

## **Comparing Iraqi and West German intelligence agencies: Intelligence-commerce as a measure of similarity and difference**

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Abstract:

*I present a comparison of West German and Iraqi intelligence agencies, during the 1970s and 1980s, in particular their economic activities, which I call 'intelligence-commerce'. I shed light on how the international market provides a sphere in which intelligence agencies' international activities play out. Intelligence agencies may put their involvement in global markets to different use, ranging from raising hard currency, helping national firms achieve a greater market share, supporting foreign governments or armed groups and, indeed, collecting intelligence. What is particularly interesting is the way, here, economic and intelligence fields interact: while economic activities may serve explicit intelligence goals, such as surveillance and recruitment of agents, intelligence activities may also serve explicit economic goals, such as the raising of hard currency, the clandestine movement of money or the procurement of restricted goods. With my comparative approach, I seek to de-essentialize the study of Middle Eastern states and societies, studying them from a comparative framework addressing the relationship between intelligence agencies, state security and the world market.*

The involvement of intelligence agencies in the global economic sphere is quite regularly reported on: yet nearly exclusively in the form of scandalising narratives by investigative journalists exploring embargo-busting, corruption and murder (Naylor 1999). In this article I seek to demystify what Todd and Bloch refer to as “economically driven intelligence policy” (Todd and Bloch 2003, 79) and present economic practices as an integrated feature of intelligence work. With the broader goal in mind of closing the continuing knowledge gap about the role intelligence agencies play in contemporary international relations (Fry and Hochstein 1993), I shed light on how the international market provides a sphere in which intelligence agencies' international activities play out.

My analysis proceeds from the hypothesis that international economic activities should be regarded as a consistent, although not core, element of international intelligence: as intelligence-commerce. As the

cases of West Germany and Iraq show, their intelligence agencies put their involvement in global markets to different use, ranging from raising hard currency, helping national firms achieve a greater market share, supporting foreign governments or armed groups and, indeed, collecting intelligence. What is particularly interesting, especially for IPE scholars, is the way, here, economic and intelligence fields interact: while economic activities may serve explicit intelligence goals, such as surveillance and recruitment of agents, intelligence activities may also serve explicit economic goals, such as the raising of hard currency, the clandestine movement of money or the procurement of restricted goods. Historians have shown that collecting intelligence from traveling merchants was a pillar of early-modern intelligence systems, and it is interesting to observe how this tradition has been clearly incorporated and professionalized by intelligence agencies of the 20<sup>th</sup> century (Maddrell 2013; Iordanou 2016). According to my comparative research, different types of governments show comparable interest in illegal or illicit commercial activities, which they might publicly deplore; intelligence agencies are crucial for being able to maintain the dissimulation (Aldrich and Herrington 2018).

In most academic writing on intelligence agencies, security is portrayed not just in national, but also in military and most certainly political terms. My comparative research finds that agencies also include economic development, prosperity and/or the defense of their state's economic system into their understanding of security. Intelligence agencies engage the economy, and they do this far beyond the more well-known concern of industrial espionage.

Firstly, I explain my comparative approach to Iraqi and West German intelligence. Secondly, I present the two case studies, and thirdly a brief comparative analysis. The article concludes with some thoughts about how further study of intelligence-commerce could further theory building in IPE.

### **Arguing for a comparative approach: notes on methodological choice**

My interest to compare the international economic activities of Iraqi and West German intelligence

agencies springs from two observations made during archival research: firstly, in both countries, intelligence actors engaged in extensive, and relatively well-documented international economic activities during the same time period of the 1970s and 1980s, and secondly, some of these activities involved both countries and created a relatively well-traceable and overlapping exchange of intelligence and economic interests. Both Iraqi and West German intelligence actors engaged in significant intelligence-commerce to achieve both intelligence and economic goals. Discovering a lack of academic analyses about this nevertheless well-publicized feature of intelligence work, I decided to conduct comparative research to investigate intelligence-commerce as a hitherto unacknowledged field of knowledge and material exchange between intelligence agencies, governments and the private sector.

I argue that the focus on a single, particular field of activity, which I observe in both agencies under study, allows for a clearer view onto the way this activity interacts with external international structures and policies. Instead of trying to develop hypotheses about the political purpose of intelligence work in the void (as much of intelligence studies do), my approach here is to identify similar things different intelligence agencies do, and then seek to compare the logics, motivations, constraints and opportunities they face in this activity. The benefits of this approach include that questions and answers emerge from the available material, which tends to not be systematically available with regards to intelligence agencies, making question-led research tricky.

