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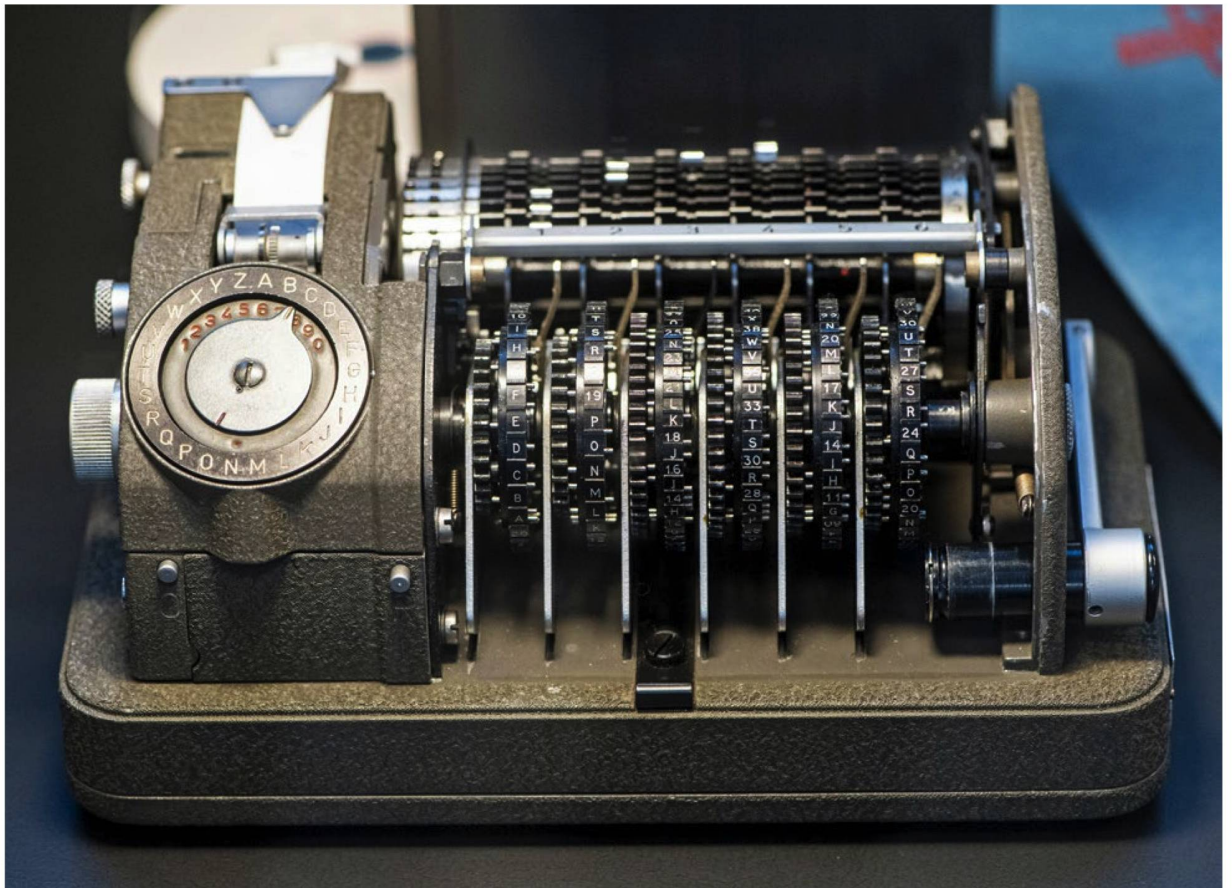
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The CIA used a Swiss company to spy on over 100 countries

A spy scandal has rocked Switzerland. For decades, US and German intelligence surreptitiously harnessed Swiss technology to snoop on a multitude of countries. Did the Swiss government turn a blind eye?

Mechanical encryption machine dating back to 1952 – the year Crypto AG was established. Crypto remained a market leader during the digital era.

Photo: Keystone



MARC LETTAU

Ostensibly, Zug-based Crypto AG was a respectable Swiss company and technology leader. It had a very niche specialisation in encryption devices. These products were sold to countries whose armies and intelligence services wanted to hide confidential communications from prying eyes.

However, Crypto AG was anything but a normal Swiss company adhering to normal Swiss values. Its business – cryptic in the truest sense – was secretly owned by the CIA and its West German counterpart, the BND, from 1970 onwards. Both intelligence agencies were able to introduce back doors in the company's supposedly uncrackable Swiss-made encryption systems.

