

# Testimony before the U.S.-China Economic and Security Review Commission

## Hearing on Chinese Intelligence Services and Espionage Operations

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What intelligence collection operations with national security implications for the United States is China running outside of the United States, and how effective are these operations?

### 1. What types of intelligence collection operations targeting the United States does China run in foreign countries?

Understanding and discussing Chinese intelligence collection operations requires a broad and in-depth explanation. The CI Centre has a three to five day, 8 hours a day seminar to explore this complicated issue. Accordingly, it is problematic to even begin to try to answer this question in a satisfactory manner in a short briefing. Since the establishment of the Peoples' Republic of China (PRC) in October 1, 1949, Western intelligence and counterintelligence services have been working to answer this question. Only recently has a model emerged that begins to provide a satisfactory picture of PRC intelligence operations. The PRC conducts worldwide intelligence operations, both in the United States and outside China in a similar manner, but different than the USA and European model of intelligence collections. China has an extensive CYBER, SIGINT and IMINT collections capability that is land, sea and space based. The Western intelligence human intelligence models involve professional intelligence services who employ professional intelligence personnel who are centrally controlled and directed. The intelligence services establish collection needs and information requirements and dispatches the intelligence professionals under diplomatic cover to foreign countries to target this information. Intelligence Services also dispatch intelligence professionals with no diplomatic projection to established cover in foreign countries to meet collection requirements. These types of collection platforms are called "Non-Official Cover officers" NOCs, or illegals but the PRC refer to them as "bottom sinking fish", and they may be dispatched for the person's life time.

In a "normal" espionage world, nations use their intelligence services to collect information based on tasking requirements. If successful the collector then delivers the information to the tasking consumer.

The PRC, however, may or may not use its intelligence services to collect targeted information. In the PRC model collection can be conducted by the consumer so if no intelligence service is used, three important characteristics emerge. The consumer becomes the collector, a "relationship" is developed with the information holder and the collection-consumer. This is an overt, sometimes social relationship which can be used for intelligence collection without the efforts of the intelligence services and is not centrally controlled.

Targeting of the Republic of China (ROC), (aka Taiwan, Formosa) is an exception to most of the "rules" of Chinese intelligence. This target is essentially the area of operation exclusively of the Ministry of State Security and the PLA and intelligence is not privatized or decentralized.

Since 1979 when the PRC opened up to the West and allowed its citizens to travel outside China and foreign nationals to visit the PRC, extensive contacts have been established between PRC nationals and the West. These contacts are all used by PRC intelligence collectors to target potential sources and establish relationships that may be exploited for intelligence collections. PRC intelligence will target and exploit PRC college students overseas and foreign students studying in China, trade and cultural delegations, and attempt to first identify any ethnic Chinese (Han) that may be in the position to “help” China.

Obligations, roles, and relationships are central issues used by Chinese intelligence collectors in most Chinese intelligence espionage operations. Human collection operations will in general be very slow in developing and visitation to China is almost always seen. It is in China that targets are “pitched”, followed by tasking and debriefing of sources. The approach or pitch in the majority of the cases is “can you help China?” just a little. Unlike other services that are looking for “bad people” to do “bad things”, China is looking for “good people” to do “bad things”.

PRC operations tend to have preferences and prejudices toward ethnic Chinese (Han) to target for recruitment and a Xenophobic attitude towards foreigners. Thus, searching out Han within foreign countries is one of the first steps in the PRC collection process. The approach taken is to appeal to the pride the target may have in Chinese history and accomplishments, coupled with an articulated duty to help the “Ancestral Lands”. The emphasis is to appeal to the target’s pride in China and its history. The appeal is that the PRC is not a 3rd World or second-rate country or not a “tin pot village”. The approach is not necessarily pride in the PRC, but pride in China.

Three important concepts are observable in essentially every PRC human collection operation targeting Han. They are guanxi, face, and shame vs guilty. These are not seen in the USA/European intelligence model. China is a shame culture not guilty culture. The West is a guilty culture. Guanxi is paramount and essentially means all relationships are about obligations. If a Han person has a relationship with someone, that person will have an obligation to help the other individual in the relationship. To refuse an obligatory request is to lose face and to lose face is to be shamed. Guanxi is the engine that drives PRC intelligence operations and thus the best intelligence is personal; friendship based on transaction contacts with a network of contacts. Thus personal contacts are the best mechanism to solve problems or collect information. It is about not standing in line but going through the back door through relationships. The concept of “Face” requires one to honor obligations. Failure to try to meet those obligations results in loss of face. Loss of face brings dishonor to the family and not the individual resulting in shame. This the obligation to help is evoked in operations. Shame is an external motivator and the context can be more important than content. Simply put “A sin unrevealed is two thirds repealed.”

Li Fengzhi, a former Intelligence Officer of the Chinese Communist Party’s (CCP) Ministry of State Security and defector to the USA advised publicly that the “CCP/MSS has spared no manpower and resources, to send many agents to the West and develop informers”. He has advised that “the CCP uses members of overseas Chinese communities, and Chinese students and scholar associations to work for the regime—in the name of serving the Chinese nation.” Li also said that “there is a written principle in the Ministry of State Security that says agents are allowed to appear to be anti-CCP as long as their goals are to protect the CCP’s greater interests.” Overseas Chinese is a term that means anyone who is

ethnically “Han” and happen to not live in China. Culturally China will still see these Han as Chinese even if they have lived in China.

