

JAMES CLAPPER'S FINANCIAL WAR ON THE WORLD

I'm fundraising this week. Please support me if you can.

Yesterday, TV Globo published details of NSA spying on Brazil's oil company, Petrobras, SWIFT, and financial organizations. Besides revealing that man-in-the-middle attacks are sometimes used, the report didn't offer details of what the NSA was actually collecting. Its sources suggest NSA might be seeking Brazil's leading deep sea drilling technology or geological information that would be useful in drilling auctions, but it is also conceivable the NSA is just trying to anticipate what the oil market will look like in upcoming years (this is one area where we probably even spy on our allies the Saudis, since they have been accused of lying about their reserves).

To some degree, then, I await more details about precisely what we're collecting and why.

But what I am interested in is James Clapper's response. He released this statement on the I Con site.

It is not a secret that the Intelligence Community collects information about economic and financial matters, and terrorist financing.

We collect this information for many important reasons: for one, it could provide the United States and our allies early warning of international financial crises which could negatively impact the global economy. It also could provide insight into other countries' economic policy or behavior which could affect global markets.

Our collection of information regarding

terrorist financing saves lives. Since 9/11, the Intelligence Community has found success in disrupting terror networks by following their money as it moves around the globe. International criminal organizations, proliferators of weapons of mass destruction, illicit arms dealers, or nations that attempt to avoid international sanctions can also be targeted in an effort to aid America's and our allies' interests.

What we do not do, as we have said many times, is use our foreign intelligence capabilities to steal the trade secrets of foreign companies on behalf of – or give intelligence we collect to – US companies to enhance their international competitiveness or increase their bottom line.

As we have said previously, the United States collects foreign intelligence – just as many other governments do – to enhance the security of our citizens and protect our interests and those of our allies around the world. The intelligence Community's efforts to understand economic systems and policies and monitor anomalous economic activities is critical to providing policy makers with the information they need to make informed decisions that are in the best interest of our national security.

Let me take this extraordinary statement in reverse order.

In the fourth paragraph, Clapper reiterates the final defense that NSA defenders use: that we're better than, say, China and France, because we don't engage in industrial espionage, stealing technology with our spying. That may be true, but I suspect at the end of the day the economic spying we do might be more appalling.

In the third paragraph, he retreats to the terror terror terror strategy the Administration has used throughout this crisis. And sure, no one really complains that the government is using financial tracking to break up terrorist networks (though the government is awfully selective about whom it prosecutes, and it almost certainly has used a broad definition of "terrorism" to spy on the financial transactions of individuals for geopolitical reasons). But note, while the Globo report provided no details, it did seem to describe that **NSA** spies on SWIFT.

That would presumably be in addition to whatever access Treasury gets directly from SWIFT, through agreements that have become public.

That is, the Globo piece at least seems to suggest that we're getting information from SWIFT via two means, via the now public access through the consortium, but also via NSA spying. That would seem to suggest we're using it for things that go beyond the terrorist purpose the consortium has granted us access for. Past reporting on SWIFT has made it clear we threatened to do just that. The Globo report may support that we have in fact done that.

Now the second paragraph. James Clapper, too cute by half, asserts, spying on financial information,

could provide the United States and our allies early warning of international financial crises which could negatively impact the global economy

Hahahahahaha! Oh my word! Hahahaha. I mean, sure, the US needs to know of pending financial crises, in the same way it wants to know what the actual versus claimed petroleum reserves in the world are (and those are, of course, closely related issues). But with this claim, Clapper suggests the US would actually recognize a financial crisis and do something about it.

Hahahahaha. Didn't – still doesn't – work out

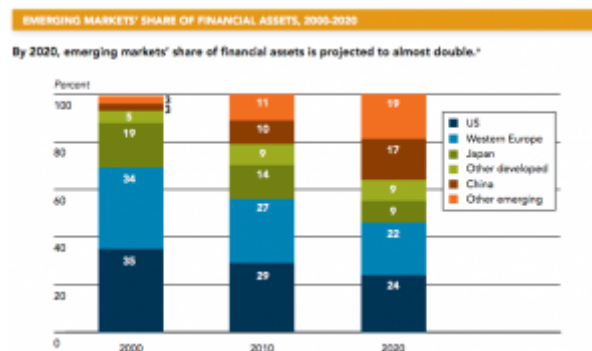
that way.

Note, though, I suspect getting a meaningful understanding of the economy would require getting so far in the books of entities like JP Morgan, crisis-causer extraordinaire, that you'd finally see the kleptocrats object to the level of spying we're doing. Effective spying on this front would require an all-out assault on the privacy of the world's most powerful companies, and the US is probably not conducting that kind of spying (though NSA's assault on encryption would allow just that).

Which brings us, finally, to Clapper's initial response.

It is not a secret that the Intelligence Community collects information about economic and financial matters

In support for this statement, ODNI tweeted out links to two documents, the Global Threat Assessment from earlier this year, and the Global Trends 2030. They do show the kinds of financial information the Intelligence Community collects and why.



For example, the Global Trends has a long section on

financial crises and the rise of the emerging world (one reason they spy on Brazil closely, because it is one of the rising markets that can directly challenge us in many areas). The two documents make it clear some of this financial spying supports of this kind of trend analysis.

But it's the Threat Assessment I'm more interested in. That's because (as I've referenced in passing a number of times since) it included this very remarkable admission, with

zero elaboration.

This environment is demanding reevaluations of the way we do business, expanding our analytic envelope, and altering the vocabulary of intelligence. Threats are more diverse, interconnected, and viral than at any time in history. Attacks, which might involve cyber and **financial weapons**, can be deniable and unattributable. [my emphasis]

While I presume the reference to financial weapons is not the first public mention that such things exist and our IC concerns itself with them (in his book *Currency Wars*, for example, James Rickards talks about conducting war games with the Pentagon on such issues), its inclusion in the Global Threat Assessment struck me at the time.

Because once you're considering the deployment and defense against financial weapons, then all this generalized spying becomes far more ominous.

Consider: a number of observers argued that our Quantitative Easing over the last several years was entirely designed to depress the dollar and make the US more competitive against those who were benefitting from our crash. Brazil's Dilma Rousseff has complained about QE explicitly, because it undercut Brazil's exports at a time when the country was finally booming. Again, that's probably one reason we'd spy closely on Brazil.

An even better financial attack (not one I'm saying we launched, but it would have been shrewd according to some arguments) would be to crash the Euro, thereby eliminating the one potential currency that could threaten the dollar as the international reserve currency, even while turning the citizens of a series of European countries into debt servants in the process. Certainly, the kind of intelligence the

NSA collects from top EU officials would support such a strategy. And it would explain why Germany would be a key target. Again, I'm not saying we and our allies have done that, just that it is the kind of thing you might do if wielding financial weapons.

But if we were collecting all this financial data – ostensibly to have advance warning of the next global crisis we'll do nothing to prevent – in the name of wielding financial weapons, crashing others' economies for America's relative benefit, it would seem to be just as or even more pernicious than stealing technology via our spying. Sure, our individual companies wouldn't benefit, but all companies that still aligned with the US would. It's one thing to steal a plane design to replicate at home; it's another thing to play at crashing other economies not by competing better, but by using our spying advantage to do so.

Clapper may assert that it is not a secret that the IC collects all this information. But what is a secret is the degree to which we have offensively waged financial war. If we're doing so, it makes the collection of such data, in the guise of trend analysis, far more ominous.