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REVIEW ARTICLE

THE ECONOMIC INTELLIGENCE IN FRANCE

***Gagliano Giuseppe**

President of the De Cristoforis Strategic Studies Center (Italy)

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ABSTRACT

This article deals with the cultural development and general perception of the concept of "intelligence" and "economic intelligence" in France. After the Cold War, finance and markets assumed a greater importance in determining the relations between countries; however, it took a long time for the French elite to be convinced of the existence of "economic warfare" and to define a culture of its own in the field of intelligence. Still, when all the international analyses were strongly related to the Cold War ideology and talking about economic warfare seemed like an abuse of language, C. Harbulot and P. Baumard urged the need to reconsider intelligence activities and to apply them in the national economy, overcoming the negative connotation that "renseignement" had. Researching, processing and spreading any piece of information that can be considered strategic is the only formula we can rely on in order to face the last challenges posed by globalization. Between 1992 and 1994, the expression "economic intelligence" officially entered the French public debate on national competitiveness, together with the request for public intervention in the national economy. Harbulot and Baumard kept recommending the systematic search and interpretation of the information available to everyone, showing a new way to interpret the markets. The new approach is different from traditional intelligence by the nature of its field of application (open information); the nature of its actors (inserted in a collective information culture context), and its cultural specificities (each nation's economy generates its own specific model of economic intelligence).

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INTRODUCTION

The tensions underlying international exchange are indicative of the importance of cultural factors in economic warfare and oblige companies to be aware of the scientific progress if they intend to continue developing. It took France a long time to define a culture of its own in the field of intelligence, and until the previous century, the French word *renseignement* had a negative connotation. The political elite considered this activity to be degrading and comparable to dirty police work. The French government felt the need to launch certain reforms in both its external and internal services only after the First Gulf War, thanks also to constructive political consensus. This reform process focused on security that did not give due consideration to the decisive role that finance and markets have come to assume today in determining a people's and a nation's future, in an offensive context in which Western countries are not the only protagonists. The main concerns of the French political elite regarded the use of *renseignement* in increasing the nation's power and the ways that the offensive practices, typical of the information warfare, could be used while maintaining respect for the rules of democracy. The

management of conflicts linked to information has now become more complex due to the lack of strategies capable of managing and controlling virtual markets, the immaterial world represented by Internet, and the presence of new weapons capable of influencing public opinion. With his interdisciplinary point of view, Christian Harbulot offers a reflection to understand the nature of the relations of power existing between national economies by juxtaposing strictly economic factors with historical, geopolitical, or cultural factors that affect economic warfare. The reason why the elite were so unable to formulate a clear doctrine in this regard is perhaps due to previous historical factors. For three times in little less than a century – in 1815 with the succession of King Louis the 18th to Napoleon, in 1870, with the support of Bismarck against the Paris Commune, and in 1940, with the collaboration between Pétain and Nazi Germany – a national force interested in taking power created an alliance with a country that had defeated France on the military level. This contributed to the beginning of a certain wariness in public opinion of patriotism, which became devoid of substance when the enemy was presented as an indispensable ally. The Colonial Wars and the Cold War, with their ideological view of power as an act of domination and the substitution of national idealism by solidarity for struggling peoples, reduced the dimensions of patriotism to a minimum. The Cold War

***Corresponding author: Gagliano Giuseppe,**
President of the De Cristoforis Strategic Studies Center (Italy)

imposed ideology as the dominant key to the reading of events and the unity of the Western world assumed top priority against the threat from the Soviets, thus re-dimensioning the balance of power between the economies of the Western nations.