By comparing the different ways two intelligence agencies operationalize and make use of a particular arena – the international market - , and the hurdles and opportunities they face, it becomes possible to draw conclusions firstly, about what similar factors shape the operating environment of both intelligence agencies under study, and secondly, what differentiates the position of specific intelligence agencies towards the global political economy. These insights then eventually do address the role of different regime types, but in rather unexpected and new ways. For example, in states under economic embargo, such as Iraq in the 1980s, intelligence agencies organize the *import* of restricted goods. Here secrecy is required to evade further sanctions. But in a state that has imposed certain embargos, such as West German weapons embargos towards states at war, intelligence agencies may become active to engage

in illegal *export* towards the state under sanction. Here secrecy is required to evade being exposed as hypocritical and illegitimate. While state-led economies such as Iraq offer governments more direct opportunities for involving intelligence agencies in commercial activities than private-sector economies such as West Germany, my case studies find that when trading internationally, both systems require that intelligence agencies set up of front-companies and engage private-sector partners, reflecting the dominant, capitalist logic of the global economy.

My methodological approach is shaped by Skocpol and Somers' arguments about the "Uses of Comparative History in Macrosocial Enquiry" (Skocpol and Somers 1980), and the way these arguments were developed specifically for the study of intelligence by Glenn Hastedt (Hastedt 1991). Hastedt's approach is useful, because he moves the focus of comparative research away from identifying causalities and acknowledges the importance of personal interpretation when developing theory (Hastedt 1991, 61). This is especially relevant for the study of intelligence, in which a systematic comparison of specific variables can only produce meaningless results, due to the impossibility of systematic research and data acquisition (for a detailed explanation of this argument see Aldrich and Herrington 2018: 4-6). Further, Hastedt suggests shifting the focus of comparative study away from intelligence per se and to, instead "examine intelligence within the context of a problem", focusing only on those parts of a case study relevant to the research objective (Hastedt 1991, 65-68). Following Hastedt, in this article I compare a limited aspect of two detailed case studies, of which the wider features are discussed elsewhere in my research.

My research into Arab and German intelligence agencies is to de-essentialize the study of Arab states and economies, which are far too often considered as fundamentally different from their European counterparts. As other scholars have shown with some brilliance, this is primarily due to Eurocentric myopia and sheer prejudice, instead of true comparative work grounded in empirical research (Anderson 2006; Valbjorn and Bank 2010). Intelligence studies has been especially guilty of producing unwarranted categorizations, as authors have lumped together ideas about 'democratic', 'communist' and 'dictatorial' traditions of intelligence, which are neither backed up by significant research, nor born

out by it (Gill 2010; Brown and Farrington 2017). These categorizations focus especially on questions of violence and impunity of national intelligence agencies, and I consider them analytically ineffective and misleading for two reasons: firstly, even mainstream historical research shows that the genealogy of Western ('democratic') intelligence includes episodes of the most extreme violence meted out against both domestic and colonized populations (Warner 2014; Herman 1996; Andrew 2018; Krieger 2009). Secondly, after decolonization, the second half of the 20<sup>th</sup> century saw extremely violent, international interventions by intelligence agencies pertaining both to liberal and illiberal states (Khalili 2013; Grey 2007; Cormac and Aldrich 2018; Mahmood et al. 2013). Intelligence activities outside national territory particularly undermine categorical distinction based on the use of violence, as in the international sphere, the intelligence agencies of democracies may also exercise violence with impunity and only little oversight. Instead of developing taxonomies of difference, the aim of my comparative research is thus to understand why different intelligence agencies carry out similar activities. I proceed from the hypothesis, that intelligence agencies do similar things because, inter alia, they occupy comparable structural position within their respective states, and within the international, political economy.

### **Comparing the Intelligence Agencies of Iraq and West Germany: Difference and Similarities**

Drawing on archival and public-record research, and expert interviews about West German and Iraqi intelligence agencies, I situate their seemingly disparate contexts within a shared methodological and theoretical frame. My framework considers intelligence agencies as an important, shared feature of modern nation states, regardless of their political system. While post-coloniality certainly plays an important role with regards to institutional development of intelligence agencies in the Global South, I do not believe that imperial legacies should prohibit a comparative approach to intelligence across different regions. Instead, such legacies offer potential explanations for enduring similarities or variations between different intelligence agencies.

