

## Intelligence Security Diary

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**Diary: Websites**

*The National Military Intelligence Association (“NMIA”), established in 1974, is the United States’ sole joint military intelligence professional association. Its prime goal is to support the professional development of military intelligence practitioners and help improve the effectiveness of joint military intelligence operations in support of the United States armed forces and homeland security efforts. The Diary is carried by NMIA for approximately two years and previous issues can be found on their following websites:*

*[www.nmia.org/inteldiary.html](http://www.nmia.org/inteldiary.html)  
[www.nmia.org/whatwedo.html](http://www.nmia.org/whatwedo.html)*

*The Diary is also carried on the websites of:*

- *Canadian Association Defence Security Industries*
- *United States Marine Corps Intelligence Association*
- *Canadian Bar Association*
- *Canadian Aerospace Warfare Centre*
- *Gowling Lafleur Henderson LLP*

*The collective membership and distribution scope of these six organizations is in excess of 50,000.*

**3 Jul      *PricewaterhouseCoopers LLP***

A Russian court reversed a lower-court ruling against PricewaterhouseCoopers (“PwC”) that its Russian unit owed \$15 million in back taxes. *The Wall Street Journal* reported, “The outcome follows PwC’s decision last month to withdraw 10 years of financial audits of bankrupt oil giant OAO Yukos, a move likely to buttress a Russian criminal case against Yukos founder Mikhail Khodorkovsky. PwC said the favorable outcome wasn’t related to its decision to withdraw the audits.”

*[...Of course not!!! ... In typical Putinesque manner, however, the court ordered a new hearing on the back-tax claim and PwC continues to face charges that it aided Yukos in a tax-evasion scheme.*

*... One can’t help but muse... Conrad Black is very fortunate in one respect – he could have faced trial in the Russian court system! He would have been found guilty on 26 of the 13 counts he was charged on!]*

**6 Jul      *Israel’s Talpiot\* Program***

Talpiot is a secretive Israeli program that recruits 50 high school students per year and places them in a three-year intensive program at Hebrew University, followed by six years of military service. Graduates of the program do not serve in Israeli combat units; they are assigned the task of working in areas to enhance the military’s technological sophistication and advantage. The article discusses the success of the program, however, it interestingly portrays one of the unforeseen end-results – it has led to a worldwide Israeli technology ‘juggernaut’ that is in the forefront of new systems and product development. This body of Israeli technological expertise is not generally known – however, it is the envy of many other nations.

*\* Talpiot is a Hebrew word meaning a well-built structure.*

*[Please refer to the Open Source Intelligence section (on page 7) for further discussion of this incredible ‘success story’ – but beware of the ‘spin’.]*

**10 Jul      *Rosneft & Shell Agreement***

Royal Dutch Shell PLC and OAO Rosneft announced an agreement for joint projects in oil-and-gas exploration, production, refining and marketing in Russia and abroad. The deal underscores how Russia is continuing to successfully recruit foreign investors only as minority partners in oil and gas projects. This

deal, however, also signals that Russia will now harness these same investors to expand its energy activities beyond Russian borders.

*[Earlier this year, Shell ceded control of its Sakhalin-2 oil-and-gas project in the Russian Far East to Russia's OAO Gazprom after pressure by environmental regulators. Shell was dropped into minority status in the project. Last month, BP PLC's Russian joint-venture TNK-BP sold its controlling stake in a key Siberian gas project to Gazprom in exchange for "future cooperation" with the state-owned Russian gas company.]*

### **12 Jul      *Gazprom & Total Agreement***

Another deal was announced in which French petroleum company Total SA will acquire a 25% in the huge Russian Shtokman natural-gas field. The specifics of the 25% percent ownership, however, are unclear. Reports indicated Total will assume the 25% ownership in the project and will design, finance and build the first phase of the project and own its infrastructure. However, it will have no claim on the ownership of the gas produced. Gazprom will own the remaining 75%, and will retain full ownership of the gas. What is unclear is whether Total will be allowed to book any part of the Shtokman reserves.