The backbone of today’s PRC strategic intelligence collection program is the “863 Program” initiated in March 1986 following four Chinese scientists’ suggestion that aimed at making breakthroughs in some sophisticated fields of science and technology to which late PRC leader Deng Xiaoping had given his nod. The 863 program or State High-Tech Development Plan is a program funded and administered by the government of the People’s Republic of China intended to stimulate the development of advanced technologies in a wide range of fields for the purpose of rendering China independent of financial obligations for foreign technologies. This long term program was to reduce the PRC technology gaps by targeting and combining military use with civilian use. The essence of the program was to use other countries’ technologies to reduce its own manpower and other resources. A key figure in pushing for the establishment of this strategy was Tsien Hsue-shen, founder of the Chinese ballistic missile industry, father of the Chinese aerospace industry, and builder of the Chinese nuclear industry. The backbone of today’s PRC experts were trained by Tsien after they finished their education. He coached, advised and goaded them to do their best. He was like a demigod, an aloof and awesome figure in China, as he was a “U.S. trained” expert. He taught others how to scrutinize American research journals and other open literature to estimate the level of aeronautical developments in the U.S. defense industry. He changed educational philosophy in military circles to “study the book and read English”. On October 16, 1991 Tsien was awarded the “State Scientist of Outstanding Contribution”, the highest honor for a scientist in PRC.

Today’s collection operations emanating from the PRC have been aggressive in many technological areas. Classic national intelligence “espionage” cases, economic espionage, trade secret theft cases, and technology cases have been identified and lead to legal action in the USA against 160 individuals. It should be noted that 154 of these cases have all surfaced since 2001 (the last 16 years). Numerous Western countries have followed suit with the USA and characterize the PRC as the most aggressive intelligence collector from HUMINT and CYBER attacks.

2. Outside the United States, which U.S. government national security decision making bodies; defense industrial actors; weapons, platforms, and systems; and operations and planning centers does China target or seek to target with espionage operations?

### PRC strategy of “Unrestricted Warfare”

In 1999 two PLA Air Force Colonels and Political Officers published a PRC strategy of “Unrestricted Warfare”. This eventually became public and it is informative to address this question. Some have argued the book was not a blueprint for a “dirty war” against the West but a call for innovative thinking on future warfare. Others have set forth the premise that this was a call for the doctrine of total war. It outlined the strategy that the PRC is preparing to confront the United States and its allies by conducting “asymmetrical” or multidimensional attacks on almost every aspect of our social, economic and political life. This new PRC form of warfare borrows from the ancient wisdom of Sun Tzu and his doctrines of surprise and deception. It also employs civilian technology as military weapons “without morality” and with “no limits” in order to break the will of democratic societies. The 12 targets of this strategy are:

1. Financial Warfare which means entering and subverting banking and stock markets and manipulating the value of a targeted currency.

2. Smuggling Warfare which means sabotaging a rival country's economy by flooding its markets with illegal goods and jeopardizing a local economy by flooding the market with pirated products.
3. Cultural Warfare which means influencing the cultural biases of a targeted country by imposing your own cultural viewpoints.
4. Drug Warfare which means flooding illicit drugs across national borders and breaking down the fabric of a society through their use.
5. Media and Fabrication Warfare which means manipulating foreign media, either by compromising or intimating journalists or getting access to another country's airwaves and imposing your own national perspectives.
6. Technological Warfare which means gaining control of or having an edge in particular vital technologies that can be used in both peace and wartime.
7. Resources Warfare which means gaining control of scarce natural resources and being able to control or manipulate their access and market value.
8. Psychological Warfare which means imposing one's national interest by dominating a rival nation's perception of its own strengths and weaknesses.
9. Network Warfare which means dominating or subverting transnational information systems.
10. International Law Warfare which means joining international or multinational organizations in order to subvert their policies and the interpretation of legal ruling.
11. Environmental Warfare which means weakening or subjugating a rival nation by despoiling or altering its national environment.
12. Economic Aid Warfare which means controlling a targeted country through aid dependency.

### Chinese Soft Power in Africa

During the Cold War, the USSR and USA were both heavily invested in the Africa Continent as a number of civil wars of independence served as surrogate for the communist or Western nation's competition. Intelligence collection and covert actions by both countries and their allies were rampant throughout the region. When the Soviet Union collapsed in 1991, both countries withdrew much of their diplomatic and intelligence commitments to the continent. The PRC, which had always had a presence in the region, did not withdraw their presence. The past 25 years has seen a rise of soft power on the African Continent. Unlike the USA, whose strategic goal was to spread democracy in the African emergent countries and the Soviets who wanted to spread communism, PRC wanted to win influence. "Soft Power" refers to a nation winning influence abroad by persuasion and appeal rather than by threats or military force. Simply put, China deploys soft power in Africa very prudently. China projects soft power by building visible infrastructure projects on the continent not by trying to control the form of government in the

countries. The PRC has invested in projects such as the `Uhuru` Tanzam Railway project, that links Zambia to the Indian Ocean, and to building for free the African Union`s new gleaming skyscraper headquarters complex in the Ethiopian capital of Addis Ababa. Some of these countries have no espionage laws which provides a “free fire zone” for espionage collection by the PRC. In Angola the PRC has granted the country a 5 billion dollar investment to expand and diversify the economy. Reconstruction finance mainly benefits Chinese companies who are engaged in at least 70% of Chinese-financed reconstruction work in Angola. Accordingly, the security service in many of these countries are reluctant to examine PRC intelligence collection and influence in their country.

