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The PRC Espionage Threat to Taiwan's Security

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In partial fulfillment of the Requirement

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Master of Art

By

Aaron Jensen

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Abstract

This thesis examines how the People's Republic of China uses Human Intelligence (HUMINT) to collect sensitive information about the Republic of China, or Taiwan. It examines the development and changes in PRC HUMINT activity which has taken place in the post-Cold War Era. This study finds that two major developments have led to a situation where PRC HUMINT activity is now a serious threat to Taiwan's security. The first development, a dramatic increase in cross-strait human interaction, has enabled the PRC to open up HUMINT operations against the ROC on a wider front. The second development, loyalty and allegiance problems on the part of some ROC officials, has lowered Taiwan's internal resistance to PRC HUMINT operations. These twin developments have enabled the PRC to threaten the security of the ROC's military and security organizations, as well as its government and society.

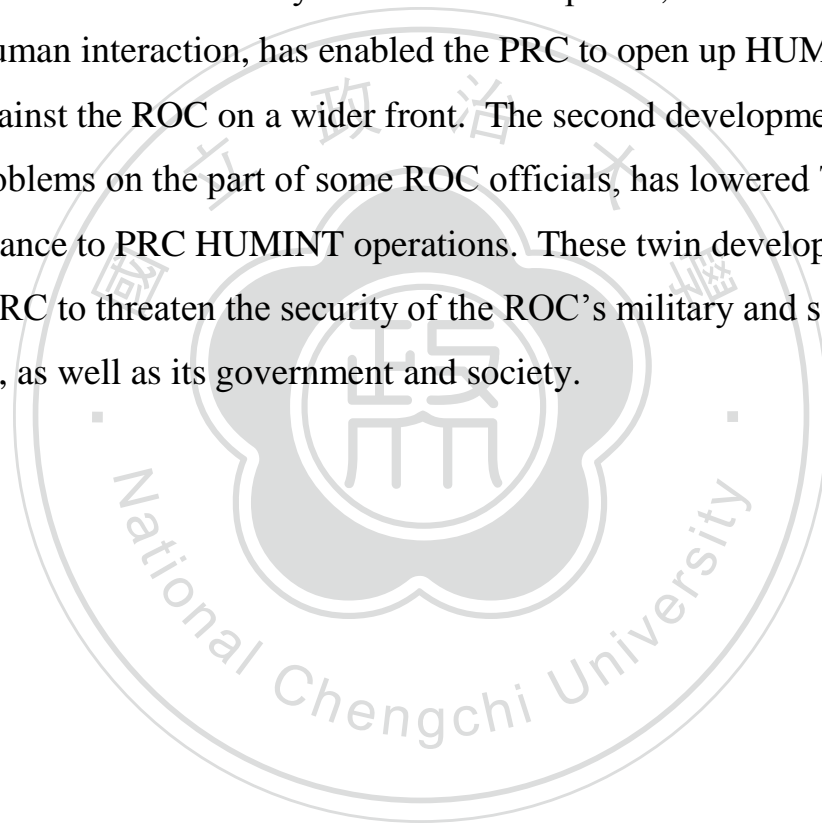
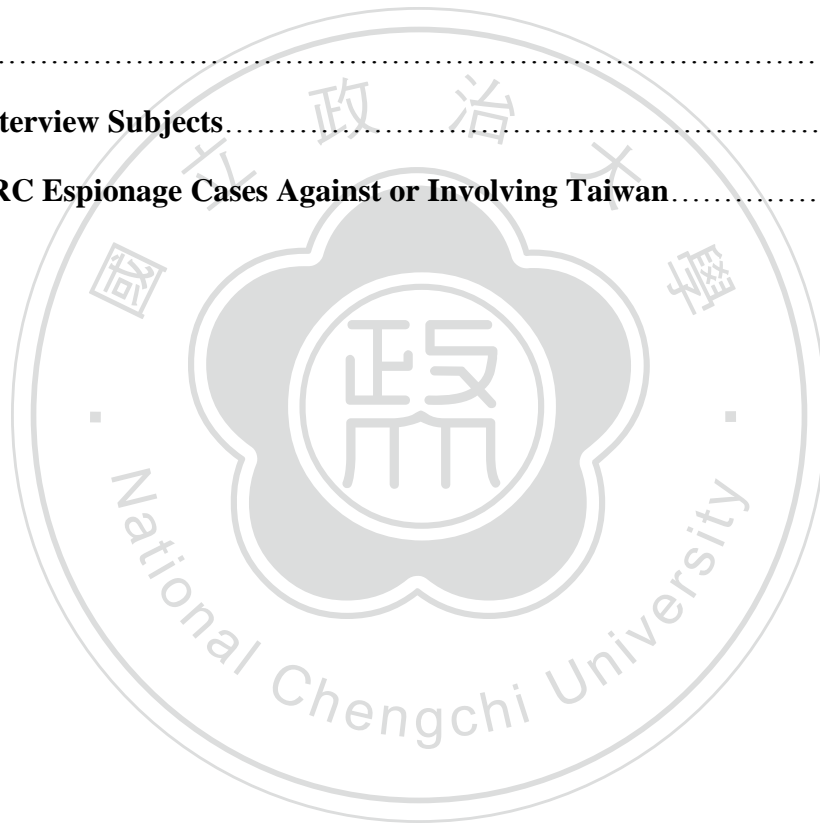


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Chapter 1 Introduction

The strategic balance between Taiwan and China is one of the most important subjects in military and security studies circles today. Scholars and military experts from numerous countries examine the situation from various angles and arguments. However, one important security subject has, to this point, been largely left off the scholarly agenda. PRC espionage against Taiwan has received scarcely any attention from Taiwan's academic community. While Chinese espionage has recently been given greater attention in places like the United States and Europe, it has so far received very little scrutiny in Taiwanese security studies circles. This study examines major changes and developments in PRC espionage from the end of the Cold War to the present.

This essay exams the nature and scope of PRC espionage against Taiwan. Although espionage is a security problem for all nations, Taiwan faces a uniquely difficult challenge against PRC espionage operations. This study will argue that the PRC has capitalized on two major developments within the last two decades to deepen and expand its human intelligence operations against the ROC. Specifically, this study will focus on the PRC's post-Cold War espionage activity against the ROC.

Since 2008, the first major development between China and Taiwan has been the explosion of human interaction between the two sides. Hundreds of thousands of ROC citizens have relocated to the Mainland for business or family reasons. PRC citizens have also migrated to Taiwan, in lesser numbers, and they have begun traveling to the island in significant numbers as well. This development has presented Chinese intelligence organizations with a goldmine of espionage recruitment and intelligence collections opportunities.

The second major development which has affected the balance of cross-strait security is the problem of divided allegiance in ROC military and security organizations. As a result of both domestic, and cross-strait, changes, some ROC government officials have lost their allegiance to the ROC. This situation has led a number of high-ranking ROC officials to commit espionage against the ROC, and in some cases defect to the Mainland.

The subject of this study will be limited to the human side of espionage, known as HUMINT.¹ Only cases which involve information acquired via human means will be included. Broadly speaking, espionage can include technical means such as electronic eavesdropping, reconnaissance and surveillance and computer hacking. This study will confine itself to human espionage; discussion of technical espionage will be included only when it is used as an accessory for the human agent.

1.1 Intelligence and Espionage

Before pursuing this study, it is necessary to define what HUMINT is, and to distinguish it from related activities. HUMINT is a part of the larger activity of intelligence collection. Intelligence agencies typically collect sensitive and secret information in a variety of ways. These collection methods include using reconnaissance aircraft or spy satellites to photograph targets of interest, known as Imagery Intelligence (IMINT), by intercepting foreign communication signals (SIGINT), by collecting foreign media and academic material, called Open Source Intelligence (OSINT) and by using human agents to collect intelligence (HUMINT).

The discipline of HUMINT is further subdivided into overt and covert collection. Overt collection is done in the open and is accomplished through legal means. An example of overt collectors would be military attaches that are stationed overseas and collect information on host country military matters. The use of military attaches to collect information is an accepted practice in international relations. Thus, it is not considered to be espionage.

Covert intelligence collection is undertaken surreptitiously by human agents.² The targeted information is usually considered secret or classified by the host nation. Louis Farago, the author of an early work on espionage and intelligence, defines espionage as, “the effort to discover by *concealed methods* the guarded secrets of others.”³ The targets of espionage activity usually include major national interests such as military capability, internal politics and foreign relations as well as technology. In his study of PRC intelligence agencies, Nicholas Eftimiades identifies six major targets of Chinese espionage activity: A nation’s political situation, its

¹ HUMINT: stands for human Intelligence

² For the sake of convenience, this proposal uses the common term “espionage” in place of “covert HUMINT”

³ Louis Farago, *War of Wits, The Anatomy of Espionage and Intelligence* (New York: Funk & Wagnalls Company, 1954).

leadership, military structure and capability, science and technology, economic conditions and social conditions. These six categories generally correspond and reflect the espionage targets of other major countries.

In some cases, the boundary between espionage and other forms of intellectual exchange can become blurry. International academic and scientific exchange is one such area. While most of this activity is professional and legitimate, it can sometimes cross the line into espionage. Visiting scientists and academics are sometimes used by intelligence organizations to pressure or elicit sensitive or classified information from their counterparts in the host country. This can be a very grey area because scientists and academics naturally seek as much knowledge in their area of interest as they can obtain. In these instances, the judgment as to whether espionage has occurred must be considered on a case-by-case basis.

1.2 Motivation and Purpose

Despite its persistence and frequency in international affairs, espionage is rarely studied by the scholarly community. Part of this reason has to do with the fact that many espionage activities are kept secret and government organizations control most of the information relating to espionage activities. Despite the government's control over the most sensitive details of espionage, an increasing amount of information is now available to the public. Many scholars may consider espionage to be a subject unworthy of serious study. This is a grave mistake. Although its influence is often subtle, espionage and the discipline of intelligence have played an important role in international events. Many military engagements have been fundamentally altered by the presence or absence of intelligence information, often times, this critical information is derived by means of HUMINT. Peacetime diplomacy can also be undermined by espionage activities. In 2002 ROC President Chen Shui-bian was forced to cancel a stopover at a European country on his way to visit diplomatic allies in Africa. The Chinese government discovered Chen's itinerary and subsequently pressured the host country into revoking President Chen's invitation. Taiwanese Ministry of Foreign Affairs officials strongly suspected that the PRC had surreptitiously acquired this information and pressured the host country into canceling the visit.⁴

⁴ "PRC bugging is a serious problem" *The China Post*, November 1, 2002

An important aim of this study is to help increase awareness of the danger of PRC espionage activity in Taiwan. Pushing the subject of espionage into the academic community may motivate other scholars to examine this important security issue. Unlike many academic topics, the subject of espionage can be fairly controversial, especially in Taiwan. This study does not seek to avoid controversy, raising provocative questions is an important means to challenge our assumptions and deepen our understanding of important issues. Presenting controversial positions, provided they are accurate and defensible, will spur other scholars to conduct research into this neglected facet of Taiwan's security.

The subject of PRC espionage against Taiwan is both timely, and taboo. Under the Ma Administration, the ROC has considerably increased its interaction with the PRC in the space of only a few years. Most of this contact has been beneficial for both sides and many international observers have hailed this increase in cross-strait interaction as a major step for peace between the two sides. Unfortunately, as this thesis will argue, and as others have observed, cross-strait spying, especially from the PRC side, has continued on a massive scale.⁵

This study has several main objectives and goals. First, it seeks to determine how PRC HUMINT operations against Taiwan have evolved as China and Taiwan have opened up to each other following the Cold War.⁶ Secondly, this study will identify probable weaknesses in the ROC's security apparatus which pertain to, and make it more vulnerable to PRC HUMINT operations.

The third major aim of this study will be to challenge assumptions, and draw possible lessons for the study of PRC HUMINT operations in other countries, particularly the United

⁵ In January of 2009, Lin Yu-fang, the head of the Foreign and National Defense Committee in the Legislative Yuan, claimed that both China and Taiwan were still actively spying on each other despite warmer cross-strait relations (Ko Shu-ling and Flora Wang "Two detained in espionage case" *Taipei Times*, January 16, 2009)

⁶ The end of the Cold War is pertinent for several reasons. At this time, major ideological changes occurred in both the ROC and PRC. In Taiwan, the end of martial law marked the beginning of Taiwan's move from authoritarianism to democracy. This in turn led to important political changes, particularly the rise of the DPP, and social developments such as the desire for independence among some citizens. In the Mainland, the CCP retained its authoritarian rule while discarding communist ideology and moving towards market reforms. These simultaneous developments changed the way in which the two sides viewed each other and allowed for increased human interaction between the two sides.

The rise of democracy and freedom of the press in Taiwan enabled the media to better examine security problems such as espionage. During the Cold War, and especially the White Terror, the issue of espionage was inextricably intertwined with political infighting and intrigue. For this reason, an accurate study of PRC espionage against Taiwan in this period is beyond the scope of this study.

States. Analyzing PRC HUMINT activity in Taiwan could provide a more comprehensive picture of the PRC's overall HUMINT operations and capability. This in turn could provide Western security scholars with additional insight with which to analyze the PRC espionage threat in other countries.