Only the arrival of General De Gaulle at the head of the fifth Republic produced an attempt at redefining the challenge posed by relations based on power in an economic perspective. General De Gaulle tried to ensure a homogenous approach to the strategy of power and a better positioning of France on the international scene in 1958, but encountered great difficulty in having this approach accepted by civil society. He proposed an alternative to the Cold War based on an equilibrium between East and West and a conciliation between the world's North and South, but this attempt at compromise failed, due to the lack of international support (the United States opposed this pursuit of strategic autonomy) and also the scarce interest shown by the French elite. De Gaulle had a wide and articulated vision of France's power also on the economic level, with its positive foreign trade balance; on the military level, with the advantages derived from the growth of its power; on the diplomatic level, with a permanent seat on the UN Security Council. The main concern in managing the territory was the modernization of the infrastructure to attract foreign investment. This one-way vision did not permit the assessment of the intentions of these foreign investors or the drawing of a balance of failures or unfair business practices. If the existence of the USSR served the purpose of uniting the Western world, its demise as an ideological empire and potential nemesis restored the previous relations of power between nations – in other words, the pursuit of supremacy over markets and resources and the creation of long-lasting relationships of dependence. The evolution of the international situation continued demonstrating the exacerbation of the balance of economic power between the dominant nations on the international scene and in the areas contested for energy and mining resources. After De Gaulle, no reflection on the growth of power ever completed the defensive approach conceived in the wake of the Second World War.

History shows, however, that up until the Restoration, the elite had had a clear perception of the contribution made by the economy in the growth of a nation's power, the symbol of which was the model of development based on trade adopted by the United Kingdom. The clarity of French vision about the reality of the relationships between economic forces faded after 1815 when the resistance structure applied by Napoleon to contrast Britain's commercial offensive was dismantled. London's strategy of influence based on the propaganda of free trade bore fruits with the rise to power of the future Napoleon the 3rd: he would sign the free trade agreement with England in 1860 despite opposition from French industrialists. Liberalism as the fundamental basis of the market economy came to replace a realistic vision of the balance of economic power for nearly a century afterwards. This tendency for the conceptualization of economic warfare during peacetime has legitimized the numerous works created since 1997 by the Paris School of Economic War. Furthermore, by the end of 1988, the continuing lack of competence in the matter of France led Thierry Gaudin, Director of the Ministry of Research's Prospects and Evaluation (CPE) and Jean-Pierre Quignaux, Secretary General of the Association for the Diffusion of Technological Information (ADITECH) to fund a study on economic warfare at a time when the international

economic situation fully warranted its legitimacy. Harbulot decided to publish *Techniques offensives et guerre économique* for the first time at the end of 1988, when all the international analyses existed in the conceptual shelter of the Berlin Wall, and talking about economic warfare seemed like an abuse of language. The Wall that had delayed the spread of new technology in the industrial fabric succeeded in disguising the history of certain peoples, the rootedness of their cultures and their national peculiarities for more than thirty years. With the fall of the Berlin Wall, the binocular vision of our world was abruptly clouded over. Its geopolitics and the analysis of its economic clashes had to be reconsidered, and it is from this point of view that the retrospective assessment of Christian Harbulot assumes particular significance, with its emphasis on the need for a resumption of research in this field in order to evaluate the consequences of current events and permit a reading of the future sufficient to prevent certain events from occurring. Harbulot urges to become aware of the threat: in the international market, with competition in every direction, no one can afford the luxury of fighting a war of reaction. Yet even in France, Harbulot claims, a certain desire for non-aggressive competition still prevails that is certainly not favorable in terms of competitiveness or creating jobs, due also to the mostly verbal and improvised ways in which awareness of economic warfare is transmitted.

The globalization of exchange is changing the very nature of economic warfare. This new state of affairs gives *intelligence culture* an extraordinary strategic importance, even more so in light of the fact that information is a capital with a long-term return. In addition to being a production factor, it is also an offensive and dissuasive weapon, and the absence of information engineering has become a strategic problem at the level of SMI. Even if, as Harbulot explained, this weakness in regard to foreign competition is not necessarily synonymous with defeat, the French companies' ability to take action remained insufficient for a long time. The opening of national markets to foreign exchange has multiplied the difficulty in interpreting phenomena related to competitors and competitiveness. Faced with this revolution in the world market, the approach adopted by French companies remains one of merely "sailing by sight" that has no place in a dynamic national industrial policy. Active economic aggression measures are a source of concern primarily for the strategic sectors of armament or atomic energy, whereas most other economic actors perceive this type of risk too passively.

