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# Rumania Reaps Rewards of Hi-tech Thefts

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One of the most astonishing failures of communism is the regularity with which its political triumph has produced economic ruin. Whether in transforming Russia from the world's greatest grain exporter at the time of the revolution to the world's greatest grain importer today, or in Ethiopia, where the intensity of the famine has stirred the pity of the entire Western world, communism has invariably destroyed the national economy wherever it has come to power. And when the traditional economic institutions of the society prove unable to rescue the country, the Communist leaders invariably turn to the secret services to balance the budget, or at least to distract the people from the economic failures.

After their seizure of power, Communist regimes have always consolidated their conquests through the institutionalized terror of their security forces. During the nationalization of the economies of Eastern Europe, the security forces destroyed millions of members of the "bourgeoisie."

In the 1950s, for example, Rumania's Communist party was able to nationalize the agricultural land and collectivize the agricultural system by using its recently created security forces to arrest some 50,000 peasants and sending them to concentration camps.

Today, there are 900,000 KGB officers in the Soviet Union, along with 500,000 border guards and 550,000 militiamen, which brings their total to one security officer for every 14 citizens, a ratio unmatched in any Western prison, and barely worse than the 16-to-1 ratio in the other Warsaw Pact countries.

The security forces serve other functions, of course, and when the bankrupt Eastern European countries became unable to repay their huge foreign debts in the mid-'70s, the security forces were ordered to perform this mission.

The secret intelligence services of Eastern Europe were ordered to increase the level of technological espionage and to reduce the quantity of imports from the West. They were also

told to use corruption, smuggle drugs and arms, blackmail emigres in the West, and even traffic in human beings in order to produce hard currency. The Rumanian service, the CIE, was instructed to raise at least 10 per cent of the Rumanian annual payment due to the West.

## Espionage Against the West

Since the early days of East European communism, technological espionage has been one of the most important dollar-makers and money savers, to the point where in Warsaw Pact countries foreign trade is subordinated to the goals of technological espionage. As of 1978, more than 60 per cent of Warsaw Pact countries' commercial representatives abroad were intelligence officers, and the rest, with a few insignificant exceptions, were agents.

Of the Rumanian trade personnel abroad, 70 per cent were intelligence officers, and 38 of the 41 heads of Rumanian foreign trade enterprises were intelligence officers or agents. About 85 to 90 per cent of the engineers, med-

ical doctors, economists and teachers sent abroad by the Warsaw Pact countries under bilateral agreements are intelligence agents. Every cooperative or joint venture with Western companies is intensively used to infiltrate to the West numerous intelligence officers and agents, for the purpose of illegally obtaining new technology.

Throughout the Warsaw Pact countries, there are numerous secret "technological cities" for nuclear power, electronics, chemistry, etc., where Western technology obtained illegally is used to develop Soviet science and industry. In the Soviet Union alone, there are more than 20,000 KGB engineers and other highly qualified technicians engaged in secretly transforming the results of technological espionage into Soviet military and industrial power—and into hard currency as well.

Technological espionage pays huge dividends to the Soviet bloc. In 1978 the Rumanian government reviewed the results of a decade of illegal activity, and found that the product was impressive indeed: over 35 per cent of the inventory and development of the nation's industry was due at least in part to espionage.

Chemical plants for producing polystyrene, polyurethane, synthetic leather, melamine, dyes, explosives, radial tires and photosensitive materials were built in all regions of the country.

Numerous new medical and pharmaceutical plants were followed by an impressive number of new metallurgical installations for high-alloy steel, metallic carbides and non-metallic alloys as well as modern steel mills and rolling mills, and a brand-new aluminum industry. New digital machine tools, light alloy engines and new diesel engines were other results of intelligence operations.

The nuclear industry reported that it had received enough information to

build an industrial heavy water installation and 30 per cent of the components of its nuclear reactors.

The government estimated that for the decade under review, Rumania had saved between \$600 and \$800 million by replacing legal (but expensive) imports with illegal (but cheap) intelligence products. And if this seems like an enormous figure to you, please consider that I knew from first-hand experience that Rumania lagged far behind some of the other bloc countries, such as East Germany, Czechoslovakia, Poland and Hungary. On my last trip to Moscow the then-chief of Soviet foreign intelligence described the growing Communist technological espionage campaign to me as "one of the most productive and prosperous businesses in history."