*[This is a new 'deal structure' in which a Western partner is granted a stake in a managing company that is separate and has no claim on the underlying energy assets. Total has struggled to replenish reserves because many of the best remaining reservoirs are hard to reach or inaccessible to Western companies – hence Total's lack of leverage in deals of this nature. Analysts expect this deal structure to become increasingly prevalent as the Kremlin (read Vladimir Putin) consolidates its control over Russia's natural resources.*

*The deal is also seen in geo-political circles as Putin's response to Nicolas Sarkozy, France's new president, who has annoyed some in Russia with his harsh criticism of Kremlin policies. The deal demonstrates – even given its somewhat adverse structure – the Elysee Palace should be aware of the economic benefits to be gained from keeping on good terms with Russia.]*

### **13 Jul      *North Korea Criminal Activity***

*The Wall Street Journal's The Informed Reader – Insights and Items of Interest From Other Sources* – discussed a *Time* magazine report by Bill Powell and Adam Zagorin describing North Korea's state-sponsored and managed criminal programs. North Korea has, "an elaborate production chain for illicit drugs", in which workers are assigned from other industries during the key harvest season. The poppy crop is processed in government-owned pharmaceutical installations.

North Korea is also a major player in the world's counterfeit cigarette market. Private sources indicate that North Korea produces about 41 billion contraband cigarettes a year – generating between \$80 million and \$160 million. The *Time* article also indicates that according to U.S. government officials North Korea is behind \$4 million in \$100 counterfeit bills seized in the United States in 2005. Other sources indicate that North Korea was also behind 13 counterfeit currency incidents worldwide since 1994. It is estimated that illegal activities generate \$1 billion a year to the North Korean regime compared to \$1.7 billion in estimated legitimate exports.

### **17 Jul      *China – Macro-economic Developments***

China's central bank released information indicating that its foreign-reserve holdings have grown to \$1.33 trillion at the end of June – an increase from \$1.20 trillion at the end of March. Over the past three years China has added foreign reserves at a pace of approximately \$15 billion to \$20 billion a month. China exports far more than it imports and it invests abroad on a much smaller scale than foreigners invest in China.

The pace of inflows has accelerated this year, however, with foreign reserves growing at about \$45 billion per month during the first half. This is significantly more than can be accountable by officially recorded trade and investment figures. Sources indicate that the increase is related in part to large currency-

swap transactions by Chinese banks repatriating money that had previously been lodged offshore. China's central bank seldom comments or explains developments in its foreign-reserve accounts.

*[The Open Source Intelligence section discusses Economic Intelligence and its importance in the 'intelligence process'. Economists are forecasting an annual trade surplus of \$250 billion to \$300 billion for 2007, compared with the record \$180 billion in 2006. China allows a gradual 4% to 5% annualized increase in the value of its currency – however, these trade figures will bring increased pressure on China to accelerate the rate of increase or likely face protectionist counter-measures from Congress. If Congress is too confrontational – China may use its extensive holdings of U.S. treasury debt as leverage with the potential to impact U.S. monetary policy and capital markets adversely. China is becoming America's banker. This scenario underscores the necessity for accurate and reliable economic intelligence.]*

## 20 Jul **China's Navy**

China's growing involvement in the world economy and its dependence on imports is driving it to expand its navy in order to protect coastal waters and international shipping routes. China imports approximately 50% of its oil and is more dependent on imported Middle Eastern crude than the United States. Sources indicate about 70% of China's imported oil passes through the Strait of Malacca – "a strategic choke point" – between the Indonesian island of Sumatra and Malaysia.

The United States has more than 100 major surface combat ships, including 11 aircraft carriers. It is estimated China has 76 major surface combat ships and no carriers. The focus of China's naval buildup is its submarine force. Over the past few years, eight new Russian-built Kilo-class submarines have been added to the fleet, joining several new Chinese-built nuclear attack submarines. The submarine fleet is now estimated to number about 60 in total. Some of the newest submarines are equipped with Russian-made cruise missiles that are specifically designed to attack and sink aircraft carriers.

