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The US Senate Select Committee on Intelligence (SSCI) submitted to the Congress on August 3, 2001, a special report on its activities during the period from January 6, 1999, to December 15, 2000. The report, inter alia, contains the following comments on Chinese espionage in the US: (Writer's comment: The asterisks in the report seem to indicate that certain portions have been deleted by the Committee)

"In the 105th Congress (Writer's comment: the present Congress is the 107th), the Committee (the Senate Select Committee on Intelligence) unanimously approved Terms of Reference for investigations into "Impacts to U.S. National Security of Advanced Satellite Technology Exports to the People's Republic of China (PRC)" and "The PRC's Efforts to Influence U.S. Policy."

"These investigations were prompted by (1) press reports of possible export control law violations by Loral Space and Communications Ltd. and Hughes Electronics Corporation, in the course of launching U.S. satellites on Chinese rockets that may have harmed U.S. national security by providing expertise to the PRC's military ballistic missile programs, and (2) a report that Johnny Chung, a Democratic Party fundraiser, being investigated for improprieties during the 1996 presidential campaign, told Department of Justice investigators that an executive with a PRC aerospace company gave him \$300,000 to donate to President Clinton's 1996 re-election campaign. The latter report came against a backdrop of earlier reporting and prior congressional investigations of a PRC Government plan to influence the American political process.

"Subsequent investigations and press reporting identified additional problems in the course of U.S. satellite launches in the PRC, which were first authorized under a policy dating to the Reagan Administration, designed to address the shortage of space launch capabilities following the Challenger disaster. These problems included Hughes' transfer to the PRC of a failure analysis of the 1995 launch of the Hughes Apstar

2 satellite, and the absence of U.S. Government monitors at Chinese launches of three Hughes satellites in 1995-1996.

"Other press reports raised concerns that the PRC may have developed technology applicable to Multiple Independently Retargetable Vehicles (MIRVs) through its development, to U.S. specifications, of a multiple-satellite "Smart Dispenser" to place Motorola "Iridium" communication satellites in orbit.

"In the course of its investigations, which concluded in May 1999, the Committee conducted ten hearings and dozens of staff briefings and interviews. Witnesses included the Director of Central Intelligence George Tenet, Attorney General Janet Reno, FBI Director Louis Freeh, and expert witnesses from the CIA, the Defense Department's Defense Technology Security Administration (DTSA), the Department of State, the National Air Intelligence Center (NAIC), the NSA, the DIA, and the General Accounting Office (GAO). Committee staff also reviewed tens of thousands of documents provided by Executive departments and agencies and U.S. satellite manufacturers, and produced analyses for the Committee's use based on those documents.

"In a Committee Report approved on May 5, 1999, by a vote of 16 to one, the Committee found, with respect to satellite and missile technology transfers, that: The technical information transferred during satellite launch campaigns enables the PRC to improve its present and future space launch vehicles and ICBMs. Because such analyses and methodologies are also applicable to the development of other missile systems, the Committee believes that, where practicable, the PRC will use the transferred information to improve its short range ballistic missiles (SRBMs), intermediate range ballistic missiles (IRBMs), and related technology. These missiles could threaten U.S. forces stationed in Japan and Korea, as well as allies in the region.

"* * * * * The Committee's conclusions with respect to technology transfer are based on the evidence of technology transfers to the PRC's space launch industry * * * the substantial similarities between space launch vehicles and ballistic missile technology (the CIA has described space launch vehicles as ballistic missiles in disguise), the integration of the PRC's space launch and ballistic missile industries, the PRC's intention to modernize and upgrade its ballistic missile force, evidence that U.S. know-how was incorporated into the PRC space launch program, and the Committee's assumption that any improvements in the PRC's space launch vehicles would be incorporated wherever practicable in the PRC's military ballistic missile program. * * * * *

" * In the past, the PRC has proliferated SRBMs, IPBMs, and their related technology to potential U.S. adversaries such as Iran and to countries such as Pakistan where the presence of advanced weapons increases regional instability. U.S. national security interests already may have been harmed if the PRC used the transferred information to improve these proliferated missile systems. Or U.S. national security may be harmed in the future if the PRC proliferates missile systems or components that have been improved as a result of the technology transfer.

"The Committee further finds that improvements to the PRC's space launch capability increases the PRC's ability to use space for military reconnaissance, communications, and meteorology. The PRC's enhanced ability to use space in turn may pose challenges to U.S. national security interests and capabilities. The perfection of a flight-worthy PRC Smart Dispenser is an example of the pulling effect leading to

improved space launch services inherent in U.S. use of such services. The PRC had indigenous capability to develop a Smart Dispenser prior to Motorola's request for proposals for the Iridium project. Undertaking this project resulted in a flight-worthy dispenser. Analysts differ as to the military significance of this development.