Two views on PRC HUMINT operations have emerged among U.S. security scholars and professionals. The first view holds that the dominant Chinese method of espionage is the mosaic approach, or “thousand grains of sand” method. In this approach, a large number of individuals are tasked to each collect a small amount of information. The collected information is later analyzed and peiced together to form meaningful data. This view of PRC HUMINT was offered by retired FBI counter-intelligence agent Dr. Paul Moore in 1999.⁷ This position was also reiterated by Stratfor analyst Sean Noonan in 2012 who suggested that the PRC still prefers to use the high-quantity, low-quality mosaic method.⁸

The second view of PRC HUMINT operations among U.S. security scholars is that China strongly prefers to use ethnic Chinese as intelligence assets. Paul Moore argued that Chinese intelligence agents feel most comfortable interacting and appealing to individuals with a common background. He described the Chinese approach to spy recruitment as a “soft recruitment.”⁹ In this approach, a long-term relationship is developed and the targeted individual is made to feel as though they are more Chinese than American. Rather than blatantly harming American interests, the targeted individual is persuaded that he is simply helping China to catch up, and improve its position in the world.

Due to the sensitivity surrounding the subject of PRC espionage, there is a void of scholarly work on one of the ROC's most serious and pressing security concerns. It is hoped that this study may help fill that void, and raise awareness and concern for PRC espionage activities. Raising awareness of PRC espionage activity in Taiwan may also help garner support for increased security measures on the part of ROC government organizations as well as Taiwanese

⁷ Paul D. Moore “China’s Subtle Spying” *New York Times*, September 2, 1999

⁸ Sean Noonan “Chinese Industrial Espionage makes Inroads in the US and Europe” *Stratfor*, January 24, 2012 Available at: <http://www.stratfor.com/weekly/20110119-chinese-espionage-and-french-trade-secrets>

⁹ Paul D. Moore “How China Plays the Ethnic Card” *Los Angeles Times*, June 24, 1999

businesses and individuals who operate in Mainland China. Threat awareness is one of the key factors in defending against espionage.

Finally, this study seeks to examine PRC espionage in order to better understand the consequences and implications of this activity. In the most extreme cases, espionage has resulted in the death of agents who were working on behalf of Taiwan. In other areas, espionage weakens Taiwan's military defenses and it strains Taiwan's ability to achieve diplomatic goals. Espionage seriously undermines military advantage and this can mean more lives lost during a conflict. It also adversely affects U.S. interests as the United States is now the sole foreign supplier of military equipment to the ROC. Many of the weapon systems sold to Taiwan contain sensitive military technology which could, if acquired by China, help the PRC further erode the balance of military power in the strait. In the unlikely event of a conflict, the PRC could exploit discovered weaknesses in US systems and increase its fighting effectiveness against ROC and US forces which may be called upon to defend the island.

1.3 Literature Review and Research

The topic of PRC espionage operations against Taiwan is a relatively untouched academic subject; hence no English language books or journal articles address the issue directly. Despite the lack of direct subject material on this issue, there is a significant amount of literature which deals with the subject of espionage in general. Studies of espionage provide a basis and a starting point for more specialized studies such as this one. One of the earliest studies on espionage is Louis Farago's 1954 study, "War of Wits." Farago provides a broad introduction to the basic principles and workings of HUMINT operations and the intelligence business. Even more relevant to this study is Harry Positzke's 1977 study on CIA operations. The CIA is America's primary collector of HUMINT, as such, studying the CIA's collections methods helps provide solid examples of how intelligence operations have been undertaken in the field. According to one intelligence expert, the methods and tactics of espionage change very little over time and place.¹⁰ Studying past intelligence operations can provide a rough blueprint for how another country could conduct espionage in another locale. Positzke's discussion of how the U.S. used tourists to collect information on the Soviet Union has direct relevance for how the PRC may be

¹⁰ Nicholas Eftimiades , *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998)

using tourists to gather information in Taiwan. It provides a rare example of how tourists were used, and what they were able to collect.

Several existing studies on Chinese intelligence agencies help construct a broad picture of the structure and operations of PRC intelligence agencies. One of the paramount works on this subject is Jane's 1999 study titled, *Chinese Intelligence and Security Agencies*. This technical report provides a comprehensive overview of the structure and missions of the offices and bureaus in China's intelligence pantheon. It contributes to this study by identifying the separate and specialized offices which are responsible for collecting Taiwan related intelligence. While broad in scope, the major shortcoming of this report is its lack of analysis on PRC intelligence collection strategy and methods. Nicholas Eftimiades' 1998 study, *Chinese Intelligence Operations*, helps fill this analytical gap by providing insight into how Chinese HUMINT collection evolved in the 1990s. Whereas the *Jane's* study focuses on structure, Eftimiades looks at how Chinese intelligence agencies and their agents operate to collect intelligence. Drawing from examples in North American and Taiwan, he argues that PRC intelligence agencies are developing in terms of overall sophistication and capability.

Insight into the motivation and psychological factors of espionage was greatly aided by several articles from the Defense Personnel Security Research Center (PERSEREC) which is an office in the U.S. Department of Defense. The mission and goal of PERSEREC is to conduct behavioral science research and analysis to support improved policy procedures in personnel security. As one of the few entities specifically designed to research and publish articles on this topic, the insights into the motivations for espionage were invaluable to this study. Veteran intelligence analyst Richards J. Heuer's essay, "The Insider Espionage Threat," discusses the general motivations and preconditions for espionage. Heuer's analysis of espionage focuses more on individual factors which underlie the motivations for espionage. Katherine Herbig's study, "Allegiance in a Time of Globalization" examines changing patterns of espionage under conditions of globalization in the United States. Drawing on a rich variety of social and psychological literature, Herbig first explores the psychological and social factors which compel a person to develop a sense of loyalty to a nation. She concludes that people develop a sense of loyalty to their nation at a young age due to the need for self-protection and self-transcendence. Simply put, people need to belong to a group, and develop group identification, in order to feel

secure. Although this study was focused on American society and the challenges faced by the U.S. government, it does provide an important framework for understanding the loyalty challenges in Taiwan. Specifically, Herbig argues that three main factors help to bind an individual to their nation: 1, a sense of emotional attachment 2, a motivation to help the country and 3, a sense of pride towards the nation. As will be discussed later, these three factors have sometimes become very strained in contemporary Taiwanese society. This has in turn contributed to Heuer's basic conditions for espionage.

The majority of information on particular cases of PRC espionage against Taiwan was derived from Taiwan's own English language news publications. *The China Post* and the *Taipei Times* provided the bulk of raw material for this study. The *China Post* has been in circulation for decades and it was particularly useful for researching espionage cases before 2000. The *Taipei Times* was founded in 1999 and since then, has aggressively reported on issues relating to Taiwan's defense and security. In some cases, Chinese language publications such as *United Daily News*, *China Times*, *Liberty Times* and *Apple Daily* were also utilized when they provided additional information.

1.4 Research Challenges

A large portion of the material and opinions used in this study was derived from interviews with Taiwanese and American security experts and scholars. A significant challenge in conducting these interviews was getting Taiwanese scholars to discuss or comment on the subject. In general, the majority of Taiwanese scholars approached or interviewed were very averse and reluctant to talk about PRC espionage against Taiwan. A few experienced professors suggested that the topic was untenable due to the supposed lack of information. Several Taiwanese scholars, including noted military experts, claimed that they were unfamiliar with PRC espionage activity. A former MND official and current scholar agreed only to confirm a single story which had appeared in the Taiwanese media. One scholar, and former ROC Navy captain, even claimed that current and retired ROC military personnel would not spy for the PRC because they would risk losing their military pension. Ironically, this interview took place just a few months after the largest ROC Military spy scandal in decades; the case of brigadier general Luo, who earned hundreds of thousands of U.S. dollars spying for the Mainland.

The underlying reason for Taiwan academic's reluctance to speak about PRC espionage appears to be a concern for potential retribution from the PRC. According to a former Mainland Affairs Council (MAC) official, many Taiwanese scholars fear that they will be denied access to the PRC if they criticize, or comment on, PRC espionage. Many social science scholars rely on entry to the PRC, and access to PRC academics, in order to undertake their research. If a Taiwanese scholar is found to be "too unfriendly" to the Mainland, then they could be denied entry to the PRC or shunned by Mainland scholars.¹¹ Without access to Mainland China, many scholars would be deprived of an important research market that is vital for their careers and success. According to this individual, China also routinely hacks into the e-mail accounts of Taiwanese academics who deal with politics and cross-strait issues. It is assumed that they keep tabs on what these scholars are saying and who they associate with.

The fact that many Taiwanese scholars refuse to openly, or even privately, discuss matters relating to PRC espionage against Taiwan should be a cause for concern. It demonstrates that the PRC has already been successful in curtailing criticism over some of its threatening actions towards Taiwan. As a maturing democracy, Taiwan's academic community must naturally take a part in raising security awareness, educating the populace of Taiwan, and advising ROC military and government bodies on issues related to Taiwan's security (contrast with American academics who advise congress on PRC espionage threats). If Taiwan's academic community remains silent on this issue, the security challenge of PRC espionage may not receive enough attention and emphasis. Taiwan's security scholars have the challenging task of fostering better relations with the PRC, while maintaining vigilance and raising awareness against enduring security threats.

1.5 IR Theory and Espionage

Espionage has been a feature of international relations since antiquity. Most nations, especially great powers, are active practitioners. Simply stated, espionage is the effort to discover by concealed methods the guarded secrets of other nations.¹² The practice of espionage in international relations can best be understood by examining espionage from the perspective of

¹¹ Appendix 1, Interview 9.

¹² Louis Farago, *War of Wits, The Anatomy of Espionage and Intelligence* (New York: Funk & Wagnalls Company, 1954).

political realism. One of the central propositions of the Realist Theory holds that international relations are conducted in an anarchic environment. Espionage helps states reduce this anarchy by revealing the motives, plans and intentions of other nations. States have a natural need and motivation to collect as much information as they can about other nations. States and national leaders feel more secure when they understand the intentions and disposition of other nations. Information, especially information gleaned from espionage, reduces strategic ambiguity and therefore allows national leaders to make decisions with greater confidence and effectiveness. The intelligence organizations of most major powers garner significant attention from national leaders and play an important role in national decision making. The president of the United States receives an intelligence briefing from the CIA every morning on world events and issues of concern. Civilian and military leaders are very reliant upon and demanding of their intelligence organizations.

The second principle of Political Realism holds that states are interested and driven to maximize their power.¹³ Political scientists often speak of a nation's power in terms of economic, military and diplomatic capability. However, knowledge and information concerning one's friends and enemies is also a form of power. This is especially true in the information age where acquiring sensitive information often provides an advantage for whoever can attain it first. Information superiority can enhance the effects of a nation's economic, diplomatic and military initiatives. Likewise, a deficiency of information reduces the effectiveness of a nation's tools of influence. It is thus in the interest of all nations to acquire sensitive information about the business of other nations.

The relationship between espionage and military objectives is especially strong. Since ancient times, military strategists such as Sunzi have recognized and stressed the value of attaining the secrets of the enemy. In contemporary military thinking, good intelligence is often considered to be a "force multiplier." Attaining, and acting on accurate information about one's enemy increases the chance of successful military endeavors. Having good intelligence can save lives; failure to collect accurate intelligence can result in tragedy and loss of life.

¹³ Hans Morganthau, *Politics Among Nations: The Struggle for Power and Peace* (New York: Alfred A. Knopf, 1973).

Given that states are motivated to acquire the secrets of other nations, the perceived benefits of espionage generally outweigh the costs. While the rewards can be substantial, states are seldom severely punished for their espionage activities.¹⁴ Most countries use official diplomatic cover to conduct their espionage activities. Therefore, they have a certain measure of protection if they are caught. Espionage is often hard to detect. When it is detected, it is usually difficult to acquire hard proof of an enemy agent's activity. It is often easier to catch one's own citizen in the act than it is catch both the citizen and the foreign agent conspiring together. Moreover, because foreign agents often have official diplomatic cover, it makes retribution against the offending nation even more difficult. Hence, while the payoffs of espionage can be substantial, the ultimate risk for the spying nation is often fairly low.

Despite the cooperation that often exists among friendly nations, extensive espionage operations sometimes do still occur. The relationship between friendly states can simultaneously show strains of Complex Interdependence and of Political Realism. The US relationship with Israel and the ROC provides a case in point. The state of Israel is closes American ally yet intensive espionage operations continue to occur, especially on the part of Israel. Several recent, high profile cases attest to this fact. The US relationship with the ROC has also experienced several high profile espionage cases. In 1987 the CIA procured information from an ROC military officer on Taiwan's nuclear weapons program. The United States successfully used this information to pressuring the ROC government into terminating its nuclear weapons development program. More recently, a high level US DOD official was fired and punished for spying on behalf of Taiwan. He was recruited by a young female NSB agent who provided him with romantic affections.¹⁵

In spite of the mutual practice of espionage, most countries continue to maintain strong relations with each other and they rarely face substantial diplomatic repercussions for their actions. In many cases, the victim nation is unwilling to undertake serious retribution against the offending nation. The effort to punish the offending nation may simply not be worth the effort. This is often the case for smaller nations who are espionage targets of larger nations. In some cases, a "tit for tat" situation occurs in which countries each country expels a number of

¹⁴ Nicholas Eftimiades, *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998).

