

US wary of South Korean plans for Californian biocenter

South Korean government and industry officials are planning a facility in San Diego, CA, to license commercial biotechnology and to introduce Korean biotech products to the United States. Although the proposal is being warmly received by officials in California, US counterintelligence officials in Washington are warning that the project could be the prelude to industrial espionage.

A delegation of Korean industry and government visited San Diego and Carlsbad, CA from February 25 to 27, during a trip sponsored by the Federation of Korean Industries (FKI), South Korea's largest industrial organization. The trip was a follow-up to an October 2001 announcement that the FKI is planning a "Korea BioValley" in the San Diego area that would include a \$7 million building to house at least 21 Korean biotech firms. The firms would focus on licensing pharmaceutical and life science technology in the heart of California's biotechnology center, according to FKI officials. "It's huge; it would be a significant boost for that area," says Norman Williams, assistant secretary of the California Technology, Trade and Commerce Agency (Sacramento, CA), which arranged the Koreans' trip. "It would help extend California's leadership in this industry worldwide. We want to continue to be on the leading edge."

San Diego is home to 380 life science, biotechnology, and medical device firms, many of which have been spun off from the prestigious Salk Institute (La Jolla, CA), the University of California at San Diego, the Burnham Institute (La Jolla, CA), and the Scripps Research Institute (La Jolla, CA). Williams says that the state of California promotes its high-tech industry to many foreign nations, and that Korea, Taiwan, Japan, and Scotland already have similar technology "incubators" in the Silicon Valley area of San Jose, CA. Williams says these projects have contributed to the local economy by allowing local firms to increase their worldwide market.

In Washington, DC, however, US counterintelligence officials are saying the bioincubator plan fits a profile of previous efforts by South Korea to obtain technology illegally and then ship it back home. The report, which was posted on a government website in January 2002, implies but does not directly state that South Korea is following this model. "Seoul's move to establish a high-tech 'liaison center' in the heartland of



US counterintelligence officials are warning that plans for a Korea BioValley in San Diego (above) could be the prelude to industrial espionage.

the US biotech industry parallels its efforts some five years earlier to comb Silicon Valley for information technology, a field where South Korea now enjoys some commanding leads," states the report issued by the Office of the National Counterintelligence Executive (NCIX), which operates in conjunction with the US Central Intelligence Agency and Federal Bureau of Investigation.

NCIX spokesperson Anya Guilsher says "The reason [for the NCIX statement] is that [Korea's] *modus operandi* in San Diego is similar to what happened in the information technology field." The government of South Korea established the "Information and Communications Venture Support Center" in San Jose, CA five years ago, she says, and today Korea enjoys a lead in information technology—largely, Guilsher alleges, due in part to illegal technology transfers.

A 2001 annual report by the NCIX to the US Congress listed South Korea, Japan, Taiwan, China, India, Israel, and France as the most active collectors of technology. Defense-related technology, computer storage, pharmaceutical intellectual property, neurological technology, and manufacturing processes are most at risk, the report stated. "In a world that increasingly measures national power and security in economic as well as military terms, the United States continues to be threatened by the theft of proprietary economic information and critical technologies," the report stated.

Moreover, since last September's terrorist attacks, reports of industrial high-tech espionage in the United States are on the rise, according to John Nolan, director of the Phoenix Consulting Group (Huntsville, AL), a high-tech security firm. Since

November 2001, he's received six reports of biotechnology and high technology theft from China, and four each from Taiwan, South Korea, and France. "We've noticed a good increase in the number of attacks against our clients [which include biotech firms] because the FBI is so undermanned right now with [resources diverted toward] terrorists," says Nolan.

Nolan, a former intelligence officer and cofounder of the Centre for Operational Business Intelligence in Sarasota, FL, claims that many governments use their intelligence services to spy on US firms on behalf of domestic industries. According to the NCIX report to Congress, high-tech spies use several methods to steal data, including breaking away from tour groups, trying to get access after normal working hours, stealing laptops, searching through trash, and monitoring emails and discussions at social gatherings, conferences, and trade shows.

In addition, says Nolan, most high-tech companies don't put as much due diligence research into potential investors as they do into researching potential acquisition targets. That, he says, is a big mistake. "We have seen technology developers who have gotten badly screwed by people who have a fair chunk of money but really didn't exist as legitimate entities," he says. "If you don't know about it, then don't go into an investment relationship without understanding who you are dealing with."

The NCIX is "if anything, under-reacting" to the South Korean biotech proposal in San Diego, asserts Nolan. "The very nature of biotech is large dollars and large opportunities, so people will take large chances." Indeed, the US biotechnology industry has recently been made more aware of potential espionage and is meeting privately with US counterintelligence officials in Washington to take preventive security measures, according to a high-placed industry source.

However, Joseph Panetta, executive director of BIOCOM, an industry association representing San Diego life science firms, says that biotech companies know the risks of technology theft. He points out that threats already exist from rival US technology firms. "Across the board, we take great measures to protect our licensing deals," says Panetta, who met with South Korean representatives during their visit. "I'm not any more concerned about the Koreans than anyone else."

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