Naval intelligence sources foresee China's strategic naval deployment taking place on essentially three fronts:

- **Coastal Waters** – This is described as China's "anti-access strategy" designed to limit the U.S. military's freedom of movement in Asia and, specifically, its ability to intervene in any conflict between China and Taiwan. The submarine fleet is being developed to limit the U.S. aircraft carrier activity in the 'theatre'.

- **Western Pacific** – Last year, China received the second of two sophisticated Russian-made, Sovremenny II guided-missile destroyers. Chinese naval units have been confirmed in the waters around Japan and as far as Guam, where important U.S. military installations are located.

- **Strait of Malacca (Indian Ocean)** – China has financed and engineered the construction of a deep-water port in Pakistan that could be used by its naval forces for easier access to the Arabian Sea and the Persian Gulf region. Sources also indicate that China is operating listening posts in southern Myanmar to monitor shipping traffic through the Strait of Malacca.

China's Communist Party has skillfully orchestrated the country's economic growth – which underpins its hold on political power – and the current naval expansion and strategic deployment is seen as having the same goal. In 1996, China test-fired missiles near Taiwan in response to Taipei's moves to assert independence. The United States defused the confrontation by moving a carrier group into the area. The Communist Chinese leadership was very uncomfortable with this show of strength and the "anti-access strategy" is designed to neutralize this kind of intervention by the United States again. Also, almost all of China's exports move overseas from its coastal ports – it is therefore imperative to have hegemony over these waters. The preponderate development of their advanced submarine fleet over surface vessels is confirmation that they believe this is the best way to limit and minimize U.S. influence.

*[This précis-summary was drawn from a recent Wall Street Journal article entitled, "As China Grows, So Does Country's Long-Neglected Navy." The following direct quote underscores the focus of Chinese naval deployment. "The U.S. is the only country that regularly operates aircraft carriers in Northeast Asia. ... U.S. officials feel that China's pursuit of weapons that can be used against carriers has put U.S. forces in its sights. When you acquire those niche capabilities, it raises questions.] (Please refer to Contemporary Warfare Section (on page 8) for further discussion.)*

**26 Jul     **Sherlock Holmes “Revisited”****

Recent weeks have seen; first – the expulsion of Russian diplomats from the United Kingdom, and then in a “tit-for-tat” retaliation counter move – the dispatch of four British diplomats from Moscow. The British government is seeking the extradition of Andrei Lugovoi for possible involvement in the Alexander Litvinenko poisoning. Russia has refused to let Andrei Lugovoi travel to the United Kingdom – hence the “diplomatic furor”.

*[The Editors of the Diary would like to refer readers to the December 2006 issue, Open Source Intelligence section, page 5, **FOLIO – SHERLOCK HOLMES**. The Editors were able to recruit literature’s greatest sleuth, Sherlock Holmes (and his associate Mr. Watson), as ‘guest editorialists’, to profile the goings-on surrounding the Litvinenko demise. I think our readers, when re-reading this very entertaining piece, will see that the great detective was perhaps hinting that Lugovoi was the ‘person of interest’. The Russian judicial and state-intelligence establishment can feign Lugovoi’s innocence – however, which has greater credibility, Holmes & Watson or the Russian secret service?]*

***The Diary did not remunerate Mr. Holmes for his December contribution – he was simply pleased to comment on the ‘case’.***

**31 Jul     **Assessing Geopolitical Risks****

During 2006 U.S.-based investors increased their foreign stock-holdings by more than 25%, to \$4.2 trillion, according to preliminary data from the Bureau of Economic Analysis. The Eurasia Group is a New York research and political-risk consulting group that follows 100 “emerging and frontier markets” around the world. Recently *Barron’s* interviewed the group’s president, Mr. Ian Bremmer and reported the discussion in an article entitled “Global Markets, Local Risks.” The following is a ‘bullet’ summary:

- **Iran** – This conflict is likely to escalate over the next eighteen months irrespective of military strikes. “The ability to get the international community to accept measures that could compel a change in Iranian behavior, like an embargo, for example, is negligent.” It is only three to five years before the Iranians finalize their nuclear program to the ‘weapon stage’. “There’s a 60% chance of military strikes happening by the end of the third quarter of 2008”. If the U.S. goes the “North Korean route”, where the issue is kicked down the road – there will be continued conflict in the Middle East.

- **China** – Investors should watch for a deteriorating relationship between the U.S. and China ahead of the 2008 U.S. presidential elections. “Anything negative vis-à-vis China has enormous potential Impact on the global markets”. Congress will play an increasingly influential role with the likelihood of increased protectionism. They will be moved in this policy-direction by labor unions and those American-based multinationals that find their ability to operate in China constrained.

- **Russia** – “Russia has a long-term structural problem: the worst demographic environment of any major emerging market – life expectancy is low and birth rates are abysmal. Russian President Vladimir Putin does everything possible to maximize his consolidation of power and authority within the Russian political system”. This leadership ‘dynamic’ may not have a negative impact on the Russian market in the next few years – but if it remains in place over the longer term it will have a severe debilitating effect – there are already concerns of the negative implication for Russian oil production. The ‘oligarchs’ involved in the exploitation of the energy resources, “are trying to make relatively fast cash and think about their exit strategies”.

- **Iraq** – There will be a draw down in U.S. forces to 50,000 to 75,000 troops – in order to continue to contain al Qaeda, maintain border security and protect critical infrastructure. “The U.S. is still going to be trying to ensure that this country doesn’t completely fall apart or metastasize into broader conflict throughout the region”. Northern Iraq will remain a strong economic story – Turkey is more interested in doing business in this part of the world rather than invading it. “The Turkish government will move toward accepting an independent Kurdish state. But not next year.”

<http://www.eurasiagroup.net/about/>

## **OPEN SOURCE INTELLIGENCE**

### **FOLIO – ECONOMIC & INDUSTRIAL INTELLIGENCE**

#### **Economic Intelligence**

Economic intelligence deals with 'macro-economic' information that is collected to supplement political and military intelligence. Mr. Sherman Kent, the former chief of the Office of National Estimates of the Central Intelligence Agency ("CIA"), in a dated definition, described economic intelligence in *Strategic Intelligence for American World Policy* as:

"Monitoring for new crops and the development of new methods of agriculture, changes in farm machinery, land use, fertilizers, reclamation projects, and so on. It must follow the discovery of new industrial processes, the emergence of new industries, and the drilling of new mines."

The book was published circa 1950 and since then the platform for information acquisition has been expanded into many other economic domains and seen the application of advanced computer systems in the collection, collation and dissemination of information.

Since its founding the CIA has routinely monitored world oil production, key crops, foreign economic policies and world trade developments. France, Israel, Russia and China have made economic espionage a top priority of their foreign intelligence services. It is estimated that about 90 percent of the information produced by intelligence agencies can be found in public sources – which has placed tremendous emphasis on the development of Open Source Intelligence ("OSINT") programs and platforms.

Economic intelligence involves the analysis of the 'macro-economic' information that is available on a nation's banking and financial system and key industrial sectors. A prime example is United States debt, which has become increasingly concentrated in China. China's share of total foreign holdings of United States debt is approximately 10 percent. These growing Chinese inflows have offset the substantial United States current account deficit.

The role of Economic Intelligence is to ascertain China's future policy vis-à-vis its U.S. dollar holdings. It recently unveiled a new state agency, whose mandate is to earn higher returns on its foreign reserves. This could lead to diversification away from United States treasury debt – which would increase yields if it sold its U.S. treasury notes and bonds. The situation is very complex but clearly the United States vulnerability to China's potential influence in its capital markets is significant.