¹⁵ "Error of Judgment" *Time Magazine*, 20 September 2004. Online at: <http://www.time.com/time/magazine/article/0,9171,699471,00.html> accessed March 5, 2010.

diplomats. However, most countries seek to avoid this development because it causes undue problems for both sides. Taiwan was unwilling to punish the US for the CIA's discovery of its nuclear program. Similarly, some Taiwanese politicians are unwilling to take tough measures against PRC espionage for fear of harming relations.¹⁶

States that discover espionage activities in their borders may be unwilling to punish transgressor nations because the victim states are also engaged in espionage against the same states which target them. If a state undertakes retribution against another nation, its own diplomats and espionage agents may face similar scrutiny and reprisal. The punishing state may lose current sources of intelligence information as well as losing future espionage sources. For this reason, states may conclude that they stand to lose more than they gain by punishing the other nation.

1.6 German Cold War Espionage

The frequent espionage which occurs between Taiwan and China has historical parallels. Similar security situations between divided societies, ruled by separate governments can shed light on the contemporary cross-strait relationship and serve as a basis for comparison. Intelligence expert Ken DeGraffenried, the former director of intelligence for the National Security Council during the Reagan Administration, compared the espionage situation between Taiwan and China to the state of affairs which existed between West Germany and East Germany during the Cold War. He observed that since Taiwan and China have a common ethnic bond - family ties, same language -- and are divided mainly by politics, "the possibility of successful espionage is pretty high."¹⁷ The political situation between Taiwan and China and the divided Germany of the Cold War is also roughly analogous. Taiwan and West Germany are democratic whereas East Germany was a communist totalitarian state and the PRC is a socialist authoritarian state. In military terms, both cases were, or are, characterized by large scale military buildups. During the Cold War, East Germany was home to 400,000 front line Soviet troops. On the other side, West Germany was a member of the powerful NATO military alliance. Here again, Taiwan and the Mainland face a similar, yet less severe, military standoff. The PRC is increasing its annual

¹⁶ "Justice Ministry Denies Spy Tipster Reward Plan" *Taipei Times*, 18 February 2009.

¹⁷ Paul Sperry "Taiwan Swarming with Chinese Spies" *WorldNetDaily.com*, March 24, 2000. Accessed on December 2, 2009.

military budget in double figures and it currently stations some 1,500 ballistic missile in proximity to Taiwan. Although much smaller, the ROC maintains a moderate sized military which receives substantial support from the United States. Finally, in both cases the two sides maintained at least a moderate degree of openness to the other. The Germany of the Cold War and the contemporary cross-strait relationship is nowhere as restrictive and closed as the relationship between other divided societies like North and South Korea. Despite the existence of the Berlin Wall, West German citizens could travel to East Germany. For its part, East Germany appears to have had little trouble in planting spies in the West.¹⁸

The most striking feature of Cold War German espionage is the massive scale of human spying which occurred between the two sides. The Stasi, East Germany's intelligence and covert operations agency, was well known for its skillful espionage and they had some of the best spymasters of the Cold War. It has been estimated that the Stasi had between 17,000 to 23,000 human assets operating in West Germany. New research has shown that the West German government was just as active and that they had recruited up to 10,000 spies in East Germany.¹⁹

Most of the thousands of German citizens who spied for the other side were, for the most part, just average citizens. They would usually engage in simple surveillance and report on events relating to the military, political, economic and social situation inside their country. Although much of the information appeared fairly innocuous, the thousands of insights and bits of information could later be pieced together and analyzed to provide a clearer understanding of the enemy's situation. In essence, East Germany (as well as West Germany) was utilizing the mosaic approach to intelligence collection.

Another important aspect of East German espionage was the success it had in putting spies in high places. One East German spy, Gunter Guillaume, obtained the position of secretary of labor in Chancellor Helmut Schmidt's government. The eventual exposure of Guillaume as an East German spy led to the downfall of West German Chancellor Willy Brandt in 1974. Another

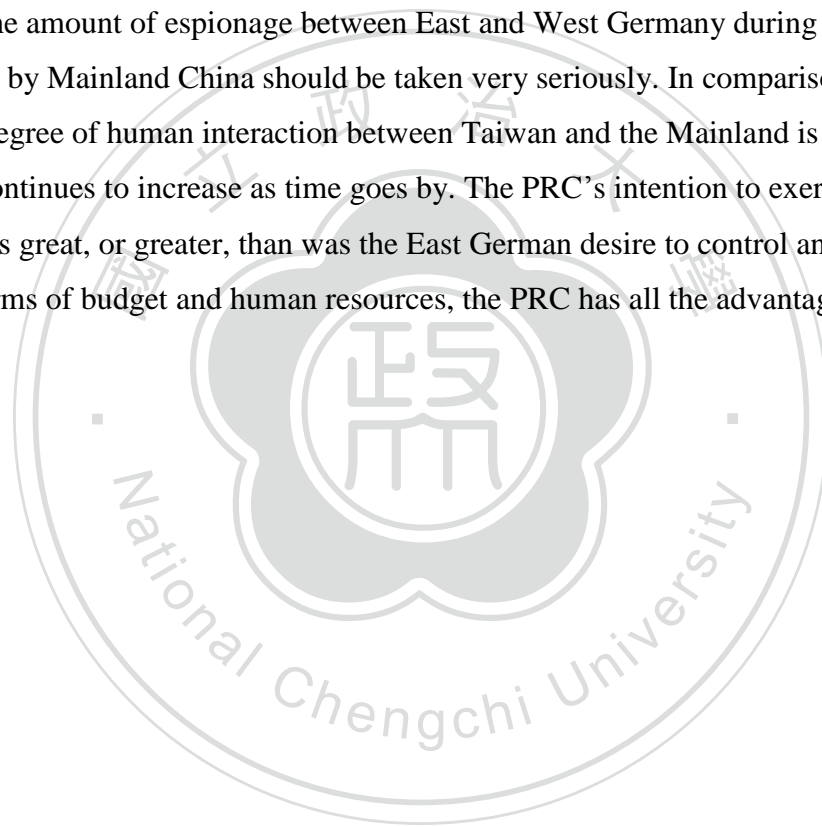
¹⁸ For a detailed account of East German espionage activities see: Glees, Anthony, *The Stasi Files: East Germany's Secret Operation against Britain* (London: Simon & Schuster, 2003).

¹⁹ Siobahn Dowling "10,000 East Germans Spied for the West" *Dier Spiegel*, September 28, 2007.

East German spy working in the West German government even provided details of communication between Chancellor Schmidt and then US President Jimmy Carter.²⁰

Espionage operations between the two Germanys appears to have paid off, especially for East Germany. The East Germans had riddled the West with spies and had even managed to obtain American war plans. According to deGraffenried, if an actual shooting war had broken out, the West would have been seriously compromised because of the East Germany's espionage exploits.²¹

Given the amount of espionage between East and West Germany during the Cold War, the threat posed by Mainland China should be taken very seriously. In comparison to Cold War Germany, the degree of human interaction between Taiwan and the Mainland is now much greater and it continues to increase as time goes by. The PRC's intention to exert control over Taiwan is just as great, or greater, than was the East German desire to control and exploit West Germany. In terms of budget and human resources, the PRC has all the advantages over the ROC.



²⁰ Adam Bernstein "Markus Wolf, 83, East German Espionage Chief" *The Washington Post*, November 10, 2006.

²¹ Paul Sperry "Taiwan Swarming with Chinese Spies" *WorldNetDaily.com*, March 24, 2000
Accessed on December 2, 2009.

Chapter 2 PRC Policy towards the ROC and Major Drivers of Espionage

In order to fully understand the significance and motivation for PRC espionage against the ROC, it is first necessary to review PRC policy towards the island. The subject of Taiwan is an extremely important issue in PRC foreign and domestic politics and it deeply impacts PRC foreign and military policy.

The One China Principle is the central, and most important concept in PRC policy towards Taiwan, all other statements are essentially footnotes and developments of this principle. Simply put, the One China Principle holds that there is only one China and Taiwan is an inalienable part of it. Further, the PRC is the only legal representative of China.

Since 1979, the PRC has been promoting reunification with Taiwan under the “One Country, Two Systems” concept. This concept recognizes that Taiwan’s government, economy and society have evolved differently than the PRC. Accordingly, it promises that Taiwan would be granted a high degree of autonomy after reunification. Taiwan’s capitalist system would not be altered and the PRC would not station troops or administrative personnel on the island.

During the middle of the 1990s, the PRC emphasized the military dimension of its Taiwan policy and relations between the PRC and Taiwan became severely strained. The situation became particularly serious in 1995 and 1996 after ROC President Lee Teng-hui made a visit to Cornell University in June of 1995. In response to Lee’s visit, the PLA held a series of missile tests and military exercises near the island later that year and in early March of 1996. China’s saber rattling towards the island increased military tensions between the two sides to the highest point in decades and it reminded ROC leaders that Beijing would back up its policy with force if necessary.

In 2000, the election of Chen Shui-bian as President of the ROC created further headaches for Beijing. Chen sought to increase Taiwan’s international profile, distance the island from Beijing and continue the process of ‘Taiwanization’ which had begun under Lee Teng-hui. In response to Chen’s moves, the PRC changed its approach to Taiwan and began to use Washington to censure and pressure Chen into submission. In December of 2003 U.S. President George Bush publicly rebuked Chen’s cross-strait policies. The following year, Secretary of State Colin Powell remarked that the U.S. did not regard Taiwan as an independent state.

PRC policy towards Taiwan took a decidedly different under the leadership of Hu Jin-tao.

Whereas Jiang Zi-min took a rather direct and aggressive approach towards Taiwan, Hu was much more nuanced and less militant in his policy towards the island. According to Taiwanese scholar Lin Chong-pin, Hu initiated several significant Changes towards Taiwan.²² First, he discarded the rhetoric of a timetable for reunification between Taiwan and China. This idea, initiated under Jiang, increased the potential for conflict and tensions if progress between the two sides did not meet set goals. As other scholars have pointed out, PRC leadership is now much more confident that Taiwan will become increasingly dependent on the PRC as time goes by. Secondly, there has been less emphasis on displays of military force directed at the island. There have been no large scale missile exercises like the 1995-96 Missile Crisis, nor have there been sustained, threatening sorties by PRC fighter planes down the center line of the Taiwan Strait. The yearly amphibious exercises held on Dongshan Island have also been moved elsewhere. Just as importantly, the PRC has avoided or downplayed news and media coverage of military issues relating to Taiwan. After 2005, Chinese leaders have also refrained from mentioning or emphasizing that the PRC has not renounced the use of force against the island. Verbal emphasis of this position was a hallmark of the Deng and Jiang administrations.

China has also resumed political, civil and even military outreach to Taiwan. Cross-strait interaction between political leaders was essentially cut off in 1999 by Jiang in response to Lee Deng-hui's "state to state" remarks to the media. Under Hu, political and scholarly exchange has been strongly supported and encouraged. In 2005, several KMT leaders from Taiwan made historic visits to the Mainland which received worldwide attention. This undercut Chen's position in Taiwan and it provided positive press for the PRC. Finally, Hu was able to use Washington to constrain Chen Shui-bian's pro-independence moves rather than leveling direct criticism against Taiwan. The Bush Administration complied, and publicly criticized the Chen government on numerous occasions.

For a time, the PRC also sought to steal diplomatic allies away from Taiwan. From 2004 to 2008 China was able to persuade six countries to sever diplomatic ties with the ROC and establish relations with the PRC.²³ However, this policy quickly ended with the election of Ma Ying-jeo in Taiwan. The Ma Administration sought to improve relations with the Mainland and

²² Chong-pin Lin "More Carrot Than Stick: Beijing's Emerging Taiwan Policy" *China Security* 4:1 (Winter 2008) 3-29.

²³ 2004: Commonwealth of Dominica, 2005: Grenada, Republic of Senegal, 2006: Republic of Chad, 2007: Republic of Costa Rica, 2008: Republic of Malawi.

engineered a diplomatic truce. The PRC agreed to stop stealing the ROC's allies in return for Taiwan not pursuing independence activities.

In 2009, PRC President Hu Jintao sought to further promote cooperation with Taiwan by issuing a six point proposal for cross-strait relations. Although Hu did not waver from the "One-China" Principle, his other points helped open the way for strengthened economic relations, increased exchange of people, increased international space for Taiwan and a possible future peace agreement. As cross-strait specialist Alan Romberg observed, Hu's speech recognized that reunification is not currently on the table, but these proposals seek to foster a cross-strait relationship which will contribute to ultimate reunification in the future.²⁴

While Hu Jin-tao ushered in a number of new policy changes towards Taiwan, there are several important aspects of PRC policy which have not changed. First, the One China Principle remains the same. Secondly, China's buildup of military power and its deployment of ballistic missiles near the Taiwan Strait continues to increase. The PLA's yearly budget grows by double digits and the number of missile pointed at Taiwan increases each year.

A particularly sensitive issue for PRC leaders is foreign, mostly American, arms sales to Taiwan. The PRC has been strenuously lobbying the United States to cease arms sales to Taiwan since the early 1980s.²⁵ The United States cites the Taiwan Relations Act as the principle document in support of continued arms sales to Taiwan. However, the PRC cites the *Shanghai Communique's* pledge to reduce, and eventually terminate, arms sales to Taiwan as the rightful policy.