Through their deliberate manipulations, the CIA and BND were able to eavesdrop on 148 countries – both friend and foe – for decades. All these countries invested millions in Crypto's rigged devices, believing that they were getting

trustworthy technology from neutral Switzerland when in fact they were paying for the dubious pleasure of being spied on.

The revelations became public in mid-February of this year – the result of a joint investigation by Swiss television (SRF), German broadcaster ZDF, and the “Washington Post”, based firstly on leaked CIA documents and, secondly, on interviews with former Crypto AG employees and their families.

The “intelligence coup of the century” – as the CIA called it – evidently has far-reaching implications. It turns a spotlight on the tension-filled Cold War era, with the extent of the CIA/BND collusion casting new light on many historical events of the last 50 years. However, the extent to which recent world history needs rewriting will only become clear once the Crypto affair has been thoroughly digested. The question of whether Switzerland needs to redraft its



Crypto representative Hans Bühler, pictured here following his release from an Iranian prison in 1993, suspected his company of cooperating with foreign intelligence services. Photo: Keystone

own history is generating discussion. After all, what did the Swiss government know about what was going on? Was our country hosting foreign intelligence activities but keeping them deliberately secret?

“The programme exceeded our wildest expectations”

How successful were the CIA and BND in manipulating Crypto’s Swiss systems for their own intelligence purposes, and what impact did their actions have? The effectiveness of spying always mirrors the amount of damage caused to the party being spied on. It is all a question of perspective. According to leaked sources, the CIA saw it as the “most productive and longest-running intelligence project since the Second World War”. It allowed 80 to 90 per cent of Iran’s confidential communications to be intercepted. According to the CIA: “The programme exceeded our wildest expectations.”

Wiretapping enabled the USA in particular to influence the outcome of almost every major conflict in its favour. For example, decryption records now show that the CIA supported the 1973 military coup in Chile. The CIA and BND also monitored communications within the military junta and knew from the outset about the persecution and torture that cost 30,000 opponents of the regime their lives.

Some initial questions and answers

The Crypto AG revelations have caused quite a stir, although it is too early to predict the full fallout. The following key questions outline the implications for Switzerland:

Why did the CIA and BND use a Swiss company?

Swedish cryptologist Boris Hagelin established Crypto AG in 1952. Hagelin deliberately chose to base the business in Switzerland because, as the CIA source notes: “When one was engaged in a sensitive business like cryptography, better to seek the protection of a neutral country with fewer moral scruples.” Hagelin sold Crypto to a front company of the CIA and BND in 1970.

The CIA and BND were the ones who were spying. Why is this being viewed in Switzerland as a ‘Swiss’ scandal?

The issue for Switzerland centres on what the federal government knew about the motives, methods and extent of the spying, and whether it tolerated or even facilitated what the two intelligence agencies were doing.

Suspecting at the time that foreign powers had tampered with their prized technology, Crypto employees in Switzerland involved the authorities. What happened next?

It is documented that an employee of Crypto AG told the authorities in the mid-1970s that the products sold by his company had, according to a file entry in the Swiss Federal Archives dated 24 July 1977, been fitted with “manipulated key generators that allowed West Germany and the USA to decode messages”. Embarrassingly, part of this record has since disappeared.

Switzerland’s federal police looked into the allegations at the time but found no proof of wrongdoing. Witnesses of that era now lament the fact that police inquiries were merely pro forma in nature.

Isn’t the whole affair just a relic of the Cold War?

It was in the mid-1970s that doubts were first raised. Former Crypto employee Hans Bühler openly accused the company of cooperating

with foreign intelligence services (Bühler, who spent nine months in an Iranian jail on suspicion of spying, made the allegations in his 1994 book “Encrypted”). However, it is only now that we see the full implications after information from CIA sources recently came to light. The snooping also continued far beyond the Cold War until 2018, albeit without German involvement: the BND left the programme in 1993 as a result of German reunification.

To what extent was the Federal Council complicit in the affair, if at all?

This is a key question. How much the Federal Council knew about the conspiracy is still anyone’s guess. CIA documents mention former Federal Councillor Kaspar Villiger (FDP) as one of those who were aware of what was going on. Villiger, now 79, has strenuously denied any knowledge.