### Chinese Soft Power in Latin America

Soft Power is also a concern in Latin American as set forth in the Council on Hemispheric Affairs July 20, 2015 report entitle “Big Dragon on Campus: China’s Soft Power-play in Academia.” As set forth in this report:

*“Over 400 Confucius Institutes established in schools across 115 countries. Officially, the Confucius Institute (CI) is a non-profit educational initiative which partners with schools across the globe to provide Chinese language instruction, scholarships for students to study in China, and to promote greater understanding and appreciation of Chinese culture. However, the organization’s close ties with China’s communist government, the sometimes ideological nature of its lessons and its efforts to enforce China’s political positions, have raised concerns that the organization’s intentions may be less about promoting Chinese language and culture and more about expanding China’s political influence globally and spreading the Chinese Communist Party’s (CCP) ideology.”*

*“The CIs’ trend of promoting the CCP’s positions on major political issues to students should also be of concern in Latin America and the Caribbean.... The Confucius Institutes, headed by incumbent politicians, are not apolitical organizations. Their goal is to expand China’s soft power and present a positive, sanitized image of China, or as one professor put it, one of “pandas and chopsticks.” The nature of the CCP’s rule and the censorship and political repression it practices should not be overlooked, especially in education. Thus, greater scrutiny should be applied to the institute’s practices in the region”*

An example of China’s soft power success occurred In Panama when the National Assembly has based a bill making the teaching of Mandarin compulsory in all school in recognition of China’s growing importance in the world economy.

3. How does China’s infiltration of the governments and or defense industry of U.S. allies and partners, such as Taiwan, Japan, South Korea and Australia, affect U.S. national security? How does China’s infiltration of the systems of U.S. allies and partners, such as Taiwan, Japan, and Australia, have a direct or indirect effect on U.S. national security?

As set forth in Question 1, targeting of the Republic of China (ROC), (aka Taiwan, Formosa) is an exception to most of the “rules” of Chinese intelligence. This target is essentially the area of operation exclusively of the Ministry of State Security and the PLA and intelligence has not been privatized or decentralized. Taiwan is the “third rail” for the PRC, both politically and for intelligence collection. A

reflection of this was admitted by the former ROC Premier Wu Den-yih that “Taiwan and China are engaged in a war without gunfire.” According to the National Council on Foreign Relations:

*“Beijing and Taipei sharply disagree on the island's status. The PRC asserts that there is only “One China” and that Taiwan is an inalienable part of it. Beijing says Taiwan is bound by an understanding reached in 1992 between representatives of the Chinese Communist Party (CCP) and the Kuomintang (KMT) political party then ruling Taiwan. Referred to as the 1992 Consensus, it states that there is only one China, but with differing interpretations, allowing both Beijing and Taipei to agree that Taiwan belongs to China, while the two still disagree on which is China's legitimate governing body. The tacit agreement underlying the 1992 Consensus is that Taiwan will not seek independence. “*

One of the USA manufacture classified command and control programs code named “Broad Victory” illustrates the vulnerability of USA defense industry to PRC exploitation and impact on US national security. The following are the events surrounding this compromise.

The ROC defense strategy to protect the country from the PRC changed in 2000 when the Democratic Progressive Party (DPP) beat the long-ruling Kuomintang (KMT) to become leader of the Republic of China (ROC). The DPP inherited an army-centric military that had been designed over nearly 50 years of KMT rule to focus on the defense of the island’s physical territory. The DPP feared this focus would turn Taiwan’s densely populated cities into urban combat zones if conflict with China ever came, and instead decided to pursue “decisive offshore operations” and carry the fight to the Taiwan Strait that would employ air and naval power to carry the fight into the Taiwan Strait and, if necessary, to the mainland. The immediate obstacle for this strategy was Washington’s reluctance to sell Taipei the types of advanced weapons systems necessary for such a defensive strategy after the U.S. promised to reduce its sales to Taiwan in a 1982 Sino-American joint communiqué. In the recent time period Taiwan pushed the USA hard for the release of new F-16 fighter aircraft and is awaiting delivery of Patriot PAC-3 air defense missile systems and P-3C Orion maritime patrol aircraft. All these technologies are targets of the mainland Chinese.

A major element of the new defense strategy was enhancement to command and control that the USA could provide. The Po Sheng (“Broad Victory”) program was initiated, an umbrella project to modernize Taiwan’s C4ISR capabilities, a system to integrate ground, naval and air forces with command centers that is being sold to Taiwan by Lockheed Martin. Po Sheng would give Taiwan its first national-level joint command and control capability to deal to deal with aircraft, maritime surface and land targets. It enables those platforms equipped with data-link terminals to share near real-time information and engage a target in a timely and effective manner. This program was compromised by both the MSS and PLA in Taiwan and in the USA by multiple high level espionage operations. ROC Army officer LO Hsien-che was recruited in Thailand where he was a military attaché. He was later promoted to Major General and placed in charge of the Po Sheng program which he compromised to the PRC. He was arrested in 2011 found guilty and given a life sentence in prison. It came out the MSS paid him over 1 million dollars for this technology. The Po Sheng program was also compromised by the PLA in the USA based espionage network run by PLA Intelligence Officer LIN Hong involving 9 individuals who were arrested. The nine arrested were: Chi Mak who worked as a defense contractor L3 Power Paragon and three members of his family, Greg Chung who worked for Rockwell International / Boeing, US Citizen Tai Shen Kuo and his PRC paramour Yu Xin Kang, Greg W. Bergersen an analyst with Defense Security Co-operation Agency and retired US Air Force LT Col. James Wilbur Fondren, Jr.