Clearly, there exist important differences between the intelligence agencies of Iraq and West Germany

as objects of comparative research. From the research perspective, the most important difference is that Iraqi intelligence was severely ruptured after the 2003 US-led invasion of Iraq that led to the fall of Saddam Hussein. In a controversial development, Iraqi activists supported by the US army spirited the archives of Iraqi intelligence agencies (and other government institutions) to the US, where they were first excavated by military-affiliated scholars and eventually made accessible to the public (Woods and Stout 2010; Woods and Lacey 2007; Alshaibi 2019). Thus, today, vast troves of historical Iraqi intelligence files are available to scholars, and research in these archives has already yielded fascinating results (Sassoon 2011; Blaydes 2018; Voller 2017; Walter 2018). In contrast, West German intelligence operates under wide-ranging secret privileges and is notoriously tightfisted when it comes to scholarly access to its archives. More information about West German intelligence is available in newspaper archives, journalistic books and other media reports, a small number of insider memoirs and a single, important private archive operated by a small, not-for-profit foundation, than in German national archives. From the latter, most information relating to West Germany's agencies has been withheld or carefully redacted. Thus, access to information about the two intelligence agencies is highly uneven and unequal. For this article, most information relates to the period mid-1970s to the late 1990s. Both intelligence systems underwent changes and reforms during this period, but did not experience substantial shake-ups.

The two intelligence apparatuses pertain to very different political systems. West Germany has been a democracy since 1945, in which parliament has exercised a limited oversight over domestic and foreign intelligence (Waske 2009). Over the decades, several parliamentary commissions of enquiry have been held to investigate scandals and abuses of intelligence agencies. Changing governments tolerate non-violent domestic opposition and when intelligence agencies do pursue German citizens they do so broadly non-violently. West Germany's political and civil society is pluralist and its social-market economy is largely privatized. Iraq, during the research period in question, was a highly centralized dictatorship, and intelligence agencies' accountability lay with the executive government, not the public. Iraq was a state-led economy, in which the public sector played the most important economic role. The government used powerful, domestic intelligence agencies' to pursue and kill Iraqi citizens at home and

abroad. Mass surveillance via the recruitment of citizen-informers was commonplace and intelligence agencies used torture to interrogate and intimate the opposition. These are clearly very important differences with a huge effect on the impact intelligence agencies had on the daily life of citizens of both countries, both at home and abroad. While not the topic of this article, I argue that a useful inquiry into these differences should focus on the institutional integration of intelligence into the governing apparatus of the two states, and on executive choices about how to use intelligence as a governing function, and not on assumedly inherent traits such as cultural traditions or inherited dispositions to resort to violence (as much scholarship on authoritarianism does). The comparison between Iraq and West Germany highlights this well, as only a few short decades earlier, West German police and intelligence were also heavily engaged in violence and the extermination of domestic opposition, during the Nazi dictatorship and earlier.

A focus on the institutional set-ups of both intelligence systems is very relevant for the comparison at hand, as they reflect modernization processes underway in both countries, and highlight important differences and similarities about their relationship to government. Intelligence scholarship considers as a key characteristic of authoritarian governance that intelligence and policing activities overlap, that intelligence agencies are fitted with executive powers such as arrest and incarceration and that the boundaries between different security functions of the government more generally are fuzzy. Iraq under Saddam Hussein can be clearly characterized as an authoritarian government, and West Germany's post-WW2 democratic security architecture was explicitly designed to separate intelligence from policing functions, under the shadow of the Nazi experience. Thus, when I began my research, I worried that a comparison of both countries' intelligence work would be hampered by a fundamental difference in their structural set up. But consequent archival research of the more nitty-gritty operational details revealed more similarities than expected: on the one hand, there was more overlap and informality within West German intelligence and policing than assumed, and on the other hand, Iraqi intelligence was more professional and bureaucratic. West German archival evidence about joint meetings, working groups and strategic planning involving all federal intelligence and policing agencies showed that they maintained mutual knowledge of each other's work, overlapping rationales and personal acquaintances.