Even as the PRC's relations with the ROC government improved, they still maintained strident opposition to arms sales. In fact, PRC protests and threats of punishment over U.S. arms sales to Taiwan have become stronger in recent years as the PRC's power and prestige has increased. In early 2010, PRC leaders strongly protested the sale of Patriot missile batteries and Black Hawk helicopters to Taiwan and raised the stakes by threatening to punish American companies which sold military hardware to Taiwan. This comes in addition to the fact that the

²⁴ Alan D. Romberg "Cross-Strait Relations: First the Easy, Now the Hard" *China Leadership Monitor*, May 8, 2009, No. 28.

²⁵ Robert G. Sutter October, 2006, from a class lecture. According to Dr. Sutter, in the early 1980s, a PLA officer assigned to the Chinese embassy in Washington went so far as to locate Sutter's office at the Congressional Research Service and demand that arms sales to Taiwan be halted. At the time, Dr. Sutter was a researcher and not directly responsible for policy.

PLA cut off all military relations with the US military.

The PRC's pressure tactics to terminate US arms sales to Taiwan appears to be having some influence in US academic circles. In April of 2011, US scholar Charles Glaser wrote a controversial piece in *Foreign Affairs* where he called for the United States to terminate weapons sales to Taiwan.²⁶ The same year, Joseph Prueher, and Timothy J Keating, both retired US Navy admirals, urged that official steps should be taken to break the "vicious cycle" of arms sales to Taiwan.²⁷ Although Glaser's view represents a minority opinion, it does signal a new development in the debate over US support to Taiwan. As the PRC's clout continues to increase, views such as this could become more prevalent in the near future.

The PRC's One China Policy will not waver in the future, if anything, China will become more assertive in pursuing its policy objectives towards Taiwan. With regard to PRC espionage against Taiwan, this implies that China's high tempo spying operations will continue. As long as PRC leaders continue to emphasize Taiwan as a core interest, the Chinese government and the PLA will make Taiwan a priority focus. This in turn will maintain, or increase, the demand for information and intelligence on a wide range of issues. The major targets of PRC HUMINT operations are discussed in greater detail below.

2.1 ROC Military

In terms of scope and overall weight of effort, The ROC military is arguably the PRC's highest priority target. Chinese HUMINT collection against Taiwan's military is both diverse, and large in scale. Espionage tactics have included recruiting ROC military officers, foreign military officials, employing PLA cadres for surveillance, utilizing Taiwanese residents for surveillance as well as PRC tourists in Taiwan. Since 1997 there have been at least twelve individuals who have spied against Taiwan on behalf of the PRC. Additionally, it is almost certain that many more are engaged in passive surveillance against ROC military installations.²⁸

From the available evidence, it appears that the PRC is particularly interested in five major areas of Taiwan's military establishment: 1, Military C4ISR, especially the Po-Sheng System, 2, weapons development programs at the National Chung-Shan Institute of Science and

²⁶ Charles Glaser "Will China's Rise Lead to War?" *Foreign Affairs*, (March/April 2011).

²⁷ Parameswaran Ponnudurai "US Ties with Taiwan Questioned" *Radio Free Asia*, March 31, 2011
Available at: <http://www.rfa.org/english/commentaries/east-asia-beat/security-03312011211454.html>

²⁸ Appendix 1, Interivew 2.

Technology, 3, U.S. weapon sales to Taiwan, 4, ROC military bases, 5, military software issues.

First, Taiwan's C4ISR architecture, especially the Po-Sheng system, is naturally a high priority. Given the critical importance of C4ISR systems to modern military operations, it is natural that China would emphasize HUMINT collection against this target. Out of five C4ISR related espionage cases, three have been particularly high-profile and damaging to the ROC.²⁹

Another area of prime focus for PRC espionage is the ROC's weapon development and procurement programs. More specifically, the PRC heavily targets the Chung-Shan Institute of Science and Technology as well as US agencies and individuals who are responsible for arms sales to Taiwan. As Taiwan's primary military R&D center, the Chung-Shan Institute has produced some of Taiwan's most sophisticated weapon systems including the Tien Kong surface-to-air missile system and the Hsin-Feng cruise missile. In 2003 two particularly damaging spy cases occurred at the Chung-Shan Institute involving senior researchers. In two separate incidents, Chen Shir-liang (陳士良) and Huang Chen-an (黃正安) both compromised sensitive details about Taiwan's current and future weapon systems. Chen, age 52, had been a researcher at the institute since 1979. He was accused of supplying the PRC with a variety of information on Taiwan's military. More importantly, he may likely have compromised information relating to Taiwan's electronic warfare plans. In the second incident, Huang Chen-an, provided the PRC with details regarding Taiwan's future Po-Sheng C4ISR system and its missile and radar programs. Huang was a retired air force major who had worked at the institute since 1979.³⁰

The PRC's concern over weapons sales to Taiwan has also led it to conduct direct operations against U.S. Department of Defense (DOD) organizations. One of Chen Shir-lang's accomplices in the 2003 espionage case was retired Taiwanese-American, Hsu She-che (許希哲), who had worked as a technician at Boeing. Although no exact details regarding Hsu's contribution were released, media reports revealed that Hsu would regularly fly to Taiwan where he would meet Yeh Yu-chen. Yeh was an accomplice in the Chen espionage case and he owned a high-tech company in Chong Li.³¹ After meeting in Taiwan, both Yeh and Hsu would fly together to Mainland China. It is likely that Hsu's career at Boeing had provided him with extensive contacts in the US aviation industry, and possibly the defense community.

China's concern over US arms sales to Taiwan has even led to more aggressive HUMINT

²⁹ See Appendix 2, Cases: 2012-1, 2011-1, 2008-1

³⁰ Appendix 2, Case 2003-2

³¹ See Appendix 2, Case 2003-1 for details

operations in the United States. The Bergersen espionage case in 2008 and the Fondren case in 2009 both highlight the PRC's high interest in US arms sales to Taiwan. These cases and related developments are discussed in greater detail in the following chapter.

Another important target for PRC espionage is the ROC's network of military bases and military operations. Surveillance operations against military bases and military operations provide a great deal of practical intelligence for enemy military planners. Persistent surveillance operations provide a baseline by which to judge changes and developments in enemy military operations. It can also help provide a general picture of the scale and intensity of military exercises.

The PRC employs a wide variety of human assets to conduct this type of surveillance. It has been noted that some merchants or residents in the vicinity of ROC military facilities conduct simple surveillance against military bases and attempt to befriend military personnel.³² According to a former ROC military officer, street vendors and local merchants routinely appear in greater numbers during military exercises. It has been noted that some of these street vendors have Mainland Chinese accents. It is assumed that these individuals are likely engaged in simple surveillance activity. Surveillance activity on the part of local residents could very well be more intrusive and meticulous, as in the case of the Hong Kong born engineer who worked at the Hsinchu Science Park. Identified only by his surname Chen, the individual had been taking photos and detailed notes of military aircraft operating at Hsinchu Air Base. After conducting surveillance for four years, he had compiled nine notebooks worth of information on operations at the Air Base.³³

In addition to these major targets, the PRC almost certainly gains a wealth of valuable intelligence on software issues in Taiwan's military. In contrast to military hardware and quantitative information, software issues describe the human element of a military. Central issues such as military morale, training levels and strategy trends are just as important as order-of-battle and technical intelligence. The quality and combat capability of a fighting force is largely determined by the courage and commitment of the people who operate the equipment. Gaining insight into military software issues undoubtedly gives PLA leaders a much clearer picture of the ROC's fighting capability and the strengths and weaknesses in Taiwan's military.

³² Appendix 1, Interview 2

³³ Appendix 2, Case 2002-1

The fact that PRC intelligence has access to a wide variety of ROC human assets should provide them with a very comprehensive picture of Taiwan's military. PRC spies, and especially ROC military defectors to the PRC, are valuable sources of software intelligence. Additionally, many retired ROC military personnel have either moved to the Mainland or in some cases even work for PLA front companies.³⁴ These individuals would be perfect targets for software-related intelligence elicitation due to their experience and position within the ROC military. Some of these retired soldiers may have given in to the temptation to "talk about old times" in the military over a few drinks with new Mainland friends. It is well known that PRC intelligence exposes visiting scientific and technical experts to copious amounts of alcohol, flattery and social pressure to glean a few tidbits of sensitive information from their targets.³⁵ Similarly, the PRC could employ this tactic on retired ROC soldiers in the Mainland.³⁶ Given the current problems with loyalty among some current and former ROC military and security personnel, discussed further in chapter 5, retired ROC military officers are undoubtedly a vulnerable target for the PRC's intelligence agencies.

Seeking software related intelligence from ROC targets may likely be easier than attempting to acquire classified documents and technical information. Military software issues such as morale, training levels and strategic thinking is essentially composed of informed opinion rather than technical facts. The line between official secrets and unclassified information is not always distinct in this area. Some individuals may have less awareness or reticence when discussing military software issues, which are unclassified but still sensitive. Furthermore, providing military software secrets to enemy agents is much easier and less risky than providing classified documents or military plans.

At worst, PRC agents simply bribe retired soldiers to divulge sensitive information. This danger especially increases for people who face economic hardship. PRC agents have successfully bribed retired ROC military and intelligence personnel working in the Mainland for secrets. In one instance, a retired MJIB agent was recruited after his travel magazine business was losing money. The fact that PRC intelligence targeted him during a vulnerable period suggests that they keep close tabs on the personal affairs of retired ROC officials who live in the

³⁴ "Retired navy hands working for China" *Taipei Times*, July 30, 2001

³⁵ Jane's, pg. 23

³⁶ As of 2002, it was estimated that over 3,000 former ROC soldiers were working in the PRC. (Eyton, Lawrence "Taiwan: Island of insecurity" *Asia Times Online*, June 18, 2002 Available at: <http://www.atimes.com/china/df18ad01.html>)

Mainland.

2.2 ROC HUMINT Networks in the PRC

One of the PRC's highest priority espionage targets is the ROC's own HUMINT network and its operations against the PRC. The ROC has maintained vigorous espionage activity against the CCP ever since it became a force in Chinese politics. In the 1980s, the ROC's MIB (Military Intelligence Bureau) stepped up HUMINT operations against the PRC when it began recruiting Taiwanese businessmen to collect military intelligence during their visits to the Mainland. Many of these untrained individuals were caught by PRC security and sent to prison.³⁷ The ROC's stepped-up intelligence collection operations in the PRC were a likely factor in the PRC's own efforts to penetrate Taiwan's MIB.

The PRC may also assume that Taiwan's intelligence community is cooperating with, and sharing secrets with, the United States. This would provide the PRC with added incentive to neutralize ROC HUMINT networks. The US and Taiwan cooperated on numerous intelligence collection efforts during the Cold War and the two governments continue cooperation to this day. Given that the US is Taiwan's only military ally, it is not unreasonable to assume that the two sides would share PRC related intelligence.

The rampant corruption and lack of ideological values in contemporary Chinese society and government likely aids the ROC's efforts to recruit spies. Additionally, the fact that ROC agents are ethnic Chinese may also provide them with an added advantage in recruiting PRC spies. The high level of nationalism and the acute sense of historical grievance against the West and Japan may make it harder for these nations to recruit PRC nationals to spy against their own government. In contrast, PRC citizens likely see ROC agents as "less foreign" and some may even feel a certain sense of sympathy for the ROC's achievement. For these reasons, it is even more imperative that the PRC maintain a high level of vigilance and aggressiveness against ROC agents and their spy networks.

In recent decades, Taiwan has continued to achieve some notable success in its own

³⁷ Cindy Sui "Taiwan's forgotten amateur spies" *BBC News*, August 16, 2010
Available: <http://www.bbc.co.uk/news/world-asia-pacific-10986630> accessed on 25 June, 2011

espionage efforts against the PRC. During the 1995-96 Missile Crisis, President Lee Teng-hui was able to assuage public fears over the missile tests by revealing that the missiles in question did not contain live warheads. It was later discovered that the source of this information was a PLA general in the Nanjing Military Region. Major general Liu Lian-kun and senior colonel Shao Zheng-zhang were some of the ROC's most valuable HUMINT assets in the Mainland. Unfortunately, because of Lee's statements, the PRC realized that it had a spy in its ranks. It subsequently conducted a major counter-espionage operation and the two officers, along with General Liu's mistress, were caught and executed.³⁸ Harsh punishments against accused Taiwanese spies have continued. In 2008 the PRC executed medical scientist Wo Wei-han for allegedly passing information to Taiwan. The Wo Case received international attention and condemnation as high-level representatives from the US and the EU attempted to appeal the death sentence on Wo's behalf.³⁹ The fact that Taiwanese spies continue to be caught suggests that the ROC is still very active in recruiting, and maintaining, spies in the Mainland. For every spy caught, there could be several others which continue to operate undetected.