The PRC focus on the Po Sheng program shows its intense interest and progress in developing the capability to disrupt Taiwanese communications ahead of an attack. Taiwan's penetration by China affected what types of arms the U.S. was willing to sell to Taiwan, according to a former deputy defense minister.

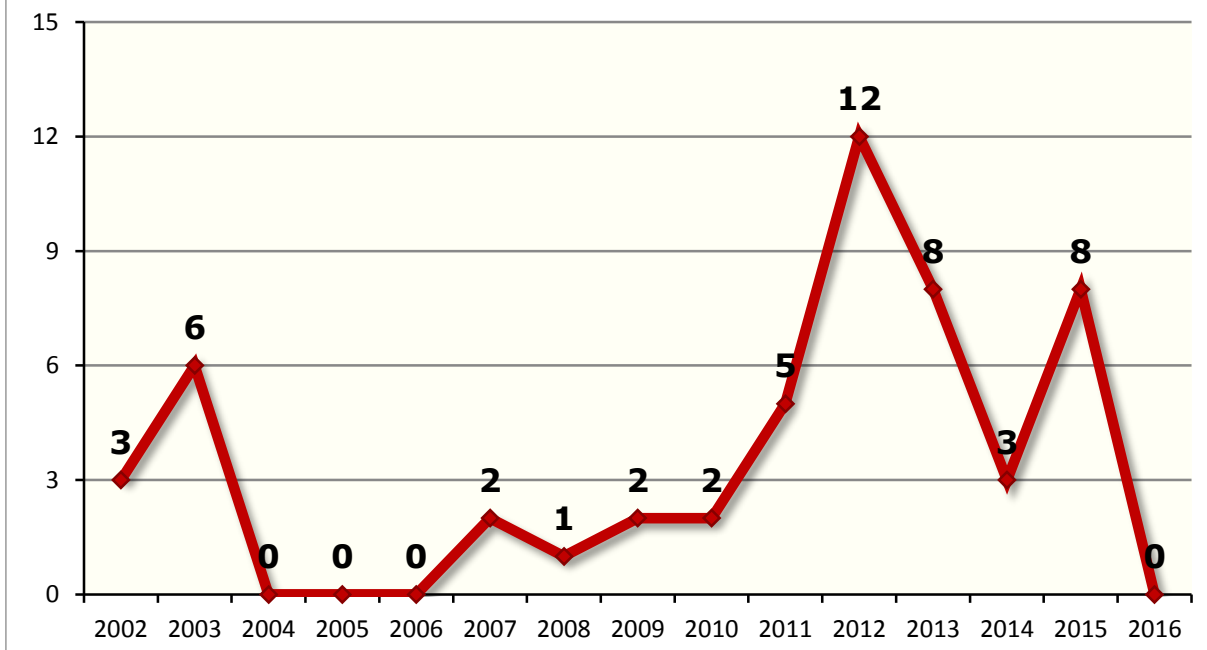
The proven success the PRC has had publicly to penetrate Taiwan's military and intelligence community agencies has serious implication for US national security. Between 2002 and 2016, 56 individuals have been charged in Taiwan as clandestine agents of the MSS or PLA. There have been 23 espionage plots of which all but 6 involve more than one individual. Five (5) of the individuals arrested are flag officers. An additional 17 are officers in the Army, Navy, Air Force or Marine Corp and 15 are members of one of three ROC intelligence services.

As set forth by Jamestown Foundation China Brief November 7, 2014 Conclusions:

*“The seemingly universal presence of a Taiwanese businessman or retired official with interests on the mainland suggests Chinese intelligence focuses on people who can serve as bridges to the intelligence target. These are people whose economic livelihoods and careers depend upon China, making the threat implicit when intelligence officers approach them.”*

We have been able to identify 15 of the individuals recruited in PRC by the MSS or PLA when the Taiwanese national was working or visiting the mainland. Recruitment in third countries is rare, with one each recruited in Thailand, Bali, Philippines, and Shanghai. The PRC intelligence service relies heavily on their recruited Taiwan agents recruiting sub-agents and creating networks. At least 50% (26) individuals were recruited into espionage for the PRC by a co-worker, friends, family members or relatives. Interestingly, this matches what the USA counterintelligence community has observed with 42% of espionage subjects being recruited by co-workers, friends, and family members or relatives.

## 56 Agents of the PRC Identified in Taiwan 2002 - 2016



- a) How does China’s infiltration of the systems of U.S. allies and partners affect U.S. alliance stability?
- b) How does China’s infiltration of the systems of U.S. allies and partners affect U.S. willingness to transfer advanced defense technologies to these countries?
- c) Describe unilateral U.S. efforts and joint efforts by the United States and allies and partners to deter, track, prevent, or mitigate the impact of Chinese espionage in allied and partner countries. How effective are these efforts? Provide examples if possible.