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### **Influence Operations**

Influence activity has been a significant part of Communist foreign intelligence from the beginning. It was originally aimed at gaining political and economic advantages, at penetrating Third World governments and turning them into political allies, at transforming emigres into political supporters, at swaying the media, and in general at gaining prestige.

At the time of the Communist hard currency crisis, "distinguished" agents of influence started to be used for obtaining low-interest credits and other financial advantages, increasing ex-

ports from Communist countries, and acquiring Third World markets. Their major task became economic and financial influence.

**Although lagging behind other Warsaw Pact members in this area, Rumanian influence operations nevertheless have achieved some remarkable results.**

One salient case was that of the brother of the shah of Iran. Originally recruited by the CIE to promote improved bilateral relations between the two countries, he enabled Rumania to win bids for contracts to sell and manufacture tractors, locomotives, train wagons and geological research equipment. The "sealed" bids from the other foreign competitors were simply made available to the CIE, secretly opened and photographed. The Rumanian bids therefore came in at slightly below the level of the others, and Rumanian companies were able to outbid American and West German corporations for the right to build tractor, train and other assembly lines in Iran, even though the products were technically inferior.

The agent of influence in this case received a commission of 10 per cent of the value of every Rumanian product assembled in Iran. These millions of dollars were usually paid in cash, either into the hands of the shah's brother, or into secret Swiss bank accounts. In addition to this handsome fee, when the Iranian government supported Rumania with hundreds of millions of dollars worth of long-term, low-interest loans, an additional 2 per cent interest was paid into the same Swiss accounts.

Iran was only one of many countries where Rumania recruited very high-ranking officials to help balance the cash flow problems of the nation; in Syria, Rifaat Assad, the once-powerful brother of President Hafez al-Assad, was recruited for political influence and

started to function as a back channel for political communications. But Rifaat soon began to work with Rumania to arrange for lucrative export deals to Syria, which added significant amounts of cash to both the account of the Rumanian government and his personal Swiss accounts.

In the Central Africa Republic, the infamous President Jean Bedel Bokassa was recruited after a trip to Bucharest where he "fell in love" with a winsome Rumanian doctor, of course a security agent. The doctor was sent off to Africa with a special Rumanian airplane and became his "unofficial wife," and Bokassa secretly accepted 10 per cent of the Rumanian profits from having provided preferential terrains for diamond mining.

These are only a few examples of the small armies of high-ranking foreign officials recruited as agents of influence and used to help balance the problems of a bankrupt economy. The success of political corruption, and not only in the Third World, made influence operations an ever more significant source of

financial profit for Communist countries.

### **Selling Bodies**

One of the more profitable enterprises for the CIE was the sale of people as an export commodity. This odious practice began in the early 1960s, when two men made a secret agreement for the sale of Rumanian Jews. The first was a Rumanian intelligence officer named Gheorghe Marcu; the other was an Israeli intelligence representative, H. Jacober, a British citizen who was replaced after his death by an Israeli who represented himself as a deputy director of intelligence and called himself Yitzhak Yesahanu.

The Israelis paid thousands of dollars for each Rumanian Jew granted an exit visa, and over the years many hundreds of millions of dollars were paid to Rumania, along with low-interest Israeli credits issued through the CIE as bonuses for increasing the emigration quotas. For reasons of secrecy most of the payments were made in cash, but when large amounts were involved the money was transferred through West German or Swiss banks.

A sale of ethnic Germans was similarly arranged, based on a personal agreement between the same Marcu and a personal representative of Hans-Dietrich Genscher, then the West German interior minister. As in the Israeli case, suitcases full of money were transported monthly to Bucharest via the official airline TAROM, and special low-interest credits were issued to stimulate Rumanian enthusiasm for the emigration of ethnic Germans to their native land.

Only a very few people in the CIE knew about these operations, which were personally directed by President Nicolae Ceausescu. No other member of the Rumanian government knew anything except the prime minister, who was only informed about them in a general way. Any suggestion that the East European countries were selling Jews and Germans was vehemently denied by the Rumanian government, along with the other East European regimes that engaged in the same practices.

Because of his position, Pacea was in the middle of this monstrous trade from the outset. For almost 15 years, Pacea witnessed Rumanian Jews and Germans bartered behind the political scenes, Helsinki accords and propaganda notwithstanding. The Rumanians and other Warsaw Pact countries were only interested in squeezing out more money, charging extra for emigres with better education or with relatives remaining in Rumania, or for any other pretext.

