



The Great Chinese Take Out Exposed

by James Dunnigan

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Chinese intelligence collecting efforts in the last decade have been spectacularly successful. But now there's a problem. The rest of the world is coming to realize the extent of this success, and that is bad news for China. Collecting information, both military and commercial, often means breaking laws. China has broken a lot of laws. Technically, China has committed acts of war because of the degree to which it penetrated military networks and carried off highly secret material. The U.S. has been warning China there will be consequences. As the extent of Chinese espionage becomes known and understood, the call for "consequences" becomes louder.

China has tried hard to conceal its espionage efforts. Not just denying anything and everything connected to its hacking and conventional spying, but also taking precautions. But as their success continued year after year, they became sloppy. At the same time, the victims became more adept at detecting Chinese efforts.

Undeterred, China has sought to keep its espionage effort going, and expanding it. For example, during the last three years, China has opened eight National Intelligence Colleges in major universities. In effect, each of these is an "Espionage Department" at these universities, where, each year, about 300 carefully selected applicants are accepted, to be trained as spies and intelligence operatives. China has found that espionage is an enormously profitable way to steal military and commercial secrets. While Chinese Cyber War operations in this area get a lot of publicity, the more conventional spying brings in a lot of stuff that is not reachable on the Internet.

One indicator of this effort is the fact that American counter-intelligence efforts are snagging more Chinese spies. But this is largely due to increased spying effort by China, rather than more success by the FBI and CIA. This use of industrial espionage has played a large part in turning China into one of the mightiest industrial and military powers on the planet. China is having a hard time hiding the source of the new technologies they are incorporating into their weapons and commercial products.

China has been attempting to do what the Soviet Union never accomplished; steal Western technology, then use it to move ahead of the West. The Soviets lacked the many essential supporting industries found in the West (most founded and run by entrepreneurs), and was never able to get all the many pieces needed to match Western technical accomplishments. Soviet copies of American computers, for example, were crude, less reliable and less powerful. Same with their jet fighters, tanks and warships.

China gets around this by making it profitable for Western firms to set up factories in China, where Chinese managers and workers can be taught how to make things right. At the same time, China allows thousands of their best students to go to the United States to study. While many of these students will stay in America, where there are better jobs and more opportunities, some will come back to China, and bring American business and technical skills with them.

Finally, China energetically uses the "thousand grains of sand" approach to espionage. This involves China trying to get all Chinese going overseas, and those of Chinese ancestry living outside the motherland, to spy for China, if only a tiny bit.

This approach to espionage is nothing new. Other nations have used similar systems for centuries. What is unusual is the scale of the Chinese effort. Supporting it all is a Chinese intelligence bureaucracy back home that is huge, with nearly 100,000 people working just to keep track of the many Chinese overseas, and what they could, or should, be trying to grab for the motherland. This is where many of the graduates of the National Intelligence College program will work.

It begins when Chinese intelligence officials examine who is going overseas, and for what purpose. Chinese citizens cannot leave the country, legally, without the state security organizations being notified. The intel people are not being asked to give permission. They are being alerted in case they want to have a talk with students, tourists or business people before they leave the country. Interviews are often held when these people come back as well.

Those who might be coming in contact with useful information are asked to remember what they saw, or bring back souvenirs. Over 100,000 Chinese students go off to foreign universities each year. Even more go abroad as tourists or on business. Most of these people were not asked to actually act as spies, but simply to share, with Chinese government officials (who are not always identified as intelligence personnel) whatever information obtained. The more ambitious of these people are getting caught and prosecuted. But the majority, who are quite casual, and, individually, bring back relatively little, are almost impossible to catch.

Like the Russians, the Chinese are also employing the traditional methods, using people with diplomatic immunity to recruit spies, and offering cash, or whatever, to get people to sell them information. This is still effective, and when combined with the "thousand grains of sand" methods, brings in lots of secrets. The final ingredient is a shadowy venture capital operation, sometimes called Project 863, that offers money for Chinese entrepreneurs who will turn the stolen technology into something real. No questions asked. If you can get back to China with the secrets, you are home free and potentially very rich.

But there are some legal problems. When the Chinese steal some technology, and produce something that the Western victims can prove was stolen (via patents and prior use of the technology), legal action can make it impossible, or very difficult, to sell anything using the stolen tech, outside of China. For that reason, the Chinese like to steal military technology. This kind of stuff rarely leaves China. And in some cases, like manufacturing technology, there's an advantage to not selling it outside of China. Because China is still a communist dictatorship, the courts do as they are told, and they are rarely told to honor foreign patent claims.

But increasingly, Chinese firms are boldly using their stolen technology, daring foreign firms to try and use Chinese courts to get justice. Instead, the foreign firms are trying to muster support from their governments for lawsuits outside China. Naturally, the Chinese government will howl and insist that it's all a plot to oppress China. This has worked for a long time, but many of the victims are now telling China that this conflict is being taken to a new, and more dangerous, level.

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