#### **Industrial Intelligence**

Industrial intelligence deals with the collection of 'micro-economic' information usually through illegal means – the collection of 'hard core' information on industrial processes is seldom 'Open Source'. France, Israel, and Japan run major intelligence-gathering operations against U.S. industries. Norman Polmar and Thomas Allen make the following statements in their book, *Spy Book – The Encyclopedia Of Espionage*:

"The CIA estimated in 1987 that 80 percent of Japan's intelligence resources are directed toward U.S. industry. The FBI reported in 1992 that French intelligence was "operating against" IBM and Texas Instruments. In 1992 Recon/Optical, a suburban Chicago military contractor accused Israel of trying to steal plans for an airborne spy camera. The Israelis settled the case out of court, reputedly for \$3 million in damages."

In 1995 a law was passed that requires the United States President to report to Congress on any foreign industrial espionage that has U.S. industry as its target. The law defined foreign industrial espionage as, "Industrial espionage conducted by a foreign government or by a foreign company with direct assistance of a foreign government against a private United States company and aimed at obtaining commercial secrets." The National Counterintelligence Center ("NACIC") coordinates what the United States knows about industrial espionage against U.S. firms or technologies.

### A Model

Israel has fewer than seven million citizens, however, it has more companies registered on the Nasdaq stock market than any country except the United States. Its start-ups attracted nearly \$2 billion in venture capital over the past two years. What is not generally known is the role a secretive Israeli military program called *Talpiot*\* has played in this success. Its mission is to train innovative leaders to keep Israel's military in the vanguard of technological development.

Talpiot's roots lie in the 1973 Yom Kippur War, when Syria and Egypt launched surprise attacks on Israel. The conflict reduced confidence in the country's military prowess and Talpiot was created in response. Each year, the program selects the most promising high-school graduates in science and submits them to three years of grueling study, followed by six years of paid service in the military. Instead of serving in combat units, however, Talpiot cadets are assigned the task of enhancing the armed forces effectiveness through technological innovation.

The Talpiot program operates "mostly out of view" on the Hebrew University. The program's officials will not discuss the specific nature of the work done in the military phase and identify cadets only by their first initials. The program accepts 50 students per year and trains them in physics, computers and other sciences. Graduates of the program are referred to as *Talpions*.

The program was designed to provide the Israel Defense Force ("IDF") with a continuing source of technological expertise; however, sources indicate there are less than a dozen Talpions currently in the senior ranks of the IDF. Talpions' pursuits began to change in the 1990s, as the global tech boom started and Israel established tax incentives to foster a local venture-capital industry. Many Talpions, after finishing their compulsory military service, entered the high-tech industry and many graduates work around the world. This "legion" of entrepreneurs has turned Israel into a technological juggernaut.

The July 6th issue of *the Wall Street Journal* carried an article discussing the Talpiot program and the current debate concerning its end result. Critics of the program suggest it is "state money" creating affluence for graduates – as they follow career opportunities in the private sector – whereas the original program was designed to provide the IDF with a technologically enlightened senior leadership.

*[The article described one graduate, operating a company in California's Silicon Valley, and "specializing in security equipment, encryption software, communications and high-end Internet hardware". The Editors could not help evoking the OSINT 'Law of Conspicuous Inconspicuousness' – "Sometimes what the enemy is not doing – forewarns as to what the enemy is about to do!" It is very interesting to study the framework of the debate (the spin) currently focused on the Talpiot program – however, one of the unintentional end results, in addition to the high-tech juggernaut, is an unofficial network that possesses some of the world's foremost technological knowledge and insight. It is potentially one of the most effective industrial espionage networks in existence today – 'excellence of trade craft' has always been associated with MOSSAD.]*