In fact, for President Ceausescu the Rumanian Jews and Germans are neither a political nor a humanitarian problem, contrary to his constant propaganda. For him, they are a source of money, pure and simple. Since 1972 all the money from these operations has been deposited only in his personal accounts, some in the Rumanian Foreign Trade Bank, and some in Switzerland.

### **Inheritance Operations**

When, as a young chemical engineer, Pacea was assigned to the security forces instead of the laboratory he had always dreamt of working in, "inheritance" was one of the first code names he heard from the Soviet advisers.

In Eastern Europe, emigres were considered subject to the same rules as citizens on the Soviet side of the Iron Curtain, and the intelligence services were put to work: emigres were contacted by intelligence agents and induced—sometimes by charm, sometimes by threats—to leave their assets to their relatives back home, or to Rumanian churches, schools or other institutions. After their death everything was immediately sold, and the money was transferred to the Rumanian government, with a small percentage (in Communist currency!) going to the relatives of the deceased.

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Not one penny ever arrived in the institutions to which the inheritance was nominally bequeathed. If cooperative relatives could not be found, they were simply invented. Gravestones and fictitious children or nephews were created for the occasion. All of these techniques were passed on by the KGB to its sister services.

Despite some minor variations and subtleties from one bloc country to another, "inheritance operations" are nothing but cases of extortion. The most lucrative case Pacea remembers was that of "Dogaru," a Rumanian diplomat in Holland who died shortly after the Second World War. He had left a valuable collection of antiques and historical documents in a safe deposit vault in The Hague, with a will leaving it all to his son, and then only if the son could take possession in the Netherlands.

The son was recruited by the CIE and sent to Holland (his wife and child were of course kept under CIE custody). The goods were transported to a safe warehouse in Bucharest, where they were found to include paintings by Titian and Tintoretto, and the inheritance was judged to have a value of at least \$600,000 (in the 1950s; today it would be worth several millions). The son got \$3,000 (.5% of the value) in Rumanian currency and was reimbursed for his travel expenses.

Learning from Yugoslavia and Hungary, in the 1970s the CIE started to hunt out retired emigres and lure them back to Rumania. Persuaded by an attractive exchange rate for their pensions and carefully compiled photo albums about life in their native country, some went back to die where they had been born and arranged for the pensions to be sent to the Rumanian Bank of Foreign Trade. With very rare exceptions, the returning emigres never saw foreign currency again, only Rumanian lei.

If someone got tired of living in Rumania and longed to have his basic human rights back again, he met with polite refusals for an exit visa. Quite a few who had no relatives were kept "alive" after death, in order for them to continue to receive their pensions. Behind closed doors, President Ceausescu used to say cynically, "we cannot

nationalize the assets belonging to Rumanian emigres, we cannot take over their properties... but we should find ways to make them pay for that."

### Smuggling

Political smuggling has long been a Communist specialty. Communism smuggled arms and ideology, and it organizes illegal operations and revolutions wherever and whenever it can. But in 1970 Pacea was a member of a delegation that visited Cuba, and there for the first time he saw government smuggling conducted solely to raise money for the regime.

One afternoon, Raul Castro, in his capacity as overall chief of the military and security forces, took Pacea and others on a "secret visit" to the technical facilities of the DGI, the Cuban intelligence service. Everything was KGB-style, and therefore quite familiar to him, with the exception of a large leather, vinyl and nylon luggage factory working 24 hours a day and manufacturing more than a thousand different models of suitcase per day. Every piece was specially designed with a double bottom for the secret transportation of goods or money.

Raul explained that the suitcases were just one way of secretly transporting arms and propaganda materials "to America, Asia and Africa" in their export of revolution. According to him, they had recently been used primarily to produce large amounts of foreign currency, through the widescale export of drugs to the United States and to some West European countries.

When Rumania's desperate need for foreign currency could no longer be satisfied through technological espionage, influence operations and trafficking in people, the Rumanian president remembered the Cuban way. He ordered the CIE to learn more about smuggling, especially from the Soviet KGB as well as from the Bulgarian, Hungarian and Yugoslav services, and as the CIE's deputy chief, Pacea participated in many of these discussions.