For example, in June 1961, representatives from West Germany's foreign intelligence agency Bundesnachrichtendienst (BND), its domestic intelligence agency Bundesverfassungsschutz (BfV), its federal police agency (BKA) met with the foreign ministry and the chancellor's office<sup>1</sup> and agreed that the growing foreign requests for German intelligence training should be "generally considered with a positive attitude", considering foreign policy priorities, the bolstering of counterintelligence in the requesting countries to prevent "communist infiltration", and as a networking and contact building opportunity.<sup>2</sup> The agencies agreed on a division of roles among them, and to develop two standardized training options to be offered to foreign agencies. Financing of these courses would come from the foreign ministry's development aid department, which would also handle the necessary coordination.<sup>3</sup>

Regarding operations abroad, research found that not only did West German federal police agents undertake liaison with foreign intelligence agencies, but foreign office officials and diplomats expressed awareness that it would be better to disguise overseas intelligence activities as policing work, as this would create less negative publicity, should activities come to light.<sup>4</sup> Iraqi intelligence was, by the late 1970s, a highly developed bureaucracy, with distinctive career paths, professional recruitment processes and standardized, hierarchical lines of reporting (Sassoon 2011, Chapter Four; Iraq Survey Group 2004b). Specific policing functions relating to the political opposition were integrated into intelligence agencies, which operated special department in charge of prisons, and the pursuit of opposition abroad. General policing work was carried out by a wholly distinct institution. While foreign and domestic intelligence work occasionally overlapped within the four existing agencies, within agencies they were assigned to specialized units. Thus, a comparison of the organizational charts of the BND and the Iraqi Intelligence Services, reveal obvious similarities and will be immediately recognizable and understandable to anyone familiar with modern bureaucratic management (Schmidt-Eenboom 1993, 40–58; Iraq Survey Group 2004b).

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<sup>1</sup> In the hierarchy of German federal agency's, the chancellor's office is the most senior, comparable to the British Prime Minister's Office.

<sup>2</sup> Vermerk zur Besprechung im BMI am 5. Juni 1961 über ausländische Ausbildungswünsche auf nachrichtendienstlichem Gebiet, Bonn, 15.6.1961, in BA B 136 4887

<sup>3</sup> Ibid.

<sup>4</sup> PA AA, B 130, Bd 14238A, Telegram Embassy Sanaa to Middle East Desk, 2<sup>nd</sup> August 1976.



Thus, in a reverse image of is often wrongly assumed about the strict ring-fencing of intelligence in West Germany, the image of an all-encompassing, arbitrary and randomly despotic Iraqi *Mukhabarat* is incorrect (Al-Marashi 2002). Instead, Iraqi agencies, as all modern security bureaucracies, operated via categorizations of threat, according to which the population was sized up and targeted (Blaydes 2018). The language used to describe enemies of the state was extremely violent but it was nevertheless embedded in highly bureaucratized and professionalized, distinctly modern state structures (Al-Marashi 2003; Voller 2017). Also, while there existed no formal, institutional structure to enforce public oversight, an important practice of petition-writing existed, in which individual citizens could complain about abuses and achieve rectification or compensation (Walter 2018).

In both West Germany and Iraq, government control of intelligence agencies was split between the interior ministry, the ministry of defense and the top layer of the executive: in West Germany, the foreign intelligence service BND is the only government agency directly under the chancellor's office, while domestic intelligence and federal policing sit under the interior ministry and army intelligence within the ministry of defense. Similar structures existed in Iraq, with the difference that one important intelligence agency emerged out of a Baath party organization, and Saddam Hussein created a further institution under his direct control. Remarkably, West Germany also saw the creation of a relatively extensive secret intelligence organization by the Christian Democratic Party in the late 1960s, however it never gained nearly as much prominence as the Baathist equivalent (Waske 2013). From a perspective of institutionalization, bureaucratization and integration into the state apparatus, thus, a comparison of West German and Iraqi intelligence becomes possible. Proceeding from this basis, in the following the two intelligence systems are laid out in greater detail and their interactions with domestic and international markets described.

### **Iraqi Intelligence**

Between 1979 and 2003, four main intelligence agencies operated in Iraq: the Iraqi Intelligence Service (IIS), the Directorate of Military Intelligence (DMI), the Directorate of General Security (DGS) and the

Special Security Organization (SSO) (Iraq Survey Group 2004b, Annex B; Sassoon 2011, Chapter 4).<sup>5</sup> Each of these was a separate bureaucracy, with separate, hierarchical lines of communication. A coordinating body, the National Security Council, regularly brought together representatives of the four agencies with the most senior presidential advisors. The IIS was the primary foreign intelligence service, while the SSO and the DGS were primarily active on Iraqi national territory. The four agencies emerged from different genealogies: while the DGS and the DMI had roots in Ottoman and British Mandate institutions (Hashimoto 2013; Tripp 2007, Chapter 1), the IIS developed out of the Iraqi Ba'ath Party's internal security service from 1969 onwards, and the SSO was only set up after the ascendance of Saddam Hussein to the presidency. In the following section, I focus on the IIS, firstly, because most of the identified information about Iraqi intelligence' economic activities relates to the IIS, but secondly and more importantly, because this allows for a more precise comparison with West Germany's foreign intelligence service BND.