Recent incidents of espionage in the PRC suggest that China's intelligence community may be more vulnerable to penetration. As China has become more open, and as corruption has festered, the PRC will likely be more vulnerable to espionage. In early 2012, the personal secretary of an MSS vice-minister was arrested for spying for the U.S.⁴⁰ In 2007, China's ambassador to South Korea was arrested on charges of corruption. However, it was later found that he was actually spying for South Korea.⁴¹

The fact that the PRC pursues aggressive operations against Taiwan's HUMINT operations in the Mainland is evidenced by their success at recruiting ROC agents and officials to spy for the PRC. Between 1997 and 2010 there were seven known cases of ROC HUMINT related agents or officials who were recruited to spy for China. In several of these cases the damage is very clear as entire networks, or large segments, of ROC spies were compromised. In 1997 two KMT intelligence officials compromised the identities of ROC agents in Hong Kong

³⁸ J. Pomfret "Taiwan accidentally outs top spy in China" *The Seattle Times*, February 21, 2000

³⁹ "China executes Taiwan spy suspect Wo" *The China Post*, November 28, 2008

⁴⁰ "China 'arrests high-level US spy' in Hong Kong, reports" *BBC News*, June 1, 2012
<http://www.bbc.co.uk/news/world-asia-china-18299065>

⁴¹ Michael Bristow "China general reveals spy cases in web footage" *BBC News*, August 29, 2011
Available at: <http://www.bbc.co.uk/news/world-asia-pacific-14707920> accessed on March 1, 2012

and Macau. In 1998 Taiwan may have lost its entire network of informants in Hong Kong after an unidentified MIB agent was discovered to be working for the PRC.⁴² In 2010, ROC intelligence suffered a serious blow when MIB colonel Luo Chi-Cheng reportedly compromised Taiwan's intelligence networks in the PRC. Luo was responsible for developing Taiwan's HUMINT networks in China and some sources described this case as the worst compromise of Taiwanese intelligence in decades.

ROC HUMINT collection against the PRC has also most likely been degraded by defections of high level officials in the intelligence bureaucracy. In early 2001 Liu Guan-chun (劉冠軍), a colonel in the NSB and the bureau's chief cashier, reportedly fled to China after stealing NT 180 million from secret funds.⁴³ It must be assumed that a criminal of Liu's stature would certainly have been willing to share the NSB's secrets with his new hosts. Moreover, ROC agents who betray Taiwan and flee to the PRC are essentially at the mercy of China's government for protection and well-being. As the chief cashier, Liu would have had access to funding details for the NSB's clandestine operations on the Mainland. This knowledge most likely enabled the PRC to gain a much sharper understanding of Taiwan's HUMINT operations on the Mainland, both in terms of the scope and detail of operations. Additionally, Liu probably had access to general information regarding future operations against the PRC.

2.3 ROC Government

PRC intelligence is also interested in Taiwan's political establishment and both the legislature and the executive branches have been targets of PRC HUMINT operations. The Legislative Yuan appears to have been a fairly lucrative target for PRC intelligence. In June of 1996, PRC intelligence used Taiwanese businessmen Chang Ming-ho to acquire classified documents from a friend who worked for a New Party legislator. Chang failed to acquire the information and subsequently turned himself in to ROC authorities once he fully realized the seriousness of his actions.⁴⁴

More disturbingly, it is possible that a PRC agent had actually been working for a Taiwan

⁴² "Military agents held in alleged espionage case" *The China Post*, March 4, 1999

⁴³ "Court clears Hsu of embezzling secret diplomatic fund" *Taipei Times*, September 28, 2006

⁴⁴ Appendix 2, Case 1996-2

legislator from 2002 to 2003.⁴⁵ Yang Zhi-yi (楊芷宜), originally from Mainland China, was accused of using her position as legislative assistant to gather information for China. During her time at the Legislative Yuan, it appears that Yang had some degree of involvement with military issues as she had sent three written requests to the navy seeking unspecified military-related information. Two of the requests were fulfilled and one was denied due to its highly confidential nature. Yang also attempted to arrange a visit to a navy base near Kaoshiung for Lin's supporters. The navy did not grant the request.

Although no official charges or indictments occurred, the events and actions surrounding Yang's activity are extremely suspicious. In addition to her duties as a legislative assistant, Yang established connections with several ROC navy officers and often invited them out to expensive restaurants and nightclubs.⁴⁶ The navy denied that any of its secrets were compromised by these actions but three senior officers were removed from their posts and transferred to other positions as a result of an investigation into their relationship with Yang.⁴⁷ One of the officers, Ku Chun-chu, was accused of having an affair with Yang. Although Ku denied these allegations, it was reported that Ku treated Yang to a vacation in Hawaii.

The fact that Yang, a married woman, was developing relationships with Taiwanese military personnel in nightclubs raises the distinct possibility that she may have been attempting to trade sexual favors for information. The PRC has frequently used sexual entrapment to coerce foreign officials into providing the PRC with classified information.

At the very least, this case shows how easily the PRC could have placed an agent in a sensitive position close to ROC government activity. Yang's position as a legislative assistant would have put her in close proximity to sensitive topics such as defense and foreign affairs budgets, topics which the PRC had already been known to target. Even with good security practices, it is difficult to conceal general details regarding diplomatic, defense and security legislation. The fact that Yang was able to request information from the navy shows that she had access to, and was trusted with, some degree of defense related information. Over time, Yang's position as a legislative assistant would have enabled her to form friendships and working relationships with a wide variety of important individuals.

One traditional espionage target where the PRC appears to have had less success against is

⁴⁵ KMT Legislator Lin Nan-sheng (林南生)

⁴⁶ "Two China-born women accused of spying in Taiwan" *The Straits Times*, January 31, 2004

⁴⁷ The three officers were: Wan Shang-chun, Ku Chun-chu and Ran Chi-chang.

the ROC's MFA and its de-facto missions abroad. No publicly available cases of successful PRC espionage against the ROC MFA have occurred during the timeframe of this study. None the less, the PRC does actively target Taiwan's diplomatic facilities. The MFA is the central figure in ROC diplomatic activities abroad. As such, it is a natural target for PRC espionage operations. The war over diplomatic recognition with China, which occurred during the Lee and Chen Administrations, would have put the MFA, and its diplomatic facilities abroad, at the forefront of this battle.

Although there are no known successful cases of PRC HUMINT cases against the MFA, the PRC has been successful against the MFA using other intelligence collection methods. In 2002, ROC officials revealed that the PRC was able to discover the travel itineraries of President Chen and Vice President Lu. It was suspected that PRC bugging of Taiwan's representative offices abroad was the source of the leaks.⁴⁸

2.4 Taiwanese Society

PRC intelligence agencies also conduct espionage against Taiwanese society, in particular, Falun Gong practitioners in Taiwan. The Chinese government views the Falun Gong as a threat to its governance and it has outlawed the practice in Mainland China. Falun Gong is an international movement and the PRC has extended its surveillance efforts against the organization in other countries.

PRC espionage against Falun Gong members in Taiwan also appears to be widespread. In 2006, a former member of the PRC's public security bureau revealed that Taiwanese businessmen were being used to spy against Falun Gong members in Taiwan. Co-opted Taiwanese businessmen provide PRC intelligence agencies with a great deal of manpower and it is estimated that over 2,000 businessmen are working for the PRC.⁴⁹

In 2004, former MIB agent Liao Hsien-ping (廖憲平) was arrested for spying on Falun Gong members in Taiwan.⁵⁰ Liao was aided in his efforts by two Taiwanese accomplices; one was an employee at the National Police Immigration office and another was a retired colonel from Taiwan's military. From 2000 until 2004 when he was arrested, Liao infiltrated Falun Gong

⁴⁸ "PRC bugging is a serious problem, says FM Chien" *The China Post*, November 1, 2002

⁴⁹ B. Hurley "Taiwanese Businessman Blackmailed into spying for China" *The Epoch Times*, January 2, 2006

⁵⁰ Appendix 2, Case 2004-2

ranks and collected information on its members. As a result of his efforts, Falun Gong members in Taiwan have been banned from entering Hong Kong, Macau and the Mainland. Taiwanese Falun Gong members now run the risk of being detained and interrogated in Hong Kong and the PRC if Chinese authorities choose to act against them.

2.5 Taiwan Economy and Technology Sector

The PRC's economic espionage strategy and activity against Taiwan is not as clear as its military espionage activity. The PRC's policy and goals towards Taiwan's economic development is much different from its military and diplomatic goals. Whereas the PRC generally seeks to undercut Taiwan's military development, it has no general interest in curtailing Taiwan's economic prosperity. In fact, PRC actions such as the signing of ECFA, the deliberate purchase of Taiwan agricultural products and the preferential treatment of Taiwanese businessmen in the Mainland shows that the PRC generally supports Taiwan's economic development, and especially its economic integration with the Mainland.

PRC economic espionage activity against Taiwan is usually intertwined with, and subordinate to, larger strategic objectives. When the PRC has acted against Taiwan's economic activity, it has usually been subordinate to other interests. One such area where China likely has some interest in spying against Taiwan is in the area of high technology. The PRC's 863 Program is a national effort to acquire technology which is deemed vital for China's prosperity and defense. This program could, either directly or indirectly, be a driving force for the theft of Taiwan's technological secrets.

Additionally, it is difficult to distinguish between PRC state-sponsored and private enterprise economic espionage against Taiwan, or any other nation. Corporate espionage is a growing concern and threat for major companies around the world. States are not the only actors which have an incentive to steal technology and business secrets. Driven by a desire for larger profits, private companies can engage in theft of company secrets. It is possible that China's major companies, including state-owned enterprises, also engage in corporate espionage on their own initiative.

According to the FBI, there are three methods which a company or a government uses to acquire the trade secrets of others. The first approach is to target and recruit insiders from the target company. The second approach is to conduct cyber intrusion and the third method is to establish a business relationship with the target company. The PRC is very aggressive in using all three methods against technologically advanced nations.

The PRC has been using the first approach against Taiwanese companies since at least 1992. In 1997, three former Taiwanese executives; Hsu Wen-li, Li Chien-hsin and Liu Chun-liang were convicted of industrial espionage. The three were found to have stolen a sophisticated electroplating method from the Kao Chi Company in Hsinchu Science Park. Hsu had been hired by the Mainland company Kang Chiang in 1992 while he was still serving as the director of Kao Chi's electroplating technology department. The Kang Chiang company is an offshoot of a state run company in Ningbo.⁵¹

Taiwan Semiconductor (TSMC), one of the world's largest semiconductor companies, has accused its PRC rivals of industrial espionage.⁵² According to TSMC, its PRC rivals have lured 100 TSMC employees to China by offering them higher salaries. These former TSMC engineers then provide Mainland companies with trade secrets and technological know-how.

In 2007, two individuals of Mainland Chinese origin were indicted for committing espionage against an American, and a Taiwanese high-tech company. The two had planned to steal trade secrets from both companies in order to start their own high-tech company. The indictment also alleges that the accused were acting under the directives of the 863 Program.⁵³

It appears that the PRC is very active, and successful, in using business relationship to acquire sensitive information. The PRC government often requires foreign companies to enter into joint-ventures with Chinese companies when they enter the Mainland market. In exchange

⁵¹ "Three men convicted of industrial espionage" *China News*, June 23, 1997

⁵² Douglas H. Paal "SEMICONDUCTORS - TAIWAN FIRMS FACING CHINA'S CHALLENGE" *American Institute in Taiwan (AIT)*, January 27, 2005 (Document is U.S. State Department Cable, available at: <http://www.cablegatesearch.net/cable.php?id=05TAIPEI343> Accessed on May 12, 2012)

⁵³ Sharon Gaudin "Two NetLogics Employees Indicted For Economic Espionage" *Information Week*, October 1, 2007 Available at: <http://www.informationweek.com/news/202103739>

for access to the Chinese market, foreign companies are asked to provide some of their technology to the host company. According to one Taiwanese professor, the PRC takes this approach one step further in order to maximize its technology acquisition.⁵⁴ When companies from a similar sector enter the Chinese market, the government will pair each foreign company with a Chinese company based in a different region of the country. As the business relationship grows, the PRC government will target specific technology from each company. The type of requested technology will be different from each company so as to avoid redundancy. As different technology is acquired, it is pooled together to yield a complete picture of a certain technical objective. It's as if the PRC were trying to complete a puzzle by requesting a few pieces of the puzzle from each of their partners. Once each partner has supplied several pieces of the puzzle, the PRC is left with a complete or nearly complete picture of the technical problem they seek to answer.

Many details regarding the PRC's ability to steal technology from Taiwanese companies with partnerships in the Mainland are unclear. It is likely that much of the economic espionage directed at Taiwanese companies is unreported and in some cases, likely undetected.

⁵⁴ Dr. Lai (賴岳謙), from class lecture at NCCU, Taipei, Taiwan, April 14, 2011

Chapter 3 Overview of PRC Intelligence Organizations

In keeping with its overall military modernization effort, China has developed, and is continuing to develop its intelligence gathering and analysis capability. PLA leaders were highly impressed with American information dominance and intelligence collection capability during the first Gulf War. Since that time, Chinese military leaders have put greater emphasis on information warfare capabilities. As one PLA expert has noted, China's highest priority for strategic modernizations is in the realm of information.⁵⁵ A critical enabler of successful information warfare and traditional warfare is intelligence support. Some Chinese military authors go so far as to say that warfare in the information age is a test of strength between intelligence capabilities of opposing combat forces.⁵⁶

It appears that PRC leaders began to increase emphasis on intelligence collection as they were re-orienting their military strategy.⁵⁷ In September of 1991 it was reported, from sources in Mainland China, that the PRC was planning to increase the budget, size and power of the MSS.⁵⁸ This drive was apparently spearheaded by Qiao Shi, the security chief of the CCP, to protect against the increasingly powerful U.S., and to strengthen the regime in the face of communism's decline.