Proposals for action in the Martre report: the third way for French industrial policy

The expression "economic intelligence" officially entered the public debate on national competitiveness together with the request for public intervention in regard between 1992 and 1994. Merit must go to Jean-Louis Levet, Chief of the technological and industrial development service at the Plan's General Commissariat since 1992 for the possibility to transform the thoughts of Harbulot and Baumard into an official Report. He was convinced on one hand of the need for a radical review of the relationship between the State and industry allowing to seize the new opportunities offered by technological evolution and globalization and on the other of the need for France to implement a new policy of offensive competition on three fronts: the use of natural resources; the use of new strategies for new forms of protectionism, and new

ways for the State to intervene in the economy, all of which in the context of a concerted long-term strategy.

Harbulot and Baumard defined the issues to be addressed:

- Reflections on the way to encourage economic intelligence at company level;
- The study of foreign economic intelligence systems;
- The development of written knowledge on economic intelligence;
- The development of educational content addressed to higher level university professors and the encouragement of the sharing of experiences between operators in the sector;
- Lastly, the launching of a national reflection by public administrations utilizing governmental economic intelligence measures.

The collaboration between Harbulot and Baumard resulted in a joint effort in defining the major working areas for the Plan's work group, with an objective of methodological nature, namely, uniting the disciplines of information engineering and political nature, or in other words, remedying the absence of a French economic intelligence structure. Furthermore, the integration of Harbulot into the Plan's various work groups enabled the reinforcement of ADITECH, which if up until then had been a mere association, since then became the ADIT (Technological Information Diffusion Agency) through Ministerial Decree in May, 1992, under the control of the Ministry of Foreign Affairs and the Aerospace and Research Ministry. In the context of the Report, under the leadership of Henry Martre, a previous Chief Executive Officer for Armament, a work group specifically dedicated to questions of economic intelligence was set up: Baumard would work with Harbulot, the former on the comparative analysis of the world's economic intelligence systems, the latter on national reflection on the issue. The Report, which was published in 1994 in *La Documentation Française*, documented the degree to which French companies were obliged to operate under increasingly more complex circumstances and unpredictable dynamics that demanded the implementation of economic intelligence systems capable of further developing the strategic management of information, economic potential, and the number of jobs. The Report reiterated the meaning of economic intelligence intended as the coordinated research, processing and distribution of information, which can be useful to economic actors. These actions need to be conducted with guarantees of the protection necessary for the preservation of the nation's business assets in the best conditions of quality, terms, and costs. It was through the work of Harbulot that the term and the definition of economic intelligence first appeared in an official document. The Report clearly shows Harbulot's vision: describing economic intelligence as an activity, not another type of information, involving the leading economic players, the companies. The sources remain open, disproving the argument that paints economic intelligence as being involved in actions at the limits of legality.

However, it is precisely in regard to the greater availability of open sources that certain problems linked to economic intelligence emerge, such as the data distribution and protection: the circulation of data inside the company assumes fundamental importance whenever it transforms into a news leak, a constantly increasing risk in today's ever more interconnected world.

The Report urged the State to take rapid action, and provided four embracing proposals:

- Involving companies in the practise of economic intelligence
- Optimizing the flows of information between the public and private sectors;
- The creation of databases;
- Getting the world of education and training involved.

The Report is permeated with the awareness that the problem is primarily political and that reasoning through the dictates of economic intelligence means changing our ways of perceiving the economy:

“Economic intelligence, together with the intention to impose an enlarged horizon of comprehension including companies, agencies and nations, provides a response to the urgent need of understanding the economy in other terms than those of mere and overly simplistic competitiveness. The question is political and requires the directors of the organizations above to enter into awareness because it regards a view of the economy that is not neutral”.¹

The Report issued by the group led by Henry Martre developed a summary of the thought of C. Harbulot and P. Baumard and provided keys to the comprehension of the world. It gave official form to a particular description of the relations between states on the international panorama in which the latter compete with no legal holds barred: the end justifies the means, and above all else, justifies the marshalling of actions in favour of the economy by intelligence services. Conceived in terms of systems, networks of protagonists, intentions, and influence, and the coordination of decision-making centres, this view gains leverage from the fears derived from the invisibility of the threats. The central position of the State, the guarantor of national cohesion, is confirmed, as is the accent on the importance of unity and national cohesion, taking Japan and Sweden as examples. France can take control of its future only in a collective perspective, therefore must remedy the absence of interaction between the public and private sectors and overcome the usual priority given to maintaining a defensive position, with the objective of mobilizing the political class in regard to the importance of controlling and using information as an arm of domination. Harbulot accuses both France to be unprepared for "economic warfare" and its policies to continue believing that a united Europe would provide a fertile field for French economic patriotism. Harbulot defined economic patriotism as a three-dimensional value system, consisting of a cultural dimension that looks to the roots of the productive system; a dimension of conflict based on the relationships between the competing forces, and a temporal dimension influenced by the evolution of technological progress. In order to promote the passage from an information culture that is closed and individual to one that is open and collective, he suggested creating an economic intelligence instrument through the concerted effort of public and private parties. For Harbulot, economic intelligence is the systematic search and interpretation of the information available to everyone for the purpose of understanding the intentions and capabilities of the protagonists. Economic intelligence incorporates all the capacity of surveillance of the