### **The Iraqi Intelligence Service's international economic practices**

Iraqi intelligence' international economic activities first received significant public attention after the 1990 Gulf War; after the 2003 war of invasion and subsequent fall of Saddam Hussein, attention soared. In both cases, attention was driven by questions about the origins of Iraq's chemical weapons, and about how Iraq had managed to import these despite a heavy regime of international sanctions. Multiple government and journalist investigations revealed the involvement of intelligence in procurement and smuggling. Drawing from the published record of these investigations, as well as on an interview with a former Iraqi intelligence officer and on some unpublished German court records, in the following I provide some insight into how economic activity was integrated into the Iraqi Intelligence Service (IIS).

By 1990, IIS headquarters consisted of around 20 departments, providing either back-office, technical or operational services. One of the most important was the department for counter-intelligence, M5, tasked with detecting enemy espionage activities within Iraq and abroad. A subsection of M5 "operated more than 40 domestic businesses within Iraq, such as restaurants, hotels, travel services, souvenir shops,

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<sup>5</sup> NSA, Iraq Foreign Intelligence and Security Services, August 1985, Central Intelligence Agency.

and truck service centers, in order to collect information on foreigners routinely entering Iraq”. Activity was divided into “cover businesses within Baghdad” and “cover businesses outside of Baghdad”; the department was thus specialized in the setting up and running of front companies, with the goal of monitoring foreigners (Iraq Survey Group 2004b, 75–76).

During the 1980s and 90s the IIS operated department M19, titled Directorate of Commercial Activities (Idara Masharia’), which was later restructured and became internally known simply as the “Trade office” (Iraq Survey Group 2004c, 9). M19 was split into a foreign branch and a domestic branch (Iraq Survey Group 2004). The foreign branch focused on overseas trade, while the domestic branch managed “numerous small businesses throughout Iraq to financially supplement IIS operations, usage by the IIS, such as print shops for forgery, and strategic surveillance of foreign interest” (ibid, 81). The M19 portfolio included high-end restaurants and hotels in Baghdad, which were fully owned and managed by the agency and were popular with foreign visitors to Iraq. Such commercial establishments served multiple intelligence needs, such as the observing of foreigners, information collection, as well as the possibility of recruiting informers. As the financial management was fully in-house, all profits made were redeployed into the agency. The M19 department reported directly to the office of the director (M1), the IIS's highest decision-making body.

M19's regularly sent intelligence officers abroad as business men, or as instructors at schools and universities in the Arab World. These officers' primary task was acquiring financial resources and hard currency, instead of intelligence collection.<sup>6</sup> Such ‘implanted’ officers maintained no communication with the official intelligence residencies in their countries of operations, and instead reported back to sections within the Baath party back home in Iraq, which in turn communicated directly with the Iraqi intelligence apparatus. These strictly economically or commercially active officers were referred to as ‘illicit stations’ (*mhattat gheir sharia*) and any necessary face-to-face meetings with senior intelligence staff were conducted in third countries.

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<sup>6</sup>Interviews with former M19 officer, 25<sup>th</sup> May and 18<sup>th</sup> May 2018.

Initially, the ISI's 'trade office' primarily served intelligence needs. Yet as Iraq's economic situation deteriorated in the late 1980s, and particularly after the imposition of the UN sanctions after 1990, the primary purpose of intelligence-commerce shifted to serving primarily economic needs, such as the procuring of important technologies and hard currency. The UN sanctions severely affected Iraq's diplomatic network, forcing a reduction in its number of diplomats and making even the rental payments for foreign embassies difficult. At this time, there was an unprecedented increase in the number of intelligence officers planted abroad as economic agents, tasked, for example, with managing companies focused on the import of spare parts for cars or moving bags of cash between countries to ensure the continuing operations of diplomatic missions. Both the ministry of foreign affairs and the intelligence apparatus worked on retrieving Iraq's money from abroad (Jasim 2012).