It is likely that China's intelligence budget is increasingly roughly on par with its rising defense budget. Although official figures regarding China's intelligence budget are impossible to acquire, it is nevertheless possible to make some meaningful estimates on PRC intelligence spending. The United States occasionally releases its intelligence budget and this can be used as a basis of comparison if the intelligence budget is compared with the defense budget. In 2010 the US government revealed that the intelligence budget was 80 billion US dollars.⁵⁹ This accounted for approximately 12% of the US defense budget that year. As with the US, much of China's intelligence community is embedded and intertwined with the military so it stands to reason that the budgets of the intelligence agencies are growing at a similar pace. If we conservatively

⁵⁵ Mark Stokes "China's Strategic Modernization: Implication for the United States" *Strategic Studies Institute, U.S. Army War College*, (1999) 28

⁵⁶ Ibid

⁵⁷ Chinese military expert David Shambaugh argued that one of the major factors in the PLA's rethinking of its military strategy was the success of U.S. military forces in the first Gulf War (Shambaugh, David *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley: University of California Press, 2002) pg. 4

⁵⁸ D. Schlesinger "Spy network build-up to protect communism" *China Post*, September 18, 1991

⁵⁹ Ken Dilanian "Overall U.S. intelligence budget tops \$80 billion" *The Los Angeles Times*, October 28, 2010

estimate that China's intelligence budget is 10% of the defense budget then its intelligence budget is at least 8 billion US dollars based on official PRC defense expenditures. However, in all likelihood, the figure could well be much higher. The US Department of Defense concluded that China's real defense budget was much higher. The RAND Corporation produced more conservative figures but still estimated the PRC defense budget to be between 91 to 145 billion dollars. From these estimates, the PRC's intelligence budget could be around 9.1 to 14.5 billion dollars. By 2025 RAND estimates that the PRC's defense budget will grow to between 185 to 403 billion US dollars. At this rate, China could have an intelligence budget as large as 40 billion dollars by 2025.

If China's intelligence budget grows according to these estimates in the next 10 or 15 years it could significantly affect the way in which China collects intelligence against Taiwan. A considerably larger intelligence budget would enable the PRC to develop higher quality reconnaissance satellites and further develop its SIGINT ability, particularly against Taiwan due to the close proximity. Such an improvement in technical intelligence collection ability could reduce the need for some forms of HUMINT collections against ROC military targets. The US intelligence community placed heavier emphasis on IMINT and SIGINT as its technical collection abilities increased.⁶⁰ The PRC could possibly shift its focus and de-emphasize or alter some of its HUMINT operations in Taiwan when its technical abilities improve. However, HUMINT will always be an important part of China's intelligence collection plan. Important intelligence targets such as Taiwan's MIB and the Zhongshan Institute of technology can only be accessed via HUMINT.

In terms of organization, the majority of China's intelligence collection falls under the Ministry of State Security (MSS) and the PLA General Staff Headquarters (GSH). All key intelligence operations are believed to be coordinated and controlled by the General Secretary Office of the CCP's Central Standing Committee via deputies in the MSS and the PLA General Staff Headquarters Second Department and Third Department.⁶¹

The MSS is China's primary organization for the collection of political and social-cultural intelligence. It is also responsible for collecting technical intelligence and to conduct

⁶⁰ Thomas H. Kean *The 9-11 Commission Report*, July 22, 2004
<http://www.911commission.gov/report/911Report.pdf>

⁶¹ Howard O. DeVore "China's Intelligence & Internal Security Forces" *Jane's* (United Kingdom: Jane's Information Group, 1999)

counterintelligence. The ministry is organized into fourteen bureaus which are responsible for various missions such as domestic recruitment of agents, collection of HUMINT in foreign countries, technology acquisition and various administrative functions. The MSS also oversees the China Institute of Contemporary International Relations (CICIR) which conducts open source research on a wide variety of strategic and international subjects.

For military intelligence, the PLA General Staff Headquarters oversees the Second and Third Departments which are both responsible for intelligence collection and analysis. The Second Department conducts both HUMINT and OSINT (Open Source Intelligence) and it analyzes this information to create finished products for PRC leadership. HUMINT operations are conducted using both overt and covert agents. The Second Department has an estimated staff of 1,500 personnel and it is led by a major general.⁶²

The General Staff Headquarters' Third department is responsible for technical collection to include both SIGINT (Signals Intelligence) and IMINT (Imagery Intelligence). It is also responsible for computer encryption and information warfare. It has an estimated staff of at least 20,000 personnel and is headed by a major general.⁶³

China's SIGINT capability is fairly well developed and is said to be the largest network in the Asia-Pacific region. PRC SIGINT operations are handled by the PLA's Third and Fourth Departments, with the Third Department having overall responsibility. The Fourth Department, headed by a major general, is responsible for Electronic Warfare and ELINT (Electronic Intelligence) and COMINT (Communications Intelligence).

As of 1999, Jane's Defense Publications identified twelve major PRC SIGINT ground stations, seven of which are located outside of China's borders. A total of four stations are located in the Indian Ocean (Andaman Sea) and two of these are jointly operated with Myanmar. A major station on Rocky Island monitors naval traffic in the South China Sea. Another site in Sop Hau, Laos was upgraded and expanded in 1995. China also operates a station in Kiribati to monitor US activity in the Marshal Islands.⁶⁴ At least one SIGINT site in the PRC proper, located in Nanjing, was reported to monitor radio and SATCOM traffic from Taiwan.⁶⁵

China also uses a mix of seaborne and airborne platforms to collect SIGINT near and

⁶² Jane's

⁶³ *Federation of American Scientists*, available at: http://www.fas.org/irp/world/china/pla/gen_staff.htm

⁶⁴ *Jane's*

⁶⁵ Mark Stokes "China's Strategic Modernization: Implication for the United States" *Strategic Studies Institute, U.S. Army War College*, (1999) 33

beyond its borders. At least four Russian Tu-154 transport planes have been modified to serve as EW and ELINT collection platforms.⁶⁶ These large planes are China's principle airborne collection platforms and they significantly increase the range of China's ELINT collection. Additionally, smaller aircraft such as the H-5 bomber have been modified (designated HZ-5) to conduct photo reconnaissance and ELINT missions.

China's sea-based SIGINT assets are equally impressive and it appears to operate a large number of ships capable of conducting SIGINT collection. The most capable platform is said to be the 2,000 ton ship "Shiyan" which was launched in 1998. It reportedly operates extensively in the East China Sea area. China may also operate at least one modified Han-Class nuclear attack submarine for naval SIGINT collection. This may partly explain why PRC subs routinely operate very close, or inside, of ROC territorial waters. The PRC also uses smaller vessels, often disguised as fishing boats, to conduct SIGINT operations. In 1997, not long after Taiwan began operating its new Mirage 2000-5 fighters, there were sightings of Mainland fishing boats with an unusually large number of antennas operating just outside of Taiwan's territorial waters near Hsinchu.⁶⁷

Recent research also suggests that China has developed two satellite networks which serve as primary or secondary ELINT collection platforms.⁶⁸ China's growing focus on Pacific naval operations and its current development of the DF-21 anti-ship ballistic missile variant create greater demand for ELINT reconnaissance. It appears that the Shijian 6 series of satellites and the Yaogan series both have ELINT related functions. The Shijian 6 satellites were first launched in 2004 and a total of 8 satellites have been launched since that time. Although details are sparse, the Shijian 6 satellites orbit the earth in pairs of three and their orbital and locational characteristics are nearly identical to the US NOSS series which was primarily an ELINT collection system.⁶⁹ The first launch of the Yaogan satellite series occurred in 2006 and it is believed that at least 13 satellites have been launched since that time. Evidence suggests that the Yaogan series is primarily focused on EO and SAR collection but they likely carry ELINT

⁶⁶ *Jane's*

⁶⁷ "Beijing spying on Mirage jets: newspaper" *The China Post*, May 15, 1997

⁶⁸ Easton and Stokes "China's Electronic Intelligence Satellite Developments" *2049 Institute*, February 23, 2011

⁶⁹ Naval Ocean Surveillance System (NOSS) or "White Cloud" is a surveillance system used by the U.S. Navy which was first introduced in the 1970s to monitor the Soviet Navy.

sensors as well.⁷⁰

China's imagery intelligence (IMINT) efforts are controlled and coordinated by the National Remote Sensing Center in Beijing. It coordinates collection efforts and requirements between China's domestic collection mission and its foreign sources. The National Remote Sensing Center also operates the only known ground receiving station in the PRC.

China's domestic satellite imagery efforts began in 1966 with the FSW-1 (fanhui shir weixing) series of satellites which was first successfully launched in November of 1975.⁷¹ This system would orbit the earth and collect images for 7 to 10 days before being sent back to earth for recovery. The next generation system, the FSW-2 which became operational in 1994, was able to remain in orbit for 16 to 18 days and provided China with 10 meter resolution images. The FSW-3 series of satellites is said to have a capability of 1 meter.

In the late 1990s it was reported that China was also working to develop synthetic aperture radar (SAR) satellites and that by 1999 it would field a satellite reconnaissance system which would include two SAR satellites.⁷² In 2010 sources revealed that China was completing the development of a second generation system of SAR satellites.⁷³ Improved SAR capability is an important development because it is not dependent on cloudless conditions like regular imagery.

China also cooperates with foreign entities to provide its imagery needs. In 1998 it established the Beijing Shibao Satellite Image Company as a joint venture between the Chinese Academy of Science, the French Space Agency and Spot Image. At the time, China was able to acquire 10 meter, full color images, from Spot Image. More recently, China has also cooperated with Brazil to produce the ZY-1 series of imagery satellites. Although this system has only 20 meter resolution ability, it does have a lifespan of 2 years and it has a data transmission system which is able to beam images back to earth for faster exploitation. It is believed that exploitation and analysis of military related imagery is undertaken by the PLA's Third Department.

⁷⁰ Mark Stokes and Ian Easton "China's Electronic Intelligence Satellite Development: Implications for U.S. Air and Naval operations" *2049 Institute*, February 23, 2011

Available at:

http://project2049.net/documents/china_electronic_intelligence_elint_satellite_developments_easton_stokes.pdf

⁷¹ FAS

⁷² *Jane's* pg. 77

⁷³ Mark Stokes and Ian Easton "Evolving Aerospace trends in the Asia-Pacific Region" *2049 Institute*, May 27, 2010

http://project2049.net/documents/aerospace_trends_asia_pacific_region_stokes_easton.pdf

The internet has now become an important means for intelligence collection and the PLA has wholeheartedly embraced this new tool of espionage. As early as 2003, the PLA created information warfare units with the aim of disrupting enemy operations in the event of hostilities.⁷⁴ Cyber espionage and cyber warfare is attractive to the PRC because it has a large pool of educated internet users to draw from. It is also estimated that there are roughly 250 active hacker groups in China.⁷⁵ A former member of Taiwan's National Security Council stated that the PRC government employs over 300,000 hackers.⁷⁶

PRC cyber espionage appears to have become very widespread and highly effective in recent years. A recent study discovered the existence of a sophisticated hacking system which originated in China. This system, termed "GhostNet," was designed to penetrate computer systems in government ministries and embassies.⁷⁷ It appears that the program was fairly successful as hackers had gained control over infected computers and were subsequently able to activate webcams and audio devices to monitor activity in the vicinity. A report by the US government also raised similar concerns about PRC cyber espionage and accused China of targeting computers in the US government and defense contractors.

The PRC has also heavily focused its cyber espionage efforts against Taiwan. Some former ROC officials have reported that the PRC has over 10,000 priority targets in Taiwan, including government and the private sector, and that Taiwan serves a sort of testing ground for Chinese hackers.⁷⁸ One Taiwanese academic, and former ROC government official, argued that the PRC's main avenue for espionage against Taiwan is cyber espionage. It is believed that the e-mail accounts of ROC officials, as well as important academics and business leaders are constantly accessed and monitored by the PRC.⁷⁹

⁷⁴ Malcom Moore "China's global cyber-espionage network GhostNet penetrates 102 countries" *The Telegraph*, March 29, 2009

⁷⁵ Elinor Mills "Report: U.S. vulnerable to Chinese cyber-espionage" *CNET*, November 28, 2008
http://news.cnet.com/8301-1009_3-10107323-83.html

⁷⁶ J.M. Cole "Speakers nix PRC cyber warfare talk under pressure" *Taipei Times*, July 21, 2010

⁷⁷ Malcom Moore "China's global cyber-espionage network GhostNet penetrates 103 countries" *The Telegraph*, March 29, 2009

⁷⁸ Ibid

⁷⁹ This scholar was informed by his university's computer administrators that a copy of every outgoing e-mail from his account is sent to a third account. It appears that the third account is located in Mainland China. Efforts to

3.1 China's HUMINT Organizations

The MSS (Ministry of State Security) and the PLA Second Department are the two main bodies which conduct HUMINT espionage operations against Taiwan. The MSS is similar to the CIA and the FBI in that it conducts espionage abroad and counter-intelligence efforts at home. It was established in 1983 from the merging of several intelligence bodies. The mission of the MSS is to collect political, social-cultural and technical information. It includes fourteen different bureaus and reports to the Minister of Foreign Affairs and to the State Council.