¹ H. Martre (the group chaired by), *Intelligence économique et stratégie des entreprises*, 1994.

competitive environment (protection, vigilance, influence) and is distinguished from traditional intelligence by the nature of its field of application (open information), the nature of its actors (inserted in a collective information culture context), and its cultural specificities (each nation's economy generates its own specific model of economic intelligence). This is represented by means of an economic intelligence diagram with three levels: the companies, the nation, and the world. Overall, the Report would be judged faint-hearted in the measures it proposed, but more innovative in the vocabulary it employed, by officially introducing, in fact, both the new term "economic intelligence" and a different vision of reality, with the objective of generating a shift in mentality that justified the urgent implementation of a government action plan. The proposed scope of the Report was the improvement of the offensive and defensive capacities of both national and corporate economic intelligence. For the purpose of providing these recommendations with a follow-up, Martre promoted the creation of the *Comité pour la Compétitivité et la Sécurité Economique* (Economic Competitiveness and Security Committee) in 1995 with tasks similar to those of the US National Economic Council. The establishment of the CCSE significantly empowered French economic intelligence, which could already vaunt the fact of having promptly supplied the French government with news regarding the abandoning of the *gold standard* and the devaluation of the dollar received from US Treasury Department sources at the start of the Seventies. Furthermore, being characterized by close cooperation and trust between the public and private sectors, French economic intelligence also has a highly centralized structure that enables quick reaction times and a noteworthy ease in acquiring confidential information.

The system's flexibility is achieved through the involvement in the "Economic intelligence structure" at territorial levels. C. Harbulot was, together with P. Baumard, one of the protagonists between 1990 and 1992 of the construction of French economic intelligence, supported in his conviction that the international context would play a determinant role in the creation of new relationships between the State and businesses business. The discussions about security – promoted on the other side of the Atlantic – along with the political and economic uncertainties linked to the building process of the EU, had already prepared the ground for change.

Christian Harbulot and the creation of "economic intelligence"

Christian Harbulot was the first French author to address the topic of economic intelligence, presenting ideas that sparked the debate on its importance, given that the gaining of consciousness of the changes on the international scene could no longer be postponed, and recognizing the priority of economic questions over military ones. The writings of C. Harbulot are authentic essays on the nature of economic confrontation written with the objective of convincing the political elite that an offensive use of information is a key factor in ensuring a Nation's success. Through comparative cultural analysis, Harbulot explained why certain peoples had mobilized and addressed the conflictual aspects of the market economy while others had not, and advanced his reasoning by which information capital is at the same time a leading factor in production but also an offensive weapon, in addition to being an arm of dissuasion. Harbulot demonstrated how Japan's economy was further ahead than America's, and

naturally France's, precisely because it was capable of exploiting all the potential of intelligence activity in the sector. The United Kingdom, the United States, Germany, France, and Japan developed their own cultural model of market economy. In particular, Harbulot believed that Germany and Japan had gained remarkable economic leverage from their information and intelligence assets and had implemented more offensive and more effective economic policies because they were based on concerted strategies between private or public companies, between administrations and bank networks. Businesses in these two countries optimized their profitability by reducing the gap between information and intelligence, between open practices and closed practices, between what is available to the entire world and what instead must remain secret, moving from information – the mere awareness of information – to action, or rather information that can be useful for intelligence.