When asked directly, why these tasks were not assigned to the ministry of foreign trade, a former M19 office explained:

*"Due to the embargo, trade involved illegal activities. It was not easy for the trade ministry, it means that you have to make a deal with the enemy, for example the Iranians, it was not easy to organize this - how to receive the money, maintain the contacts. In the trade ministry everything should be done legally. Now it became a secret job, a difficult job, for that reason the president gave this job to the foreign intelligence experts, to foreign affairs intelligence officers. They had special skills and power to do these activities."*<sup>7</sup>

This quote highlights the important role of secrecy as a motivation for intelligence agencies to become involved in economic activities, which have become designated as illicit, but nevertheless remain important for the maintenance of state sovereignty.

Further, the IIS played a role in the procurement of heavy weapons, export of which was restricted in

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<sup>7</sup>Interviews with former M19 officer, 25<sup>th</sup> May and 18<sup>th</sup> May 2018.

the primary producing countries, such as France or Germany (*Der Spiegel* 1988; Hippler 1991). To achieve this trade, the IIS again resorted to the establishment of front companies, which could act as intermediaries between foreign private firms and Iraqi state institutions (Iraq Survey Group 2004b, 81). By forging end-user certificates and cargo-bills, the exporting, European company would be protected from legal problems at home, and the Iraqi government could not be accused of sanctions-busting (Iraq Survey Group 2004a, 58, 73). For this scenario, the capitalist organization of international trade was crucial, as it was the vehicle of the private company, acting as an intermediary between governments, that allowed both sides to maintain a façade of legality, which would not have been possible if, for example, the trade would have had to be carried out directly between enemy governments.

### **West German Intelligence**

US military and security institutions heavily shaped the re-establishment of West German intelligence after the second world war. The West German foreign intelligence agency Bundesnachrichtendienst (BND) was founded in 1956, six, respective five years after the founding of the domestic intelligence agency Bundesamt für Verfassungsschutz (BfV) and the federal police agency (BKA). US interest in an anti-communist bulwark coincided with the anti-communist extremism of BND founding president Reinhard Gehlen, a former Wehrmacht intelligence officer, who kicked off the re-establishment of West German foreign intelligence as early as 1945 with the foundation of the “Operation Gehlen” (Krieger 2012; 2011). Together with a counter-intelligence agency for the army, the Militärische Abschirmdienst (MAD), the BND, the BfV and the BKA constitute the four institutional pillars of West German intelligence. Similar to the Iraqi set-up, these agencies are governed by the interior ministry (BfV and BKA), the executive top-level (BND) and the military (MAD), and there exists a coordinating body, the national security council. Such coordination, however, is complicated by West Germany’s federal structure, in which each federal state maintains its own office for domestic intelligence (Landesämter für Verfassungsschutz) and policing structure (Landeskriminalämter). Unlike in Iraq, these state agencies are not directly controlled by the national government, which however maintains exclusive right to carry out foreign intelligence. Enquiries have pointed to overlaps and miscommunications in the activities carried

out by national and federal intelligence actors, most recently during the enquiries surrounding the 2016 truck attack at a Christmas market in Berlin (Voice of America 2017; von Münchow and Hantschke 2017).

### **The BND's international economic activities**

Since the BND's official formation in 1954<sup>8</sup>, numerous scandals, law suits, government enquiries, media reports and even dissertations have revealed the BND's engagement with the national and international economy (Diederichs 2001; Kahrs and Steiner 2015; Schmidt-Eenboom 1996; Dietl 2007; NM 2001; Scheuer 1990; Schulzki-Haddouti 2001; Gülstorff 2012; Schmidt-Eenboom 1995; 2007; Dietl 2007). In February 2020, the latest scandal broke: several German and international media outlets revealed their joint-investigation into what the CIA itself referred to as “the intelligence coup of the century”, and intelligence studies veteran Richard Aldrich has called “the most important intelligence operation in history”: a joint CIA-BND operation, in which the two intelligence agencies co-owned a world-leading Swiss encryption company (Miller 2020; Brühl and Pfaff 2020; Thevessen, Müller, and Stoll 2020). For around 20 years, the BND and CIA ensured that the Crypto AG sold rigged encryption machines to intelligence agencies around the world, meaning that encrypted messages were directly sent to and read by American and West German intelligence officers. The two agencies bought Crypto AG in the late 1960s for USD 8,5 million, each paying half. By 1975, the companies' annual profits soared to USD 51 million, and, as one of the internal reports states: “annual profits were channeled into the BND budget; outside of the control of parliamentary budgeting procedures (Thevessen, Müller, and Stoll 2020).” After the arrest of a German Crypto AG employee in Iran, and as a result of the German reunification, the German government, which from the get-go had been informed about ‘Operation Rubikon’, sold its shares to the CIA and left the project in 1993.

