characterized by hierarchy and not anarchy, if a company or a person conducts an act of industrial espionage against another company, the state would intervene by its instruments (police, judiciary) arrest and punish the perpetrator, as well as strengthen its legislation. But, in the anarchical international system there is not any higher authority above the states which will regulate the issue of economic espionage. One of anarchy's consequences is that the main principle of action for states is self-help principle which is also verified since international institutions cannot protect states or companies from economic espionage and every state must protect itself by its own means (economic counterintelligence).

Realism's third principle declares that states act in international relations based on their interests (survival, maintenance and improvement of its relative position in the system) and not on law and ethics. In a world characterized by rapid economic and technological advancement (dual technology), it is vital for the security (mainly military and economic) of a state to conduct economic espionage in order not to fall behind economically and technologically, something which will affect negatively its power vis-a-vis other powers. Moreover, the fact that states has not concluded a special treaty in order to confront economic espionage (there are some treaty provisions' that are not effective and failed to decrease the extent of this phenomenon), denote the limitations of international organizations as well as international law. Since states (mainly the great powers) do not want to regulate this issue, international organizations/institutions cannot do it alone. They are dependent and not independent variables. Actually, since states use the forum of an international economic organization in order to conduct economic espionage, we

⁷⁶ Dreyfuss Robert, "Company Spies", www.motherjones.com/mother_jones/MJ94/dreyfuss.html

⁷⁷ Johnson, (1996), op. cit., p. 70.

can reach the conclusion that we can find competition under the veil of cooperation. Moreover, the fact that in the domestic realm this type of behavior might be unethical, in the arena of world politics this can be only a philosophical issue.

A fifth basic principle (especially for neorealism) is that the structure of the international system constitutes the decisive factor of states' behavior: This is obvious from the fact that during the Cold War US's allies (Japan and France) were conducting economic espionage against her, without any reaction from the latter, because they needed them militarily, politically and diplomatically in order to confront the common threat of the USSR. After the end of the Cold War, the systemic limitations of the bipolar international system disappeared and the Clinton administration passed in 1996 the Economic Espionage Act.

A final principle claims that the achievement of cooperation is difficult because of the fear of cheating and the problem of relative gains. By analyzing economic espionage (and especially its motives) I conclude that this activity is a form of cheating and is directly linked with relative gains since the aim of states which conduct it is not to augment their absolute gains but to earn more than their competitors or allies (relative gains) and gain a strategic advantage.

Although Realism seems to be vindicated by the examination of economic espionage, Neoliberalism seems to face major problems.

Firstly while one of its basic postures is that democracies don't go to war against each other (democratic peace theory), economic espionage can be an example of war (war by economic means) if we broaden the concept of war and not follow the Correlates of War Project.

Secondly, neoliberals claim that economic interdependence lead to cooperation and peace. Economic espionage proves that economic interdependence can also lead to competition and even conflict by economic means.

Thirdly, neoliberals maintain that international institutions/organizations and international regimes contribute to the mitigation of the anarchic nature of international system and consist the means of the fulfillment of cooperation in the international system. The validity of this assumption is at best questioned and at worst invalid if we take into consideration the fact that states conduct economic espionage even in international organizations.

Finally, according to neoliberals, states cooperate in order to obtain absolute gains and the main obstacle in this effort is cheating or non-compliance of others. Moreover, Cooperation in economic issues is easiest comparing to security issues. However, economic espionage is cheating and it happens even in cooperative international organizations for the achievement of relative gains. Contrary to the belief of Keohane and Nye that in economic and technological sphere, cooperation is easier, the extent of economic espionage proves the opposite.

Conclusion

The analysis of both covert action and economic espionage poses questions at best, and undermines at worst, the examined neoliberalism's assumptions. Covert action puts into question mainly the democratic peace theory and seems to pose obstacles to economic interdependence and liberalism's institutional argument.

Economic espionage challenges all neoliberalism's assumptions in its privileged field (economy/technology) and poses serious problems for their validity.

Both covert action and economic espionage are not static, but dynamic phenomena of intelligence and international relations. With the help of the radically expanding international academic intelligence community and bibliography and with the openness that characterize the post-Cold War era, new opportunities and challenges will rise for intelligence students to examine more case studies and bridge more effectively the gap between international relations theory and intelligence. There is fruitful ground for both communities since, both, have to gain from their collaboration. May they live in interesting and peaceful times?