Basically it turned out that these intelligence services had actually taken over the most important national transportation organizations, such as the airlines, maritime companies and highway and railway organizations, appointing undercover officers to the most important positions and starting to use these organizations for illegal traffic, under the protection of international laws. It also turned out that numerous international terrorists and smugglers had been granted asylum in these Communist countries and were

being used to make contact with the international illegal market. The goods being smuggled were above all arms and drugs, but cigarettes, liquor and other highly taxed products were also moved.

The intelligence services credited smuggling with producing a sizable portion of their national incomes. Based on their experience, in 1973 the CIE took over ROMTRANS (transportation for foreign trade enterprises), and within less than two years most of the drivers of the Rumanian TIR trucks had become undercover intelligence officers trained in clandestine transportation of goods. The airline TAROM and the maritime chartering agency NAVLOMAR came under CIE control, with undercover officers in the most important positions at home and abroad.

The CIE resident chief in Turkey was appointed general director of Rumanian customs, in order to be able to coordinate all these smuggling operations. Some of the foreign criminals who had been used by the CIE for assassination and other terrorist actions abroad, who were hiding in Bucharest to avoid capture by Interpol or the Western police, were formed into a secret "contraband" section of the CIE.

These jointly inspired measures opened a new CIE era, both for smuggling high-technological commercial and military equipment into Rumania from the West, and for sending drugs and arms there. Secret, unwritten agreements with the Bulgarian, Hungarian and Yugoslav intelligence services opened the way for massive smuggling operations, run into the Middle East and into the Western Hemisphere.

American cigarettes produced in Yugoslavia and Scotch whiskey produced under license in Bulgaria or illegally in Rumania started to be secretly exported and sold to international smugglers. Unmarked or falsely marked crates containing arms without serial numbers or other generic markings were sent on open Black Sea waters, air-freighted to Lebanon, and transported by ships or TIR trucks to Western countries. And then, in 1977, President Ceausescu secretly ordered that the whole great quantity of drugs that had been confiscated over the years should be exchanged for money.

In 1977 and 1978 alone, the CIE sold Western smugglers more than 200 pounds of drugs. The Rumanian president quickly discovered that cigarettes and whiskey were child's play compared to the money that could be made in the drug business.

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### Recent Events

This set the pattern for the future, as the economic crisis of the Soviet bloc intensified in the late '70s and early '80s. Shortly before Pacepa's defection in 1978, the CIE quota for producing dollars was increased from 10 to 20 per cent of the annual Rumanian debt payment, and making money became the CIE's major objective.

Scientific and technological espionage received more manpower than ever before, together with orders to intensify to the utmost the theft of Western technology to replace expensive imports. Unlimited quantities of arms were made available to promote their illegal export.

The words "drug trafficking" were never pronounced, but the code name for this activity became a terror: more, and more, and more "Sauerstoff" was demanded. This is the German word for oxygen, and drugs, like oxygen, seemed to come from all directions, without having to be produced. Producing dollars exceeded all other CIE activities, including political and military espionage. It had become clear to Ceausescu that economic disaster was much more threatening than NATO's military forces.

It is easy to see that this situation can only have intensified in the years since Pacepa's defection. The Rumanian foreign debt has surpassed \$10 billion, causing impossible payments of \$2.3 billion in 1981 and 1982, and an expensive rescheduling of the 1983 debt payment.

This crisis is not limited to Rumania alone, for many Warsaw Pact countries face similar burdens, and they have reacted to it in the same manner: with the failure of their economic systems, they have become criminal nations, trying to raise the necessary funds through illegal means on a global scale.

At a recent Congress of the Rumanian Communist party in Bucharest, the economy was one of the most important subjects under discussion. Everything from long-term economic plans to ways to save toilet paper were discussed, but there was no word about these secret and disreputable ways of producing a significant part of the national income. Sooner or later they will become well-known and condemned.

Secretary of State George Shultz recently said that "the complicity of Communist governments in the drug trade is cause for grave concern among the nations of the free world." What he may not realize is that the massive involvement of these governments in drug trafficking is the direct result of the failure of the Communist economic system, and that the Communist nations are trying to solve their problems by stealing from us, and by sending us a flood of drugs and arms. In this way, we are all paying a price for the failure of communism. ■

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*Mr. Pacepa, former deputy director of the Rumanian secret intelligence service, defected to the West in 1978. He is the highest ranking Soviet bloc intelligence official ever to defect to the West. Mr. Ledeen is senior fellow in international affairs at the Georgetown University Center for Strategic and International Studies in Washington, D.C.*