



Spy vs. Spy - Silicon Valley Is Destination Of Choice For Espionage

Just as regular citizens have no expectation of privacy for personal information, Big Tech has no expectation of privacy for their technology secrets. Why? Because its entire culture is riddled with working spies from foreign actors that feel they have as much right to technology as the ones who invented it in the first place, even if they have to steal it. □
TN Editor

In the fall of 1989, during the Cold War's wan and washed-out final months, the Berlin Wall was crumbling—and so was San Francisco. The powerful Loma Prieta earthquake, the most destructive to hit the region in more than 80 years, felled entire apartment buildings. Freeway overpasses shuddered and collapsed, swallowing cars like a sandpit. Sixty-three people were killed and thousands injured. And local Soviet spies, just like many other denizens of the Bay Area, applied for their share of the nearly \$3.5 billion in relief funds allocated by President George H.W. Bush.

FBI counterintelligence saw an opening, recalled Rick Smith, who

worked on the Bureau's San Francisco-based Soviet squad from 1972 to 1992. When they discovered that a known Soviet spy, operating under diplomatic cover, had filed a claim, Smith and several other bureau officials posed as federal employees disbursing relief funds to meet with the spy. The goal was to compromise him with repeated payments, then to turn him. "We can offer your full claim," Smith told the man. "Come meet us again." He agreed.

But the second time, the suspected intel officer wasn't alone. FBI surveillance teams reported that he was being accompanied by a Russian diplomat known to the FBI as the head of Soviet counterintelligence in San Francisco. The operation, Smith knew, was over—the presence of the Soviet spy boss meant that the FBI's target had reported the meeting to his superiors—but they had to go through with the meeting anyway. The two Soviet intelligence operatives walked into the office room. The undercover FBI agents, who knew the whole affair had turned farcical, greeted the Soviet counterintelligence chief.

"What," he replied, "You didn't expect me to come?"

We tend to think of espionage in the United States as an East Coast phenomenon: shadowy foreign spies working out of embassies in Washington, or at missions to the United Nations in New York; dead drops in suburban Virginia woodlands, and surreptitious meetings on park benches in Manhattan's gray dusk.

But foreign spies have been showing up uninvited, to San Francisco and Silicon Valley for a very long time. According to former U.S. intelligence officials, that's true today more than ever. In fact, they warn—especially because of increasing Russian and Chinese aggressiveness, and the local concentration of world-leading science and technology firms—there's a full-on epidemic of espionage on the West Coast right now. And even more worrisome, many of its targets are unprepared to deal with the growing threat.

Unlike on the East Coast, foreign intel operations here aren't as focused on the hunt for diplomatic secrets, political intelligence or war plans. The open, experimental, cosmopolitan work and business culture of

Silicon Valley in particular has encouraged a newer, “softer,” “nontraditional” type of espionage, said former intelligence officials—efforts that mostly target trade secrets and technology. “It’s a very subtle form of intelligence collection that is more business connected and oriented,” one told me. But this economic espionage is also ubiquitous. Spies “are very much part of the everyday environment” here, said this person. Another former intelligence official told me that, at one point recently, a full 20 percent of all the FBI’s active counterintelligence-related intellectual property cases had originated in the Bay Area. (The FBI declined to comment for this story.)

Political espionage happens here, too. China, for example, is certainly out to steal U.S. technology secrets, noted former intelligence officials, but it also is heavily invested in traditional political intelligence gathering, influence and perception-management operations in California. Former intelligence officials told me that Chinese intelligence once recruited a staff member at a California office of U.S. Senator Dianne Feinstein, and the source reported back to China about local politics. (A spokesperson for Feinstein said the office doesn’t comment on personnel matters or investigations, but noted that no Feinstein staffer in California has ever had a security clearance.) At the Aspen Security Forum last week, FBI director Chris Wray acknowledged the threat Chinese spying in particular poses, saying, “China from a counterintelligence perspective represents the broadest, most pervasive, most threatening challenge we face as a country.”

Making it even more complicated, said multiple former U.S. intel officials, many foreign intel “collectors” in the Bay Area are not spies in the traditional sense of the term. They aren’t based out of embassies or consulates, and may be associated with a state-owned business or research institute rather than an intelligence agency. Chinese officials, in particular, often cajole or outright threaten Chinese nationals (or U.S. citizens with family members in China) working or studying locally to provide them with valuable technological information.

“You get into situations where you have really good, really bright, conscientious people, twisted by their home government,” said a chief security officer at a major cloud storage company whose company

maintains sensitive government contracts. U.S.-based Chinese employees of this company have had Chinese government officials attempt to “leverage” these individuals’ family members in China, this person told me. The company now requires employees working on certain projects to be U.S. citizens.

And yet, it’s not clear that the Bay Area—historically famous for its liberalism, and now infamous for its madcap capitalism—is prepared to handle this escalation and these new tactics. Tech firms, especially start-ups, lack incentives to report potential espionage to U.S. officials; and businesses and universities are often ignorant about the espionage threat, or so attuned to local political sensitivities they may fear being accused of stereotyping if they attempt to institute more stringent defensive security and screening measures.

As Silicon Valley continues to take over the world, the local spy war will only get hotter—and the consequences will resonate far beyond Northern California. This story is based on extensive conversations with more than half a dozen former intelligence community officials with direct knowledge of, or experience with, U.S. counterintelligence activities in the Bay Area. All requested anonymity to discuss sensitive matters more openly. A few other individuals, all of whom worked counterintelligence in the Bay Area from the early 1970s through the mid-2000s, agreed to be interviewed on the record.

As one former senior intelligence official put it: “San Francisco is a trailblazer—you see the changes there in foreign counterintelligence first. Trends emerge there.” If we want to understand a world where Russian and Chinese are ramping up their spy games against the United States, then we need to pay attention to what’s happening in San Francisco.

[Read full story here...](#)