There have been 56 Taiwanese nationals arrested in the past 14 years (2002 to 2016) that were involved with 23 PRC espionage plots to accrued the most significant technology and intelligence from the ROC’s military and all three intelligence services. Much of this technology was developed by the US defense community in the United States and sold to Taiwan. Justifiable concerns about the security of U.S. defense systems sold to Taiwan is a byproduct of this espionage activity. It is noted however that during the period 2001 to 2016 154 Individuals arrested in the USA were involved in providing sensitive information and/or technology to entities in China. Thus PRC “espionage” is a problem and reality for both the ROC, the USA and the as a whole. Taiwan has made efforts to improve security—including trip reporting and routine polygraphs for personnel with sensitive access as well as boosting its counterintelligence staff. It is hoped that both countries are openly sharing damage assessments to help make way for improved U.S.-Taiwan counterintelligence cooperation. Knowing the degree of severity of Taiwan’s espionage losses, the U.S. government will assume the worst case in spite of the many questions that could be raised about how much damage each spy did, such as whether technical



information was transferred via documents or orally. If the USA begins to slowdown or stop the transfer of needed technology and information with Taiwan for fear of espionage loss then the PRC wins and Taiwan is doomed.

History has repeatedly validated the known counterintelligence truth that security/countermeasures do not stop espionage, it just slows it down. The continuation of an aggressive effort to penetrate the PRC collection capabilities and successfully run human source is the key to success. Innovation and risk taking operations will lead to successful operations like the ones set forth below

4. How effective are U.S. actors in deterring, tracking, preventing, and mitigating the impact of these espionage operations? Provide examples if possible.

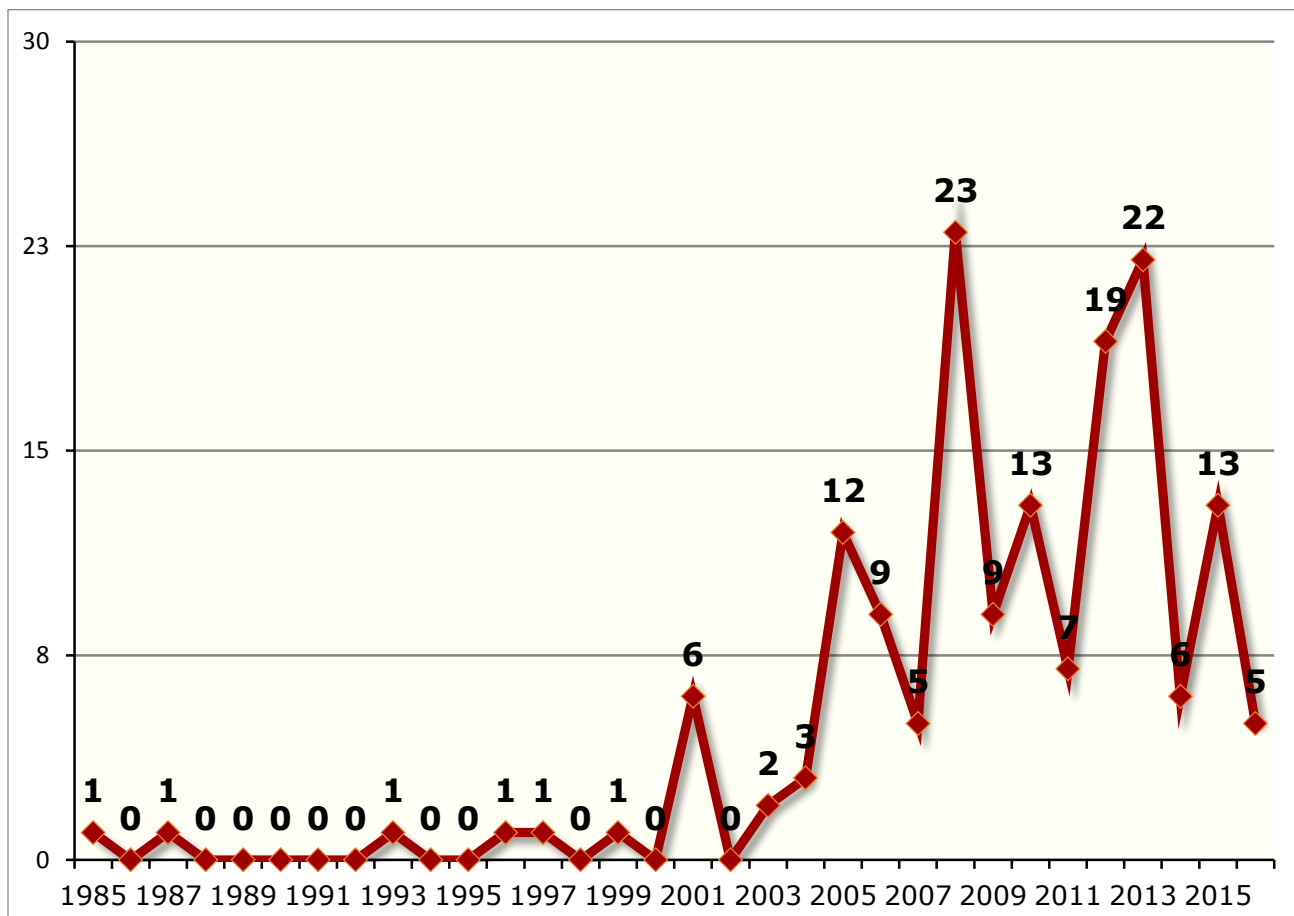
The PRC intelligence services were an enigma for the West and USA counterintelligence communities since the formation of the PRC on October 1, 1949. China was closed to the West's intelligence community until the PRC was recognized to represent China in the United Nations in 1972 and opened to the West with diplomatic normalcy with the USA in 1979. The West approached the PRC looking for the Western intelligence model; active intelligence officers under diplomatic cover targeting, assessing, recruiting, and handling recruited agents. Since this is not the method used by the PRCIS, USA failed in the mission to deterring, tracking, preventing, and mitigating the impact of PRC espionage operations. In 1981 this began to change when in Beijing a PRC MSP officer Yu Qiangsheng initiated contract with the US Embassy in what was an MSP approved recruitment operation against a CIA Officer assigned to US Embassy in Beijing. Yu used this as cover for action and in fact volunteered to provide secret information to the CIA. This was the first penetration of the PRCIS (the MSP will be renamed to the MSS). He was assigned the code name "Planesman" and provided the lead to identification of the longest run espionage in USA history CIA employee Larry Wu-Tai Chin. Yu defected to the USA in October 1985. With the implementation of the PRC 863 program in 1986 the Chinese became more aggressive and the Western counterintelligence service began to understand how the PRCIS operated. With the collapse of the USSR and end of the Cold War, the PRC moved from the second CI priority target of USA to number one. During the years 1985 to 2000 only 6 individuals were arrested for being involved in Intel collection for China. In October 11, 1996 the USA Congress passed the Economic Espionage Act of 1996 which provided a new tool to investigate and neutralize the intelligence activities of the PRC. PRC is currently the most aggressive intelligence collector and 154 individuals have been charged with intelligence collective.