Why does the issue of whether the Federal Council knew about the spying carry so much weight?

If it turns out that the Federal Council – or individual Federal Councillors – knew about the surveillance, then it begs some other serious questions. Did the Federal Council turn a blind eye to CIA spying, or did it try to cover it up? Did the Federal Council resign itself to foreign entities taking advantage of Swiss neutrality? And if Switzerland was indeed complicit, turned a blind eye or deliberately covered it up – how does spying against warring states square with Swiss neutrality?

How have the Federal Council and parliament reacted to the affair?

The President of the Swiss Confederation, Simonetta Sommaruga, has said from the outset that her government will look at all the facts and would welcome an investigation. Defence Minister Viola Amherd has also confirmed that her department possesses documents suggesting complicity on the part of predecessor Kaspar Villiger. The parliamentary control body will now examine the allegations

The sham of Swiss neutrality

OPINION PIECE BY PATRICK FEUZ*

A Zug-based company has been revealed as the hub of an audacious spying operation. From the early 1970s, the CIA and the then West German intelligence service, BND, used rigged Swiss encryption devices to snoop on over 100 different countries. The Americans may have continued using this technology to eavesdrop on governments and armies until very recently.

Germans and Americans wire-tapped Argentina's generals during the Falklands War, not to mention the Iranian revolutionary guards during the occupation of the US embassy in Tehran. They claim that this surveillance, lasting half a century, helped to avert suffering – though their actions may also have had the opposite effect.



Either way, these revelations hurt. They show that Swiss neutrality, held up to this day as sacrosanct, is often a mere pretence. The US and German intelligence services benefited directly from our neutrality and our status as a technology leader. This was the main reason why so many encryption devices were purchased in Switzerland of all places.

Swiss functionaries – from intelligence to military, and from judiciary to politics – must have known or suspected that these machines had been manipulated. After all, Switzerland was aligned to the West in de facto terms during the Cold War. The Swiss intelligence service worked closely with the Americans and still relies on US assistance to this day.

Switzerland therefore turned and continues to turn a blind eye.

Put another way, neutrality was and is a myth to some extent. Strictly speaking, participation in military alliances is the only thing that neutrality has ever prohibited. Yet it has always been celebrated as a way of life. We will treat everyone equally and keep quiet. Politicians and the military peddle this lie, and we are only too happy to go along with the charade. Especially if it's good for business.

But now that this affair has blown up in our faces, we may now be paying the belated price for our amenability, both political and economic. If people begin to doubt Swiss impartiality, demand could wane for the good offices of our diplomats and the products of our technology companies.

in order to find out what Switzerland knew about the espionage – and whether the Swiss intelligence service may even have benefited.

To what extent does the 'Crypto leaks' scandal jeopardise Switzerland's current role?

Switzerland mediates in many conflicts, offering its 'good offices' in some of the world's most geopolitically tense regions. For example, it is currently acting as an intermediary in the US-Iran crisis. Switzerland can only play this diplomatic role if its credibility as a neutral state is intact. This credibility is precisely what is at stake. It was the Iranians, incidentally, who were particularly spied on via the rigged Swiss devices sold to them by Crypto representative Hans Bühler.

The Americans and Germans spied. Why does this damage Switzerland's reputation?

It remains to be seen how much of a hit Switzerland's image abroad has taken, but how Switzerland sees itself has certainly been affected. The neutrality that so many Swiss hold dear has been damaged. The scandal could make a mockery of Swiss neutrality (see the opinion piece on page 15).

Credibility, trust and self-image are all soft factors. Will the revelations negatively affect any tangible economic interests?

Switzerland's technology sector is on the up. This, too, is reliant on the country having a credible image. Furthermore, Switzerland wants to position itself as a squeaky clean digital innovation hub and is pushing for an international initiative to promote ethical standards. The Crypto affair could not have come at a worse time.

Further information

Documentary on Swiss television (SRF):

ogy.de/crypto

Hans Bühler / Res Strehle: "Encrypted – the case of Hans Bühler", Wird & Weber-Verlag, new edition 2020; ISBN 978-3-03922-044-1.

* PATRICK FEUZ IS A JOURNALIST, HISTORIAN, AND AUTHOR OF SEVERAL NON-FICTION BOOKS. HE HAS BEEN THE CHIEF EDITOR OF BERNE-BASED DAILY NEWSPAPER "DER BUND" SINCE 2015.