"The Committee found that decisions in 1992 and 1996 transferring licensing jurisdiction over commercial satellites from the State Department to the Commerce Department emphasized commercial interests over national security and other concerns. The 1992 decision shifted jurisdiction over the export of commercial satellites without militarily significant characteristics from the State Department to the Commerce Department. This action reduced the ability of the State and Defense Departments to block such exports on national security grounds.

"* * * In 1996, jurisdiction over the export of all remaining commercial satellites was transferred to Commerce. The 1996 decision had the additional consequence of completing the process of removing commercial satellites from categories of goods that would not be exported when the U.S. government imposed Missile Technology Control Regime (MTCR) Category II sanctions. This step, at least in part, reflected industry pressure since 1992 to bring about such a policy change.

"* * * * * The transfer of the export of commercial satellites to Commerce Department jurisdiction affected U.S. national security. Some believe the national security was enhanced by having the PRC use U.S. satellites and by maintaining strong international demand for our satellites. On the other hand, some believe this step diminished the impact of U.S. sanctions against the PRC for its proliferation practices, thus weakening the non-proliferation regime generally.

"The Committee identified a failure by successive Administrations to provide adequate funds, staff, and training to DTSA officials responsible for monitoring U.S.-PRC satellite cooperation. As a result of confusion engendered by the 1992 decision, Defense Department monitors were not present during three satellite launch campaigns in 1993-96. Existing documents show that no monitors were present in 1997 at the fourth technical interchange meeting of the Chinastar 1 campaign. Records suggest, but do not confirm, the absence of monitors at other meetings. The Committee believes these unmonitored meetings provided the PRC opportunities to collect technical information. The Committee would be surprised if the PRC did not take advantage of such opportunities to obtain technology.

"The Committee recommends substantial changes in the launch monitor program. From 1988 through today, the Intelligence Community has generated and disseminated to U.S. policymakers extensive intelligence reporting on issues relevant to export policy decisions. Such reporting covers the PRC's interest in obtaining advanced U.S. technologies, the integration of the PRC's civilian and military launch vehicle programs, PRC military modernization, and PRC missile proliferation.

"The Committee found that intelligence reporting dating from at least the 1980s indicated that the PRC Government has had a strategic, coordinated effort to collect technological products and information from the U.S. Government and private companies. According to intelligence reporting, the PRC Government had devoted significant resources and effort at collecting all types of technology from American sources, whether of military or commercial value or both.

"Although intelligence reports detailing widespread and organized PRC efforts to collect technical knowledge were available to officials involved with the satellite export program, weaknesses in procedures and insufficient resources to support the monitoring effort detracted from the overall program. The Committee concludes that U.S. Government officials failed to take seriously enough the counterintelligence threat during satellite launch campaigns. As a result, monitors were inadequately trained and rewarded and of insufficient number. An inadequate effort was made to ensure that employees of U.S. satellite manufacturers were trained and prepared to deal with PRC efforts to obtain U.S. know-how.

"With respect to PRC efforts to influence U.S. policy, the Committee focused on the following question: "Is there intelligence information that substantiates the allegation that the PRC government undertook a covert program to influence the political process in the United States through political donations, and other means, during the 1996 election cycle?" -----

"The answer to that question, the Committee concluded, was: Yes. * * * [Whereas] historically, the PRC government has focused entirely on influencing the U.S. President and other Executive branch officials * * * after the Taiwanese President, Lee Tung-hui, was granted a visa to the United States in 1995, PRC officials decided that it was necessary to reassess their relationship with Congress. In response to President Lee's visit, the PRC conceived of a plan to influence the U.S. political process favorably toward that country. The plan was an official PRC plan, and funds were made available for its implementation. The existence of this plan is substantiated by the body of evidence reviewed by the Committee, including intelligence reports.

" ----- While the primary focus of the PRC plan was the U.S. Congress, the Committee discovered no direct evidence or information of an actual attempt to influence a particular member of Congress. However, the PRC plan to influence the U.S. political process applied to various political office holders or candidates at the local, state, and federal level. There is intelligence information indicating PRC officials provided funds to U.S.. political campaigns. However, the intelligence information is inconclusive as to whether the contributions were part of the overall China Plan.

"During a criminal investigation into violations of the Federal Election Campaign Act (FECA), Johnny Chung, a U.S. citizen and a subject of that investigation, stated that in August 1996 he had been given \$300,000 by a senior PRC official to assist in the election of President Clinton. While this statement is contrary to his previous statements, the FBI can trace only about \$20,000 of the \$300,000 to the Democratic National Committee, via a contribution by Chung. Most of the remaining funds went for his personal use, including mortgage payments.

"There is also reporting regarding contributions from other sources made to a Republican candidate for state office and a Republican state office holder. There is no intelligence information indicating that contributions had any influence on U.S. policy or the U.S. political process or that any recipients knew the contributions were from a foreign source. The intermediary between Johnny Chung and the senior PRC official was Ms. Liu Chao-ying, daughter of General Liu Hua-qing, formerly the highest ranking military officer in the PRC"

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