In June 2012 it became public that in early 2012 an MSS Private aide (private secretary) to the Second Vice-Minister of MSS Lu Zhongwei was arrested for being an agent of the West. Lu Zhongwei is one of the most senior MSS officials in the PRC. The aide's name has yet to be made public. Sources have indicated that the aide revealed information on China's espionage network in the United States, including the names of numerous Chinese agents. Chinese media reported the arrest is part of the highest-level spy case involving the two countries since Yu Qiangsheng defected to the United States in 1985. This aide case may have been the source to identify the 56 nationals of Taiwan arrested as PRC agents between 2002 and 2016.

In 2014 PRC National Ling Wancheng defected to the USA when his brother became the target of a security investigation in the PRC. Publically Ling is considered the most valuable Chinese defector to flee to the USA. He is the brother of Ling Jihua, ex-chief of staff to former president Hu Jintao, who was formally detained on suspicion of "serious violations" of Communist party rules in December 2014. It is

reported that Ling Jihua had stolen thousands of classified documents and handed them over to his brother, Ling Wancheng. Ling Wancheng is reported to have revealed to US details on Chinese procedures for launching nuclear weapons, personal lives of China’s leaders, arrangements for leadership security and security protection leadership compound in central Beijing.

## 160 AGENTS OF PRC ENTITIES IDENTIFIED IN USA 1985-2016



In addition to the efforts of the USA to penetrate the PRC intelligence collection community, the three Taiwanese intelligence services (National Security Bureau, Military Intelligence Branch, and Ministry of Justice Investigative Bureau) have also had success in human operation. The intelligence from these sources has also been exchanged with the USIC. The following are examples of significant ROC penetration of the PRC:

- 1999 2 PLA officers were court-martialed and executed as agents of the ROC from 1992- 1999
  - Major General Liu Liankun who was head of the ordnance department of the General Logistics Department in the People’s Liberation Army (PLA) for six years.
  - He provided important information to Taiwan including the locations of mainland missiles over a seven-year period.

- He was assisted by Senior Colonel Shao Zhengzhong
- 2003 PLA Major General Liu Guangzhi and a former president of the Beijing-based Air Force Command College was arrested
  - Liu was reportedly recruited by a former colleague surnamed JIA, at the Air Force Command College.
  - JIA worked for Taiwan after he left the PLA and joined a company owned by a Taiwanese named Li Yun-pu, a former colonel in Taiwan's MIB.
  - It was reported Liu turned over significant information to Taiwan about missile deployment, training and other key facts.
- In 2004 the PRC announced that it had detained 24 Taiwanese nationals in the PRC and 19 mainlanders as spies for the ROC and all had confessed. Very little detailed information is available to validate this report or identify the individuals detained.
- 2005 WO Weihand and GUO Wanjun were arrested in the PRC as spies for the ROC and both were executed in November 2008. WO was born a PRC national, became a medical doctor and citizen of Austria. He was recruited by the ROC MIB in 1989 and recruited sub-agent GUO in China. GUO was a PRC missile expert and provide WO information about China's strategic missile program.