***The July issue of the Diary, in particular the Open Source Intelligence section, is devoted almost exclusively to economic and industrial intelligence. We hope it provides some insights into this least publicized domain in the world of intelligence. During the past several years the United States and its western allies have been focused tactically on defeating the terrorist threat through military deployments primarily in the Middle East. The White House's foreign policy has also been focused on the nuclear threats posed by North Korea and Iran.***

***Over this period of time Vladimir Putin and his Kremlin 'elite' have skillfully consolidated power and China has taken significant advantage of its lower currency to enhance its influence on the international stage. These two major adversaries of the United States have chosen the economic battlefield to advance their interests. The Diary has commented substantially on these developments over the course of its approximate five years of publication. The war on the economic front has not yet been lost – however, the economic dominance of Western interests has diminished significantly and this diminution, if left unchecked, could lead to the evolution of a new world order.***

## **CONTEMPORARY WARFARE**

### **Chinese Military Power**

The "Annual Report to Congress: Military Power of the Peoples Republic of China 2007" is available on the Federation of American Scientists website (<http://fas.org/nuke/guide/china/dod-2007.pdf>) and makes for extremely interesting reading. The Executive Summary outlines the principle points contained within this document:

"China's rapid rise as a regional political and economic power with global aspirations is an important element of today's strategic environment – one that has significant implications for the region and the world. The United States welcomes the rise of a peaceful and prosperous China, and it encourages China to participate as a responsible international stakeholder by taking on a greater share of responsibility for the health and success of the global system. However, much uncertainty surrounds the future course China's leaders will set for their country, including in the area of China's expanding military power and how that power might be used.

The People's Liberation Army (PLA) is pursuing comprehensive transformation from a mass army designed for protracted wars of attrition on its territory to one capable of fighting and winning short-duration, high intensity conflicts against high-tech adversaries – which China refers to as "local wars under conditions of informatization." China's ability to sustain military power at a distance, at present, remains limited but, as noted in the 2006 *Quadrennial Defense Review Report*, it "has the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional U.S. military advantages."

China's near-term focus on preparing for military contingencies in the Taiwan Strait, including the possibility of U.S. intervention, appears to be an important driver of its modernization plans. However, analysis of China's military acquisitions and strategic thinking suggests Beijing is also generating capabilities for other regional contingencies, such as conflict over resources or territory.

The pace and scope of China's military transformation has increased in recent years, fueled by continued high rates of investment in its domestic defense and science and technology industries, acquisition of advanced foreign weapons, and far reaching reforms of the armed forces. The expanding military capabilities of China's armed forces are a major factor in changing East Asian military balances; improvements in China's strategic capabilities have ramifications far beyond the Asia Pacific region.

China's strategic forces modernization is enhancing strategic strike capabilities, as evidenced by the DF-31 intercontinental range ballistic missile, which achieved initial threat availability in 2006. China's counter space program – punctuated by the January 2007 successful test of a direct-ascent, anti-satellite weapon – poses dangers to human space flight and puts at risk the assets of all space faring nations. China's continued pursuit of area denial and anti-access strategies is expanding from the traditional land, air, and sea dimensions of the modern battlefield to include space and cyber-space.

The outside world has limited knowledge of the motivations, decision-making, and key capabilities supporting China's military modernization. China's leaders have yet to explain adequately the purposes or desired endstates of the PLA's expanding military capabilities. China's actions in certain areas increasingly appear inconsistent with its declaratory policies. Actual Chinese defense expenditures remain far above officially disclosed figures. This lack of transparency in China's military affairs will naturally and understandably prompt international responses that hedge against the unknown."

### **Education of Military Professionals**

General David H. Petraeus, currently commander of Multi-National Force-Iraq, in "Warrior Wisdom: Beyond the Cloister," suggests six reasons why graduate studies are important to serving officers.