Harbulot often accused French political power of not giving the right amount of importance to "economic warfare", thus remaining vulnerable to the risk of losing the control of its own economic information independence when faced with the massive growth of the Asian economies, all of which are – as opposed to those in the West – founded on unspoken rules of economic warfare. For France, instead, the complete ignorance of the offensive potential of information engineering would be the cause of the scarce competitiveness of its companies. Furthermore, the concept of "economic defence" – intended solely in a military perspective – is equally invalid.

This can be summarized by quoting Luttwak:

A nation's cohesion is no longer born from the fear of a military threat but an economic threat instead, in a context in which the importance given to military alliances decreases and geo-economic priorities prevail instead. In short, the elite in power in France still needed to be convinced of the existence and the importance of "economic warfare". The term "economic warfare" appeared too strong and radical right from the start, especially when used by authors like Bernard Esambert, who compared a nation's loss of jobs and wealth and the lowering of its standard of living tout court to the disasters of war. Yet for this author, as well as Harbulot, the underlying idea is that a nation's economic success is based on the concept of "culture" considered as a weapon that some nations use better than others: Japan's economic dynamism can be explained by the strength of its cultural power, as might be Germany's economic power as well. The French economy was playing a defensive game, instead. However, the vocabulary suggested by Harbulot and terms regarding concepts like "combat culture", "economic confrontation" and "economic warfare" were seen as scarcely convincing and overly radical. Thanks to the work conducted together with Philippe Baumard, the terms "confrontation" and "warfare" were replaced with that of "intelligence". The use of the term intelligence derived from a combination of the French definitions of "*surveillance*" and "*veille*" and the Anglo-Saxon and Swedish definitions of the concept of intelligence intended as reasoning, planning, and ability to establish relations between various elements, or more simply, active information gathering activities. However, the term economic intelligence invokes an entirely new category in the field of economic geopolitics that expresses new needs for cooperation between the public and private sector. P. Baumard proposed a methodology for the creation of a business intelligence system before constructing together with Harbulot a common reading

of the stakes at risk linked to the new forms of competition based on offensive approaches to information. The ideas of Harbulot that were given most credence and which best describe the French situation are based on the use of subversive cultural elements in economic warfare. The analyses of Philippe Baumard are very similar to those of Harbulot, especially concerning changes in terminology: from the concept of “surveillance of the environment”, “intelligence” came to signify the “intelligence of the environment” reflecting the prospect of greater tactical and strategic interaction of information. Various other authors have considered the ambiguity of the term intelligence. The British give it a wider range of significance than the Americans did, for one thing. To make matters worse, difficulties in translation contribute to the confusion. The French word “*intelligence*”, for example, refers nearly exclusively to a human faculty, the intelligence of an individual, but not the activity of by which a government agency or a private company collects information. The French word *renseignement* is applied to the activities of national security agencies and not those of private companies or a particular social group: it expresses the product, the information that was collected in the environment, and makes tacit reference to the secret services.

Philippe Baumard focused his work on semantic problems and the difficulties of understanding and using the term in France in regard to the terms “*veille*” and “*renseignement*”. Baumard would attempt to renew the image of “vigilance” and “surveillance” in the perception of companies by exploiting the Anglo-Saxon concept of intelligence. However, his meeting with C. Harbulot – whom he even criticized for his use of the French term *renseignement*, declaring his preference for *intelligence*, as well as for the expression “*intelligence économique*” which he preferred to indicate with “economic confrontation” – would lead to the integration of the expression “*intelligence économique*” in the debate on the adaptation of public actions in regard to the problems posed by the management of information in 1992. In this way, both style and terminology would become more moderate and closer to the vocabulary used by government administrations. The progressive development of semantics for the topic contributed to a comprehension of the facts that was more appropriate to the changing times. The function of “vigilance” was very

useful to the French contributors, and enabled the shift to the successive concept of economic intelligence intended as information assessed, interpreted, and put to use, also in terms of offence, by companies. P. Baumard underlined the progress made by the United States in the topic in many ways: with an intense proliferation of texts, with an American economic intelligence community structured around the former members of intelligence services working together in the SCIP association, and with the renewed interest being taken by universities on this issue and journalists who make less confusion between “business intelligence” and spying. In France as well, the reasoning advanced by C. Harbulot proved to be decisive in the implementation of plans for action that would be submitted at the highest levels of government.

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