#### 5. Please rank China as an intelligence threat to the United States.

The PRC today is the most aggressive intelligence threat facing the United States. Their combination of technical cyber-attacks and exploitation coupled with a philosophy to use human intelligence to steal national defense information from the US Government, economic and trade secrets from the private sector and technology diversion to steal "anything of value" is a significant counterintelligence challenge. In the wake of the USA success in the Gulf war of 1991 the PRC observed the US dominance of the digital domain and embarked on a cyber warfare and collection strategy to dominate this venue in the future. Investing billions of dollars and a vast commitment of manpower the PRC has become the greatest threat to the USA in the digital world. Senior USA officials have declared that today there are two types of Government and private entities, "those that have been penetrated by the PRC or those that have been penetrated and do not know it." This aggressive collection posture is enhanced by a human "espionage" capability that has both a centralized collection strategy using their professional intelligence services (MSS and PLA) and an authorized decentralized nonprofessional cadre. PRC aggressively exploits academia in the USA and overseas using visiting scholars and PRC national students to identify and assess potential sources of information. In addition, the Chinese MSS and PLA aggressively targets students, scholars and businessmen visiting the PRC. This is complicated by the willingness to use large sums of money to potential sources to apply for employment in the US Government. This technique surfaced in 2010 with the arrested in the USA of Glenn Shriver who was paid \$70,000 just to apply to the US State Department and CIA. This has significant implications and is unprecedented in the "espionage collection" process to pay a source for just trying to join and organization.

The long term approach of the PRC intelligence collection strategy was set forth by former PRC Deng Xiaoping, “observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.”

6. The Commission is mandated to make policy recommendations to Congress based on its hearings and research. What are your recommendations for congressional action related to the topic of this hearing?

The creation of a risk mitigation assessment center is essential if it has not already been established. A true axiom of the “spy business” is that the worst situation is to have no sources but the second worst situation is to have a successful source penetration. The reason is that when you have a good penetration you have to be taken advantage of the actionable information being provided but not to compromise the fact that you have actionable intelligence. This takes effectively and sufficient well trained personnel and management to recognize clues to penetrations, analyze available information and the ability to take actions to test these hypothesis and mount sophisticated actions to mitigate the threats. In budge reduction environment budget it is a simple solution to cut training and analysis. Organizations must fight the instinct to try to “buy” counterintelligence on the cheap.

The PRC must pay the price for an aggressive collection program by ensuring the West has the will to call out the PRC on it espionage, active measure and soft power initiative. Self-Censorship is an instinct that education can overcome. As set forth in the Council on Hemispheric Affairs July 20, 2015 report entitled “Big Dragon on Campus: China’s Soft Power-play in Academia”:

*“The administrations of many universities hosting Confucius Institutes across the globe have self-censored their activities to keep from offending China. In 2009, North Carolina State University cancelled a visit by the Dalai Lama, after the director of the school’s Confucius Institute warned that hosting the Tibetan leader would disrupt ‘strong relationships we were developing with China.’ Sydney University in Australia also cancelled a lecture by the Dalai Lama in 2013. Australian politicians and activists charged that the university withdrew its support for the event ‘to avoid damaging its ties with China’ and to secure ‘funding for its cultural Confucius Institute.’ New South Wales MP John Kaye accused the University of selling off its “internal integrity” to ‘maintain close financial ties with the Chinese government.’ The university relented after protest and controversy. Also, in 2009 a district court in Tel Aviv, Israel, ordered the city’s university to reopen an art exhibit made by practitioners of Falun Gong, after the exhibit’s organizers sued. Falun Gong is a religious sect banned in China in 1999 and whose practitioners are still actively persecuted by authorities. The court found that the university’s dean closed the exhibit under orders from the Chinese Embassy. Judge Amiram Benyamini, who presided over the case said that the evidence did not support the dean’s claim that the embassy’s remonstrance did not influence his decision to close the exhibit. Judge Benyamini concluded that based on the evidence provided by the plaintiffs, the dean shut down the exhibit solely for fear of losing the university’s CI and the associated funding. Russell explained that many universities see China as a ‘sugar daddy’ and regard partnering with it and establishing CIs as a ‘pragmatic way of getting more funding.’ The United Nations identified under-funded schools as one of the major ‘overarching block’ to proper education in Latin America and the Caribbean. With schools in the region in need of funding and the generous amounts of funding provided by Hanban, it should be taken into concern how much influence the CIs will have over their hosts in the region, and how likely it will be for students to receive an objective and realistic view of China and the CCP.*

The US Government should consider offering first class advanced counterintelligence training to the three ROC intelligence agencies. This would include training on targeting and recruitment operations.