This article is contained in *The American Interest* (July/August 2007) (<http://www.the-american-interest.com/ai2/article.cfm?id=290&MId=14>). This argument is condensed as follows:

1. Takes military officers out of their intellectual comfort zones.
2. Provides exposure to diverse and divergent views.
3. Provides specific skills and knowledge on which an officer may draw during his or her career.
4. Assists officers to develop and refine their communications skills.
5. Contributes to critical thinking skills
6. Imparts a degree of intellectual humility.

While this reduced list succinctly provides the gist of the discussion the nuances are best captured by a reading of the complete piece.

The July edition of the Australian Land Warfare Studies Centre Senior Officers Professional Digest ([http://www.defence.gov.au/army/lwsc/Publications/SOPD/SOPD\\_51.pdf](http://www.defence.gov.au/army/lwsc/Publications/SOPD/SOPD_51.pdf)), which is a compilation of article summaries relevant to senior military professionals, contains a comparison of this article with that of a countering point of view from Ralph Peters, entitled "Learning to Lose."

### **Intelligence Infrastructure Reform**

In "Overhauling Intelligence" from the latest edition of *Foreign Affairs* (July/August 2007) (<http://www.foreignaffairs.org/20070701faessay86404/mike-mcconnell/overhauling-intelligence.html>) the Director of National Intelligence of the United States, Mike McConnell outlines current efforts to reform intelligence gathering. It outlines the history of the American intelligence infrastructure over the last six decades created and maintained in the context of the Cold War and discusses post 9/11 initiatives to reform this system to better function in the post-modern international environment. McConnell discusses in particular the initiatives being undertaken by his office to "better shield the United States from the new threats it faces." This article concludes with:

"Although the United States is improving the nuts and bolts of its intelligence system, it must not lose sight of the strategic conditions that will determine the ultimate success of those efforts. The United States must comprehend the profound threats of the times and position its institutions to meet those challenges. The intelligence community understands the threats posed by terrorists inside and outside the United States, nuclear proliferators, and rogue and failed states. Now, it must set its priorities to meet these threats.

If the efforts to improve the intelligence community are to endure, they will need sustained support from the executive branch, Congress, and the American people. It will take years to fully clarify and coordinate the DNI's responsibilities and powers, transform the collection and analysis of intelligence, accelerate information sharing, change institutional cultures, build high-tech capabilities, and boost the acquisition of new technologies. And it will take the patience of the American people and their willingness to lend their talent and expertise to the intelligence community."

### **Private Security Contractors in Iraq**

The extensive reliance by the United States government on private security contractors to support military forces in Iraq poses numerous policy and legal questions that are explored in a new report (pdf) from the Congressional Research Service released on 5 July. This document (<http://www.fas.org/sqp/crs/natsec/RL32419.pdf>) suggests:

“The use of armed contractors raises several concerns for many Members, including transparency and accountability,” the report begins. “Transparency issues include the lack of public information on the terms of their contracts, including their costs and the standards governing their hiring and performance, as well as the background and training of those hired under contract.”

“The apparent lack of a practical means to hold contractors accountable under U.S. law for abuses and other transgressions, and the possibility that they could be prosecuted by foreign courts, is also a source of concern.”

“Contractors working with the U.S. military (or with any of the coalition forces) in Iraq are non-combatants who have no combat immunity under international law if they engage in hostilities, and whose conduct may be attributable to the United States.”

“This report summarizes what is currently known about companies that provide personnel for security missions in Iraq and some sources of controversy surrounding them.”

A copy of the report was obtained by *Secrecy News*.

See “Private Security Contractors in Iraq: Background, Legal Status, and Other Issues,” (<http://www.fas.org/sqp/crs/natsec/RL32419.pdf>) updated June 21, 2007.

The *Los Angeles Times* reported on 4 July (<http://www.latimes.com/news/nationworld/world/la-na-private4jul04,0,5808980.story>) that “The number of U.S.-paid private contractors in Iraq now exceeds that of American combat troops... More than 180,000 civilians – including Americans, foreigners and Iraqis – are working in Iraq under U.S. contracts, according to State and Defense department figures obtained by the Los Angeles Times.”

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