Operation Rubikon reveals, on unprecedented scale, a familiar pattern of cooperation between West

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<sup>8</sup> The BND's predecessor, the informal and secretive “Operation Gehlen” was set up directly after the end of the second World War in 1945, as a joint-effort between German intelligence professionals of the former Wehrmacht and the US government. The Operation Gehlen was transferred into the BND upon its official foundation in 1954.

German technology corporations, BND front companies and acquainted individuals as the basis for the BND's intelligence-commerce. A 2014 parliamentary enquiry confirmed the BND's use of front companies. According to the enquiry, front companies are covered by West Germany's intelligence laws, which permit the BND to use "front papers" (Tarnpapiere) and "front emblems" (Tarnkennzeichen) in its work (Cabinet of Germany (Bundesregierung) 2006).<sup>9</sup> The enquiry explains that front companies "serve to achieve the BND's legal mission", and help "to protect staff, operations and intelligence methods". Further, front companies serve to "collect knowledge about foreign countries, and to hide "the background motive for procurement and travel". When the BND forms a front company, other public institutions such as corporate registries or chambers of commerce are not informed about the true nature of the company (ibid.).

The institutional and bureaucratic arrangements according to which the BND carries out economic activities, e.g. whether there exists a distinct department devoted to commercial activities such as in the Iraqi case, remain unknown. The departmental structure of the BND includes one section titled "Department for Technical Development" (Abteilung für Technische Entwicklung), which draws attention to the fact that the BND, in order to keep up to scratch with technological progress, must engage the private sector somehow. According to the German weekly *Der Spiegel*, until 1969, the BND included a distinct department for illegal weapons trading (Abteilung 906) (*Der Spiegel* 1991). German and EU government records and journalist reports state that from the early 2000s, a BND organisation called "Office for Foreign Matters" (Amt für Auslandsfragen) included technological development sections focused on automatic translation, artificial intelligence and language recognition. This office has confirmedly set up at least one front company and has held contracts with German and foreign private sector technology developers (EUR-Lex 2001a; Deutscher Bundestag 2001).

According to questions raised by EU parliamentarians and a range of media reports, in the late 1990s and early 2000s a BND officer acted as a founding shareholder in several small Belgian and German companies with the goal to promote the development of voice recognition software (Schulzki-Haddouti

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<sup>9</sup> The enquiry also confirms the use of front companies by the BfV and the MAD.

2001; EUR-Lex 2001; Diederichs 2001; Schreiber 2001). The BND's involvement in these events became public when one of its private-sector partners successfully sued a BND officer for having manipulated contract documents (Diederichs 2001).<sup>3</sup> According to numerous reports, the desired software had been initially developed by Siemens, but abandoned due to unprofitability. The BND bought the technology and transferred it to a company with an initial capital of Deutschmarks 4 million, provided from the BND budget. Company staff consisted of BND employees and at least one civilian, previously employed at Siemens (Bergmann 2017). Via this company, and via the Amt für Auslandsfragen, the BND later joined, and led, a large EU-funded research consortium for language recognition technology (in the course of which the above mentioned BND agent conducted his ill-fated contract manipulation).

Involvement in illegal weapons-dealing and the busting of West Germany's theoretically strict export-controls have been part of the BND's work since the early 1960s (Der Spiegel 1978). The agency has always stringently denied even very well-sourced reports and while several parliamentary enquiries have attempted to shine light on this matter, all ended up inconclusive. One of the most well documented cases of BND involvement in illegal weapons' sales is the so-called Merex affair (Schmidt-Eenboom 1993, Ch. 25), in which the BND initiated weapons' exports via the Merex company during the 1960s (Vielain 1975; Der Spiegel 1975). The operation involved several front companies and personal connections between current and former BND officers, the West German army, state secretaries in several ministries, party political connections and businessmen, in particular Gerhard Mertins, Merex' CEO, played an important. Merex bought discharged West German army weapons, and, with support from the BND, used forged papers and other fraudulent measures to sell them to, inter alia, Nigeria, South Africa and Greece – all of which were officially embargoed for German weapons' exports. Senior staff at the foreign and the chancellor's office and the ministries of defense and trade knew of these measures, which reportedly aimed to weaken Soviet influence (Vielain 1975).<sup>10</sup> Other well documented cases of BND involvement in weapons and technology trade include that of the Munich-based Telemit

