Foreign Spy Activity Surges To Fill Technology Gap

Pentagon report details tactics; China leads illegal collection

By Bill Gertz, Washington Times

Foreign spies are stepping up efforts to obtain secret U.S. technology through methods ranging from sexual entrapment to Internet hacking, with China and other Asian countries leading the targeting of U.S. defense contractors.

"The apparent across-the-board surge in activity from East Asia and Pacific countries will continue in the short term as gaps in technological capability become apparent in their weapons-development processes," the latest annual report by the Defense Security Service counterintelligence office stated.

"The globalization of defense business will increase the threat from strategic competitors who will use legitimate business activities as a venue to illegally transfer U.S. technology," the report said, noting that the use of third countries to disguise collection will continue as a common tactic.

The report provides details of the methods used by foreign technology spies, from simple verbal requests for information to purchases of controlled technology and -- in at least one case -- the use of a woman who seduced a contractor into providing his computer password.

Other methods included offering marketing services to contractors, spying during visits to U.S. companies and the use of "cultural commonality" to obtain technology.

The report did not identify the 106 countries that are engaged in the collection activity, but other defense officials said the most active technology spies are working for China, Russia and Iran. Other collectors of U.S. technology were identified as agents working secretly for Israel, Japan, Britain, France, Germany, Egypt and United Arab Emirates, the officials said.

The unclassified 2006 report, "Technology Collection Trends in the U.S. Defense Industry," was approved for release in June, but only recently made available to defense contractors and government agencies. A copy was obtained by The Washington Times. It is based on counterintelligence reports from contractors and other data through early 2006.

Space systems, lasers and missile- and radar-evading stealth technology are among the most sought-after U.S. technologies, the report said.

Other key targets include information systems, modeling and simulation technology, optics, aeronautics, sensors, explosives, electronics and marine systems.

The report said the largest percent of the 971 spying incidents detected during the latest reporting period came from East Asia and the Pacific with 31 percent of all incidents, while the Near East accounted for about 23 percent. About 19 percent of the incidents emanated from Eurasia and 13 percent from South Asia.

The report provides several cases showing how foreign spies have tried to obtain technology, through simple verbal requests, covert computer hacking and clandestine intelligence activities.

One case revealed in the report involved an East Asian company that sought to obtain classified technology related to U.S. unmanned aerial vehicles (UAVs), a cutting-edge U.S. military technology.

The Asian representatives showed up at a classified facility at the U.S. defense company uninvited and tried to "observe the repair" of previously purchased unclassified systems.

The report said the "aggressive effort" to visit the company appeared to be a "veiled attempt to collect information on other high-interest UAV programs at the facility." It was the fourth time since 2003 that the company sought UAV goods.

Several U.S. defense contractors have reported that between October 2005 and January 2006 they found radio-frequency transmitters hidden in Canadian coins that were planted on them after they traveled through Canada, according to the report.