Within the MSS, the two main bureaus most concerned with Taiwan are the Third Bureau and the Eight Bureau. The Third Bureau is responsible for collecting information in Hong Kong, Macau and Taiwan. It also operates a special unit in Hong Kong and Macau known as "Winter Chrysanthemum." Among other things, this unit is responsible for counter-intelligence against Taiwan (Taiwanese agents in Hong Kong). Overall, Third Bureau operations in Hong Kong are thought to have increased since the time of Hong Kong's transfer to the Mainland.

The Eight Bureau, the research bureau, is a think tank which is commonly known as CICIR (Chinese Institute of Contemporary International Relations). As of early 1999, CICIR had already developed into a sizeable organization and employed 439 people, including 340 researchers, and claimed to be the largest think tank in Asia.⁸⁰ Founded in 1980, it encompasses about a dozen offices which focus on particular geographic areas or particular disciplines.

Officially belonging to CASS (Chinese Academy of Social Science), but reportedly under MSS administration is the Taiwan Research Institute. The Taiwan Research Institute is responsible for collecting open source information on Taiwan through means of academic exchange. The institute is also responsible for handling Mainland Chinese who visit Taiwan. Presumably, Chinese with significant access to Taiwanese academic and government entities are debriefed by researchers at the institute. The Taiwan Research Institute routinely provides the MSS with research analysis.

The PLA Second Department was established in 1959 and is responsible for collecting military and military related technology. Like the MSS, the Second Department utilizes both overt and covert means of collecting information. Its total staff is estimated to number 1,500 and it is the second largest HUMINT collection organization in China after the MSS. The Second

remove the program which copies his e-mails had been unsuccessful due to the sophistication of the program. (Appendix 1, Interview 7)

⁸⁰ *Jane's*, pg. 32

Department is organized into bureaus like the MSS and it collects tactical, strategic and technical military intelligence. Some sources claim that the Second Department is China's preeminent collector of technical-military information. Within the Second Department, the First Bureau is responsible for Hong Kong, Macau and Taiwan.

The PLA's General Political Department directly oversees the International Liaison Department. This department was established in 1959 and is responsible for political, propaganda and psychological warfare. It is organized into four bureaus, of which, the Liaison Bureau is responsible for Taiwan. The Liaison Bureau is responsible for political intelligence regarding Taiwan. It actively promotes the defection of Taiwanese officials and is responsible for interrogating captured Taiwanese agents. Most of its agents live under cover in Hong Kong and Taiwan as merchants.

In terms of specialized training, China is said to have created a special training school for Taiwan bound agents known as "Taiwan Village." Likely falling under the control of the MSS, Taiwan Village is a specialized training environment in Fujian Province which replicates life in Taiwan. Would be agents are taught how to speak Taiwanese dialect. They receive extensive education about Taiwan from politics to standard social practices such as singing in KTVs. Reportedly, agents trained at this facility had already slipped in and out of Taiwan as of the mid 1990's.⁸¹ Although not verified, this facility almost certainly exists. The PRC is known to have recreated urban US settings to train their agents.⁸² Other countries are known to run similar training facilities for their agents. Moreover, the PLA uses mock-ups of Taiwanese military bases for their training. In this respect, there is no reason why Chinese intelligence would not take the same approach to training their clandestine agents.⁸³

⁸¹ "Taiwan village built for would-be PRC spies" *The China Post*, July 30, 1996

⁸² *Jane's*, pg. 24

⁸³ The PLA has created a full scale mock-up of Taiwan's Ching Chuan-gang Air Base (located in Taizhong) in western China in order to simulate attacks on Taiwanese military facilities. The PRC is also known to re-create U.S. urban centers in order to train their agents (*Jane's*, pg. 24)

Chapter 4 Developments in PRC HUMINT Operations

Although this study is primarily concerned with post-Cold War developments in PRC HUMINT operations against Taiwan, it is important to identify some general features of PRC activity during the Cold War. Chinese espionage against Taiwan in the Cold War is a murky subject due to the political complications of the White Terror and the restrictions on press reporting. Nonetheless, it is possible to draw a general picture of the security situation during this period.

In the early part of the Cold War, the KMT sought to transform Taiwan into a bastion of anti-communism. The ROC government carried out several large-scale campaigns against communists and suspected communists after it arrived on the island. In 1948 the ROC government became concerned about the possibility of communist agents infiltrating Taiwan among the thousands of refugees. In response to this threat, Chiang Kai-shek appointed his close ally, General Chen Cheng, as governor general of Taiwan. General Chen declared martial law in December of 1948 and he tightened security on the island by increasing supervision at entry ports and by investigating family registries. Police searches, arrests and executions were common in 1949.⁸⁴ Government officials who were considered to be corrupt, disloyal or incompetent were either forced to resign or kicked out of the KMT Party.

Chiang's tight grip on government and society continued throughout the 1950s and extended into the 1970s. This period became known as the "White Terror" due to the often harsh methods which were used to deal with enemies (perceived or real) of the state. ROC government organizations such as the Taiwan Garrison Command and the NSB, established in 1967, kept a close watch over society. The NSB maintained a force of 50,000 full time informants with an additional 500,000 part time informants.⁸⁵ The Taiwan Garrison Command also developed a large network of informants which kept close watch on Taiwanese society. This network also extended into the school systems as the Youth Work Committee, China Youth Corps and

⁸⁴ Denny Roy *Taiwan: A Political History* (Ithaca: Cornell University Press, 2003) 78

⁸⁵ *Ibid*, pg. 91

military instructors were assigned to keep close tabs on student behavior.⁸⁶ Public announcements also warned citizens to watch out for communist spies and collaborators.

Taiwanese security experts have judged that ROC security forces were very effective in apprehending, and deterring anti-government forces during the White Terror.⁸⁷ Many potential communist collaborators were killed, imprisoned or scared into submission. Large numbers of communist agitators and political activists were rounded up and tried in military courts of the Taiwan Garrison Command during the 1950s. Some estimates claim that up to 90,000 people were arrested and that half of this number was executed.⁸⁸ Arrests and executions continued into the 1960s and 70s but the number of arrests appears to have decreased substantially during the later part of the White Terror.

These actions, taken together would have made it very difficult for infiltrators from the PRC to operate in Taiwan. In general, authoritarian states are much more difficult to penetrate than open democracies. Historically the United States emphasized technical intelligence collection methods over the use of human agents the Soviet Union. In contrast, the Soviets relied more heavily on covert HUMINT collection against the West.

The most significant spy threat facing the ROC government was the inside threat from its own members. Communists and communist sympathizers were likely included among the two million Mainlanders who came to Taiwan in the late 1940's. Moreover, some authors have suggested that Mainlanders were more susceptible to being recruited by the PRC than their Taiwanese counterparts due to their past association with the Mainland and the fact that many of them had relatives who lived in China.⁸⁹ In response to this threat, the General Political Warfare Department (GPWD) trained and assigned political warfare officers to maintain internal security. The Political Warfare College was established in 1951 at Fu Hsing Kang with Chiang Ching-Kuo as the director. The GPWD and its team of political warfare officers undertook a vigorous counter-intelligence effort and they emphasized allegiance to ROC cadre members. The GPWD appears to have been a very effective organization as some observers claim that it was successful

⁸⁶ James C. Hsiung and John F. Copper *Contemporary Republic of China – The Taiwan Experience 1950 - 1980* (New York: Praeger Publishers, 1981)

⁸⁷ Appendix 1, Interview 7

⁸⁸ Denny Roy *Taiwan: A Political History* (Ithaca: Cornell University Press, 2003) 90

⁸⁹ *ibid*

in helping to wipe out corruption and disunity in Taiwan's government.⁹⁰ Given that the GPWD was fairly successful in wiping out corruption, it suggests that they were probably an effective counter-intelligence organization as well. The KMT government frequently warned against infiltrators and potential saboteurs and the "Keep the Secrets" campaign was taken very seriously, especially by serving ROC military personnel.⁹¹ Thus, the ROC clearly built a powerful defense network against both internal and external threats. Although it is impossible to say with certainty how much PRC espionage activity existed in Taiwan, one source suggests that the actual amount of espionage was fairly low. A 2009 study by a victim's rights foundation in Taiwan claimed that the government mistakenly accused people of being spies 80% of the time. The study found that only about 1% of the accused spies were confirmed to have been spies, 19% of the cases were undetermined due to absence of data.⁹² The threshold for being labeled a spy at that time was very low. Prior to 1987, local people who had any relations with the Chinese communists might face charges of being communist spies.⁹³

4.1 Agent infiltration: late-1980s to mid-1990s

In the late 1980s and early 1990s there was significantly less human-to-human contact between the ROC and the PRC than currently exists. As a result, there was less opportunity for PRC intelligence agents to come into contact with Taiwanese. More importantly, ROC government policy restricted PRC officials from traveling to the island. One way for the MSS to overcome these obstacles was to send clandestine agents to Taiwan via a third country. In 1993, the former head of Taiwan's NSB, Director Wu, stated that one of the major methods for the PRC to spy against Taiwan was to send clandestine agents to infiltrate the island.⁹⁴ The PRC had been using this method since at least the late 1980s and probably much longer.

Several espionage cases from the late 1980s highlight how the PRC used its agents to operate against Taiwan. Tung Li and Liu Kuang-Shen, discovered and apprehended in 1987 and 1988 respectively, were both professional PRC agents sent to conduct espionage operations in Taiwan. PRC agents typically entered Taiwan using falsified passports from Southeast Asian

⁹⁰ Thomas A. Marks *Counterrevolution in China – Wang Sheng and the Koumintang* (London: Frank Cass, 1998)

⁹¹ Chris Pocock and Clarence Fu *The Black Bats* (Schiffer Publishing, 2010)

⁹² Victim's Rights Foundation study, online at: http://www.cf.org.tw/data.php?list=statistics_list
Accessed on October 12, 2010

⁹³ "Gov't to revise laws prior to end of period of rebellion" *China Post*, June 8, 1990

⁹⁴ "Editorial: urge Beijing to end espionage in Taiwan" *The China Post*, June 11, 1993

nations with a significant number of overseas Chinese. Both Tung and Liu entered Taiwan with falsified Singaporean passports. Liu attempted to enter Taiwan with a falsified Thai passport in 1986 but failed. The reproduction of passports is an expensive process, and, according to one intelligence professional, a difficult operation in the case of Thai passports.⁹⁵

Another case of agent infiltration in 1991 shows that the PRC was still seeking to place agents in Taiwan and had expanded their tactics. In March of 1991, Zhou Chao-long was arrested by ROC authorities after he entered Taiwan two months before. In this case, Zhou arrived from the Dominican Republic and used a forged ROC passport and a false name to gain entry. In contrast to the two previous cases, the PRC had expanded its forgery efforts to include ROC passports. ROC immigration authorities would naturally be most familiar with their own passports so this constitutes a riskier move. Attempting to use a forged ROC passport suggests that PRC intelligence agencies may have gained greater confidence in their technical abilities. It may also have represented a shift in tactics. Given that previous PRC infiltration attempts had used Southeast Asian nations as their cover, the MSS may have assumed that a Caribbean nation would arouse less suspicion.

Once in Taiwan, agents like Tung and Liu were used to conduct a variety of espionage and political activities. These agents often established trading companies in Taiwan as a cover for their activities. Additionally, technology trading companies would have helped these agents come into close contact with Taiwanese representatives in the technology sector and potentially with individuals who were connected to defense related technology and defense contracting.

One of the goals of these clandestine PRC agents was to build long term spy networks and act as deep cover agents. According to ROC officials, Liu Kuang-Shen was engaged in this type of activity. Agents such as Liu would presumably build up contacts in Taiwan's business, technology or military sectors and recruit spies and/or collect information that was useful for the PRC. In addition to providing access to people in the technology industry, agents who ran trading companies would have been able to travel in and out of Taiwan without raising undue suspicion. The ability to travel freely would be important for an agent because it would enable them to safely communicate with PRC authorities outside of Taiwan. Intelligence collectors must have a means of sending sensitive information to their superiors. Leaving Taiwan and meeting with PRC officials in a third country would have enabled these agents to pass information safely and

⁹⁵ Nicholas Eftimiades , *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998) 22

without raising suspicion from ROC authorities.

4.2 PRC agents in Taiwan from mid-1990's to Present

The dramatic increase of Mainland immigrants in Taiwan has provided PRC intelligence agencies with lucrative opportunities to expand their HUMINT networks. Since the early 1990s, PRC nationals have been immigrating to Taiwan in greater numbers. Many of these Mainland immigrants are women who come to Taiwan after finding a Taiwanese husband. By 2003, it was estimated that there 260,000 PRC citizens living in Taiwan, about 190,000 were women. By 2008 the estimate was over a quarter of a million.⁹⁶ This ever-expanding number of Mainland residents in Taiwan provides the PRC's intelligence organization with a potentially large pool of HUMINT assets.