TAIWAN CASES		Arrested or Indicted	Conspirators	Rank	Branch	
2002	LIU	Chen-kuo	June 05 2002	Liu ring	Retired Captain	Army
2002	LIU	Yueh-lun	June 05 2002	Liu ring	Petty Officer First Class	Navy
2002	Wife of LIU Chen-kuo		September 26 2002	Liu ring	Civilian	Civilian
2003	HUANG	Cheng-an	August 06 2003	CSIST ring	Retired Major	Air Force/Chung Shan Institute of Science and Technology
2003	LIN	Wei	Sometime in 2003	CSIST ring	Civilian	Civilian
2003	YEH	Yu-chen	August 06 2003	CSIST ring	Civilian	Civilian
2003	HSY	Hsi-cheh	August 06 2003	CSIST ring	Civilian	Civilian
2003	TSENG	Chao-wen	November 11 2003	CHEN Hui-chiung	Retired Colonel	Military Intelligence Bureau
2003	CHEN	Hui-chiung	November 11 2003	TSENG Chao-wen	Lieutenant Colonel	Military Intelligence Bureau
2007	CHEN	Chih-kao	September 23 2007	LIN Yu-nung	Retired Special Agent	Ministry of Justice Investigation Bureau
2007	LIN	Yu-nung	September 23 2007	CHEN Chih-kao	Special Agent	Ministry of Justice Investigation Bureau
2008	WANG	Hui-hsien	June 20 2008		Retired Colonel	Military Intelligence Bureau
2009	WANG	Ren-bing	January 15 2009		Civilian	Presidential Office advisor
2009	CHEN	Pin-jen	January 15 2009		Civilian	Legislative assistant
2010	LO	Chi-cheng	November 1 2010	LO Ping	Colonel	Military Intelligence Bureau
2010	LO	Ping	November 1 2010	LO Chi-Cheng	Agent	Military Intelligence Bureau
2011	LIN	Po-hung	October 14 2011	WU ring	civilian	National Police Bureau
2011	WU	Tung-lin	October 14 2011	WU ring	civilian	National Police Bureau
2011	WU	Chang-yu	October 14 2011	WU ring	civilian	Central Police University
2011	LO	Hsien-che	January 25 2011		Major General	Army
2011	LAI	Kun-chieh	May 31 2011		Civilian	Civilian
2012	TSAI	Kuo-hsien	April 16 2012	WANG Wei-ya	Retired Captain	National Security Bureau
2012	WANG	Wei-ya	April 16 2012	TSAI Kuo-hsien	Retired Colonel	Ministry of Defense
2012	YUAN	Hsiao-feng	sometime in 2012	CHEN Wen-jen	Retired Lieutenant Colonel	Air Force
2012	CHEN	Wen-jen	sometime in 2012	YUAN Hsiao-feng	Retired Lieutenant	Air Force
2012	CHENG	Min-chun	April 18 2012		Left when he married PRC National	Military Intelligence Bureau
2012	CHENG	Lin-feng	July 11 2012	TSAI Teng-han	Retired Lieutenant Colonel	Army
2012	TSAI	Teng-han	July 11 2012	CHENG Lin-feng	Civilian	Civilian
2012	CHANG	Chih-hsin	sometime in 2012	CHANG ring	Retired Commander	Navy

TAIWAN CASES		Arrested or Indicted	Conspirators	Rank	Branch	
2012	ZHANG	Xin	sometime in 2012	CHANG ring	Military officer unknown rank	Navy
2012	CHIEN	Ching-kuo	sometime in 2012	CHANG ring	Retired Lieutenant	Navy
2012	LU	Chun-chun	sometime in 2012	CHANG ring	Retired	Missile Command (retired)
2013	HSU	Chung-hua	February 4, 2013	CHANG ring	Admiral	Commander of Attack Squad
2012	CHIANG	unknown	Jan-12		Captain	Air Force
2013	CHEN	Chu-fan	February 28 2013	CHEN Shu-lung	Retired Lieutenant General	Air Force former Vice chief of Military Police command
2013	CHEN	Shu-lung	February 28 2013	CHEN Chu-fan	Retired Major	Military Intelligence Bureau
2013	KO	Cheng-sheng	March 13 ,2013	SHEN Ping-kang	Retired Vice Admiral	Navy Former Deputy Commander of ROC Navy
2013	SHEN	Ping-kang	March 13, 2013	KO Cheng-sheng	civilian	Australian Businessman
2013	HAO	Chih-hsiung	September 13, 2013	Hao Chih-hsiung Ring	Major	Air Force compromised ROC E-2 Hawkeye
2013	WANG	Han-liang	September 1, 2013	Hao Chih-hsiung Ring	civilian	Civilian Fugitive hiding in China
2013	WAN	Tsung-lin	September 1, 2013	Hao Chih-hsiung Ring	civilian	Civilian Karaoke Club owner
2014	LIAO	Yi-Tsung	March 10 2014	HU Kuang-tai	Col. (retired)	Marine Corps
2014	HU	Kuang-tai	March 10 2014	LIAO Yi-Tsung	Officer (unclear)	Marine Corps
2014	Unknown	Kuo	February 10 2014		N/A Focus Taiwan News Channel Journalist	N/A
2015	WANG	Tsung-wu	March 4 2015	LIN Han	Major (retired)	Military Intelligence Bureau
2015	LIN	Han	March 4 2015	WANG Tsung-wu	Colonel (retired)	Military Intelligence Bureau
2014	ZHEN	Xiaojiang	September 24, 2014			Fomer PLA Officer arrested in ROC
2014	HSU	Nai-chuan	November 2, 2014	ZHEN Xiaojiang	Major General (retired)	Army
2014	CHOU	Chih-Li	September 24 2014	ZHEN Xiaojiang	Col	Air Force
2014	SUNG	Chia-lu	November 2, 2014	ZHEN Xiaojiang	Pilot	Air Force
2014	YANG	Jung-hua	November 2, 2014	ZHEN Xiaojiang	Official	Air Force
2014	LEE	Huan-yu	November 2, 2014	ZHEN Xiaojiang	Businessman	Kaohsiung nightclub operator
2014	MA	Po-Le	November 2, 2014	ZHEN Xiaojiang	Pilot (retired)	Air Force
2014	CHAO	Tai-chi	November 2, 2014	ZHEN Xiaojiang	Major General (retired)	Unclear
2015	KE	unknown	April 10 2015	ZHEN Xiaojiang	Retired Air Force Officer unknown rank	Air Force
2015	LOU	unknown	April 10 2015	ZHEN Xiaojiang	Lieutenant Colonel	Air Force