Introducing Firm Instrumentalization:

The Use of Multinational Corporations in Covert Security Operations

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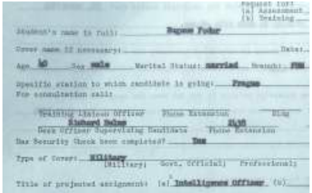
- **MNCs are often acknowledged as influential, independent actors** (Strange 1996; Keohane and Nye, 2001; McDonald, 2009)
- **MNCs often have significant influence on foreign policy** (Kim and Milner 2019; Evers and Grynaviski 2024)
- **Classic cases of MNCs pulling states into foreign conflicts** (Schlesinger and Kinzer, 1999)
- **Expect authoritarians to have more control over firms**

- Cases involve firms in 12 states (China, Cuba, France, Germany, Indonesia, Iraq, Israel, Taiwan, Thailand, UK, US, USSR/Russia)
- Span 100 years
- Most common sectors transportation/shipping, news/media, telecommunications
- High volume during Cold War, increase in last two decades
- Extraterritorial Instrumentalization common



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- Ideology can serve as secondary factor

Command/Socialist Market Systems (Qualitative)

- Instrumentalization of Taiwanese Media
- Top privately held news firms (2008-2020) (Huang 2020)
- Find sticks/carrots, enabled by Chinas extensive control over its domestic market are primary drivers, even swaying prominent firms not ideologically aligned with Beijing

Liberal Market Economies (Quantitative and Qualitative)

- CIA Instrumentalization of US News Firms (1950-1970)
- Firms Provided Agent Cover: "By operating under the guise of accredited news correspondents, Dulles believed, CIA operatives abroad would be accorded a degree of access and freedom of movement unobtainable under almost any other type of cover."

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  - Executive WWII-Intelligence Agency Participation (National Archives)

Table 5: Firm Characteristics and Likelihood of Instrumentalization

	Dependent variable: Firm instrumentalized (1/0)						
	All Firms			Small/Med. Firms			Non-broadcast Firms
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Logit coefficients (robust SE)							
Executive covert-agency background	2.26***	2.16***	2.18***	1.77**	2.04***	1.80**	1.77***
	(0.61)	(0.61)	(0.79)	(0.88)	(0.68)	(0.91)	(0.65)
Executive elite education	—	0.67	1.25	—	0.99	0.87	0.56
		(0.60)	(0.83)		(0.71)	(0.85)	(0.59)
Firm political score	—	—	−0.09	0.12	—	0.02	—
			(0.43)	(0.34)		(0.39)	
Constant	−1.85***	−2.29***	−3.02**	−2.85***	−2.78***	−3.16***	−2.19***
	(0.30)	(0.54)	(1.25)	(0.94)	(0.65)	(1.14)	(0.51)
Average marginal effects (AME, robust SE)							
Executive covert-agency background	0.302***	0.286***	0.205***	0.150**	0.230***	0.150**	0.235***
	(0.064)	(0.064)	(0.065)	(0.073)	(0.067)	(0.074)	(0.077)
Executive elite education	—	0.088	0.118	—	0.111	0.073	0.075
		(0.078)	(0.080)		(0.080)	(0.073)	(0.078)
Firm political score	—	—	−0.008	0.010	—	0.001	—
			(0.040)	(0.030)		(0.033)	
Observations	111	111	94	89	103	89	106
Pseudo R^2	0.129	0.141	0.157	0.073	0.129	0.093	0.085
AIC	100.33	100.97	68.56	60.04	83.45	60.90	97.21
BIC	105.75	109.10	78.74	67.51	91.36	70.86	105.20

Notes: Robust (Huber–White) SEs in parentheses. Asterisks: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. AMEs are discrete 0→1 changes averaged over the sample.

Qualitative Case study: CBS News

- " . . unquestionably the CIAs most valuable broadcasting asset" (Bernstein 1977)
- Four Presidents to observe (1950-1970), Fourth limited cooperation

CBS Case Study: Evidence Table

President		Financial Carrots	Ideology	Ivy League Education	Intelligence Elite Friendships
Paley		No	Yes	Wharton	OWI; Allen Dulles
Stanton		No	-	No	OWI; OSS
Mickelson		No	Yes	No	No
Salant		No	Didn't feel right about it	Harvard College and Harvard Law	No

"Formal agreements about the nature or secrecy of the relationship...would have been unnecessary because social contacts, "the P and Q street axis in Georgetown," provided familiarity and trust based on common assumptions and values." - Interview with William Paley, 1977

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- Can be studied systematically
- Regime type impacts ease, means, success
- US and China are poles of market systems - shed light on global patterns
- Current assessments of security risks through commercial channels too narrow

Thank You!

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Yale/Harvard Analysis

Table 11: Instrumentalization and Harvard/Yale Education

	(1)	(2)	(3)
Executive Yale	0.072	—	—
	(0.710)		
Executive Harvard	—	0.756	—
		(0.533)	
Executive Harvard or Yale	—	—	0.549
			(0.517)
Executive covert-agency background	2.364***	2.243***	2.248***
	(0.764)	(0.724)	(0.781)
Constant	-1.695***	-1.862***	-1.911***
	(0.290)	(0.327)	(0.360)
Log pseudolikelihood	-50.034	-49.186	-49.476
Pseudo R^2	0.095	0.110	0.105
Wald $\chi^2(2)$	9.63	13.91	10.11
Prob $> \chi^2$	0.008	0.001	0.006
Observations	111	111	111

Notes: Logistic regression models with robust standard errors. Coefficients represent log-odds of paper cooperation. Significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Refusals

Unsuccessful firm instrumentalization requests seemed notable and rare:

- ...Ironically, one major news organization that set limits on its dealings with the CIA, according to Agency officials, was the one with perhaps the greatest editorial affinity for the Agencys longrange goals and policies: **U.S. News and World Report** (Bernstein 1977).
- The late **David Lawrence**, the columnist and founding editor of U.S. News, was a close friend of Allen Dulles. But he repeatedly **refused requests by the CIA director to use the magazine** for cover purposes, the sources said (Bernstein 1977).

I predict that the number of firms that received instrumentalization requests but did not participate is low.

Firth-Penalized Logit Estimates

Table 9: Firth-Penalized Logit Estimates

	Dependent variable: Firm instrumentalized (1/0)	
	(1)	(2)
Executive covert-agency background	2.09***	2.07***
	(0.59)	(0.73)
Executive elite education	0.61	1.02
	(0.56)	(0.77)
Firm political score	—	-0.12
		(0.59)
Constant	-2.19***	-2.58
	(0.49)	(1.74)
Observations	111	94
Penalised log-lik.	−45.09	−28.14

Notes: Robust (OIM) SEs in parentheses. Asterisks: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.