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<sup>10</sup> Legal documents pertaining to a lawsuit between Gerhard Mertins and the German Federal Republic, dated 1<sup>st</sup> December 1977. BArch, B 136/ 54590, pp. 5-25, 57-96.



company, active during the 1980s (Zumach 1990; Schmidt-Eenboom 1995; Scheuer 1990; Der Spiegel 1994), and that of the north-German shipping company Beluga (Kahrs and Steiner 2015). Documents and law suits found that in 2009 and earlier Beluga carried out sanctions-busting weapons deliveries in close coordination with a BND officer called Klaus Hollmann. Despite serving Hollmann with a court summons, local courts were not able to break the BND's secrecy privilege, and his true identity remained unknown (Kahrs 2019).

### **Comparing Iraqi and West German intelligence commerce**

To implement their intelligence-commerce, Iraqi and West German intelligence agencies followed similar methods. Both used front companies: firstly, there existed the 'in-house' front company, fully owned by the agency, who also recruited the top-level management. Secondly, there was the 'out-sourced' front company, which maintained legal independence, but colluded with agencies' secret missions and whose business depended on this collusion. In both Iraq and West Germany, front company operations were heavily shaped by personal and political networks, which created crucial trust and patronage relations. Document fraud, especially with regards to bills of lading and export permissions, but also with regards to passports and identity papers, was a further method deployed by both agencies. Structurally, both agencies mobilized basic elements of the capitalist nature of the global economy, as the profit-orientation of private technology- and weapons traders meant that these were generally interested in 'following the money', and were not primarily governed by political concerns.

Three central aims motivated Iraqi and West German agencies to conduct intelligence-commerce: collecting intelligence, obtaining technology and breaking trade restrictions, e.g. sanctions busting. Individuals', personal motivations, such as collecting rents, carrying out personal favors or indeed patriotism were integral to the success of intelligence-commerce, but were not its ultimate goal. Both agencies approached sanctions-busting from the opposite end of the spectrum, so to speak: while the ISI broke import restrictions, which foreign powers had imposed on Iraq, the BND broke export restrictions that its own government had installed. This difference expresses the highly unequal strategic position of

Iraq and West Germany within the international, political economy, in which Iraq occupies a peripheral, but West Germany a central position. As one of the world's largest technology and weapons' producers, West Germany could choose who to export to, whereas Iraq had to seek international permission, where it could spend its oil rents. Thus, interestingly, the reasons why both countries used subterfuge to bust sanctions were totally different: whereas Iraq had to circumvent punishment from the international community, West Germany had to maintain its image as a peace-seeking country interested in promoting stability, rather than warfare.

### **Concluding analysis**

Intelligence agencies operate across not just across national boundaries, but also across the boundaries of political and economic spheres. With this capacity, they negate discussions about whether politics or economics is more relevant to understand contemporary conditions. Instead, intelligence-commerce highlights the importance to develop approaches that can analyze together domestic conditions, foreign policy choices and the world economy (Ziebur 1984). Iraq and West Germany's national economies determined their position within the global market, and their domestic politics shaped their position within the international system: Iraq as a rogue state, West Germany as a defender of peace and stability. Together, these factors determined each country's motivations to use of intelligence-commerce to achieve its goals. Two structural factors were important in both cases, and led to the perhaps surprising convergence of intelligence-commerce' methods and aims in both countries: firstly, the dominant, capitalist organization of the world economy, and secondly, the structural position that intelligence agencies occupy in modern nation states. The first factor meant that both Iraqi and West German intelligence-commerce were able to use private-sector front companies to trade in highly strategic goods and technologies, and could use these companies as intermediaries to avoid direct contact between hostile governments. The second factor meant that the intelligence agencies of such different governments as those of Iraq and West Germany both represented the state and at the same time were able to break state-law via their well-established knowledge of subterfuge and camouflage. In both cases, the executive made use of this paradox to achieve strategic goals, which could only be reached by

breaking international trade laws, while maintaining legitimacy and/or avoiding further sanction from the international community. Taking these aspects into account, intelligence-commerce offers a wealth of prospects for international political economy scholars, especially those interested in the overlap of security and economic policy making.

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