The total number of PRC spies operating in Taiwan now appears very large; there are likely several thousand PRC HUMINT assets on the island. In 1996, Investigation Bureau director Liao Cheng-hao claimed that there were over 3,000 people working for Mainland China's intelligence agencies.⁹⁷ In 1999, the National Security Bureau revealed that Chinese intelligence units had been in contact with 34,477 Taiwanese in Taiwan.⁹⁸ Although, the NSB did not claim that these individuals were necessarily engaged in espionage. That same year, ROC officials claimed that there were 7,000 PRC assets spying in Taiwan.⁹⁹ In 2003, ROC officials claimed that there were 3,000 spies in Taiwan.¹⁰⁰ Although an accurate number of PRC spies in Taiwan is hard to attain, these consistently high figures cited by ROC officials does illustrate the seriousness of the problem.

In terms of HUMINT activity, PRC assets, and PRC visitors, who conduct espionage in Taiwan can be broken down into three general categories:

- 1- Long-term, deep cover assets

⁹⁶ Cindy Sui "Wedding bells in Taiwan" *Asia Times Online*, February 15, 2008
<http://www.atimes.com/atimes/China/JB15Ad01.html>

⁹⁷ "Mainland has over 3,000 spies in ROC: official" *The China Post*, May 9, 1996

⁹⁸ "Government bolsters spy controls" *Taiwan News*, August 17, 1999

⁹⁹ *Jane's*, pg. 24

¹⁰⁰ "Better national security net needed" *Taipei Times*, November 16, 2003

2- Long- term, surveillance assets

3- Short-term assets

During the late 1980s and early 1990s it was apparent that Beijing was sending deep cover agents to Taiwan under the guise of overseas Chinese. By the mid to late 1990s, it appears that the PRC had expanded its HUMINT development strategy to utilize some of the PRC immigrants in Taiwan in deep cover roles. It is unclear to what extent the PRC may have sought to rely on Chinese immigrants as deep cover agents. It is likely that the PRC continued to use third country infiltrators while also utilizing the new immigrant population to establish deep cover agents. Even though the new PRC population in Taiwan provided new opportunities to establish deep cover agents, Chinese intelligence agencies may have concluded that agents from third countries would arouse less suspicion in Taiwan than individuals who came directly from the PRC. Nonetheless, the PRC does appear to have had some success in using Mainland immigrants in deep cover roles.

Two recent espionage cases in Taiwan illustrate how Mainland immigrants, especially women, can be used to conduct or facilitate HUMINT operations. First, Mainland women have been used to recruit Taiwanese men who work in sensitive positions. Secondly, it is evidently possible for some of these women to attain positions in Taiwan's government where they can be exposed to sensitive information and develop important contacts with people in the political and defense community.

The PRC is well known to use its citizens abroad as intelligence collectors, utilizing Mainland women in Taiwan as intelligence collectors is a simple extension of a well-developed tactic. If these women happen to marry a Taiwanese man who occupies a sensitive position in the ROC government or in Taiwan's industry, PRC intelligence agents could work through the wife to directly, or indirectly, recruit the husband. This is essentially what happened in 2003 when Huang Chen-an (黃正安) was arrested for attempting to sell details about ROC military communication systems and missile systems to the PRC. Huang was an employee at Taiwan's Chung-Shan Institute of Science and Technology. He had been employed there since 1979 and he was responsible for R&D on missile and radar programs. Huang was also married to Lin Wei , (林偉)an immigrant from Mainland China. After being arrested, Huang identified Lin as being

behind the plan to steal secrets from the Chung-Shan Institute.¹⁰¹ Lin Wei had originally married a Taiwanese man in 1991 and moved to Taiwan in 1995. She gained ROC citizenship in 1997 but also retained her PRC citizenship.¹⁰²

Another particularly dramatic and intriguing incident demonstrates how women from Mainland China can attain positions in the ROC government which puts them in close proximity to political and military secrets. In 2004, Yang Zhi-yi, from Mainland China, was accused of using her position as a legislative assistant to spy on Taiwan. Although it appears that Yang was never proven to be a spy, her activities were extremely suspicious and it shows just how close a PRC resident in Taiwan can get to the ROC government. After marrying a Taiwanese businessman and moving to Taiwan, Yang managed to get a position as a legislative assistant to KMT legislator Lin Nan-sheng. Yang worked as an assistant from 2002 to 2003. During this time, Yang developed close connections with three senior ROC naval officers. She often invited the officers to expensive restaurants and nightclubs and it was reported that she had an affair with one of the officers. As part of duties as a legislative assistant, Yang made three written requests to the navy for defense information. One of these requests was denied due to the highly confidential nature of the information. After Yang's relationship with the three naval officers was discovered, the navy removed or transferred the individuals involved to new positions.¹⁰³

Regardless of whether or not Yang was a spy, this case illustrates just how vulnerable the ROC government can be to potential Mainland spies who live in Taiwan. The fact that Yang was able to work as a legislative assistant displays a lack of security awareness on the part of the LY and the legislator who hired her. Given that the LY deals with sensitive political and military information, it is simply too risky to have a former PRC citizen on the staff. The LY has had extremely poor security practices and one legislature even claimed that fellow legislators casually discard confidential budget information by throwing the documents in the trash.¹⁰⁴ The

¹⁰¹ "Two China-born women accused of spying in Taiwan" *The Straits Times*, January 31, 2004

¹⁰² Chuang, Jimmy "Chinese woman held for alleged technology spying" *Taipei Times*, January 31, 2004

¹⁰³ "Two China-born women accused of spying in Taiwan" *The Straits Times*, January 31, 2004

¹⁰⁴ In March of 1999, DPP Legislator Tsai Min-hsian criticized the Ministry of Defense for not taking better security measures to protect classified budget information as it passed through the Legislative Yuan. He explained the confidential budget information, or "red papers," were handed to various legislator's offices by cleaning personnel at the LY. He further also accused fellow legislators of throwing sensitive budget information in the trash. "Military blasted for mismanagement" *The China Post*, March 18, 1999

fact that Yang was able to request classified information from the ROC Navy is also problematic. Yang was not cleared for classified military information and should never have been put in a position where she could have handled military information.

The second category of PRC assets who live and operate in Taiwan are those who conduct surveillance against ROC military and government entities, and possibly against social groups such as Falun Gong. This category of agents probably accounts for the majority of the spies who are believed to be in Taiwan. The notion that thousands of PRC spies live and operate in Taiwan may seem rather extraordinary. However, if we take Cold War Germany as an example, the idea that so many spies reside in Taiwan becomes much clearer and plausible.

According to new research on West German Cold War era spying against the East, the majority of spies in East Germany were ordinary citizens who were opposed to communism and sympathetic to the West. Most of these spies were not professional agents, they were ordinary people. Much of the intelligence needed by the West pertained to the 400,000 frontline Soviet troops in East Germany. A great deal of valuable information could be obtained simply by tasking these citizens to make basic observations, or conduct simple surveillance, against military installations and troop movements. Little training was needed for this kind of work because most of the required surveillance could be accomplished very easily and without specialized equipment. Recruiting or assigning people to conduct simple surveillance against government and military installations is relatively easy and low-risk compared to other forms of HUMINT activity.

The majority of the PRC's assets in Taiwan probably fall into the same category as the German spies who conducted surveillance during the Cold War. The PRC has a high demand for intelligence on the ROC so maintaining a large pool of citizens to observe military operations would seem logical. Some of these agents are undoubtedly used to keep tabs on ROC government affairs and social movements like the Falun Gong.

PRC intelligence agencies have displayed a high degree of opportunism and creativity in using Mainland residents to spy in Taiwan. It appears that Chinese intelligence services will recruit, or attempt to recruit, Mainland residents and workers in nearly any profession or service. In 2000 it was discovered that a group of Mainland janitors who were working in Taiwan were

spying for the PRC.¹⁰⁵ These eight individuals had entered Taiwan for the purpose of visiting relatives but were in fact working as janitors for a local cleaning company which had contracts with ROC government offices as well as some companies in Hsinchu Science Park. Several of these individuals were charged with stealing files from the Investigation Bureau's archives.¹⁰⁶

PRC intelligence agencies may also have utilized Taiwanese fisherman and Mainland taxi drivers in surveillance roles. In 2003 a Taiwanese legislative group warned that the PRC was collaborating with Taiwanese fisherman to spy on the annual Hankuang military exercises and to photograph areas of Taiwan's coast.¹⁰⁷ Mainland Chinese have also been working on Taiwanese fishing boats since the early 1990s so it is entirely possible that the PRC has utilized some of these individuals for surveillance.¹⁰⁸

Another recent espionage risk for Taiwan has been the influx of PRC reporters who cover news in Taiwan. In 2009, Taiwan's government allowed PRC journalists to freely cover news events without first informing the Taiwan government. Given that the PRC is assumed to use journalist positions as cover for intelligence agents, Taiwan is exposed to some amount of risk. In May of 2012, an ROC Air Force combat pilot was found to be dating a female PRC reporter from China National Radio in Taiwan. Although no secrets were compromised, the pilot's actions did violate military regulations and he was reprimanded for the incident.¹⁰⁹

4.3 Short-term HUMINT Assets

Tourists and other types of international travelers have often been used to collect intelligence since the Cold War, and likely much longer. The US and other Western countries have used tourists to collect information against the Soviet Union during the Cold War. Under Operation REDSKIN, Western tourists who traveled to the Soviet Union were tasked by the CIA to collect simple bits of information during their trip. In most cases, the tasks were very simple; make

¹⁰⁵ "Eight Janitors Deported on Spy Charges" *Taiwan News*, February 22, 2000

¹⁰⁶ The fact that janitorial workers from Mainland China were able to gain access to the Investigation Bureau offices, and access files, raises serious questions about the security practices of ROC government agencies. It shows that even the Investigation Bureau (Taiwan's foremost law enforcement and counter-intelligence agency) is lax when it comes to conducting background checks on contract workers. It also suggests that these individuals were likely allowed to work in the Investigation Bureau's offices without security escort.

¹⁰⁷ Lu, F. "Legislative group says fisherman are spying for Beijing" *Taipei Times*, August 16, 2003

¹⁰⁸ "Mainlanders to work on Taiwan fishing boats" *China Post*, September 27, 1991

¹⁰⁹ "Taiwanese air force pilot censured for cross-strait love" *Want China Times*, May 18, 2012

some observations at a facility, collect a small soil sample from a certain area etc. The participants were all volunteers and no native laws were broken during the operation. The information which these tourists brought back to the West was later analyzed and pieced together by Western intelligence analysts to yield important information on Soviet military development. Operation Redskin produced valuable information on Soviet bombers, surface to air missile sites, nuclear submarines, biological warfare programs and other military endeavors.¹¹⁰

In recent times, the PRC has used businessmen, academics¹¹¹ and students to collect information, primarily technical and economic, in Western countries. The PRC's approach has been called the "thousand grains of sand," or the "mosaic" approach. This strategy is well suited for the PRC because it has large numbers of citizens who work, study and travel to advanced countries. The PRC's approach and method of operation is very similar to the collection strategy used in operation REDSKIN in that it uses a large number of people to collect small bits of information.

The PRC also recruits both long and short-term agents among the pool of Chinese citizens who go abroad for study or academic exchange.¹¹² The MSS seeks to recruit a large number of these individuals at minimal cost. These recruits are typically contacted just before they leave China and they appear to receive very minimal training and instruction. Motivation and reward for cooperating with the MSS has sometimes included financial stipends while abroad but patriotism and loyalty to the PRC is also a significant factor.¹¹³

Given that the PRC has successfully used the Mosaic approach to collection technical information in other countries, it could very well employ a similar approach for short-term visitors and tourists in Taiwan. In 2008, Mainland tourists were allowed to visit the island in modest numbers; roughly one to three thousand Mainland tourists arrived on the island every day

¹¹⁰ Harry Positzke *The CIA's Secret Operations* (New York: Reader's Digest Press, 1977) pg. 57-60

¹¹¹ The PRC's use of scholars and academics to collect intelligence in Taiwan is a rather gray area of espionage. Many PRC scholars come to Taiwan with the purpose of learning more about the ROC government and Taiwan's political system. While PRC scholars are known to aggressively pursue details about the ROC government, much of this information is not classified. This activity is more closely related to open source intelligence collection rather than espionage in the strict sense. If these scholars attempt to acquire classified information, or recruit Taiwanese scholars to spy on behalf of the PRC, then they would have clearly crossed into the line of espionage. To date, there have been no publicly announced cases of PRC scholars engaging in clear-cut espionage activity.

¹¹² Nicholas Eftimiades *Chinese Intelligence Operations* (Arlington, Newcomb Publishers, 1998) 62

¹¹³ *Ibid*, 69

in this period. In 2012, tourists from the Mainland were allowed to make individual visits without being required to travel with a supervised tour group. If the PRC tasks some of these individuals to collect information, or if professional intelligence officers or military officers travel as tourists, it could be difficult for ROC security agencies to monitor potential spies. According to an unnamed official from the National Security Bureau, the influx of Chinese tourists has been taxing the strength of the National Immigration Agency, the National Police Administration and the Ministry of Justice Investigation Bureau.¹¹⁴

According to Taiwan's NSB, it has already been monitoring several PRC spies who have entered Taiwan as tourists or visiting academics.¹¹⁵ Although no details of these spy cases were given, a recent incident involving a PRC visitor in Taiwan provides an example of how tourists can be used to collect sensitive information on ROC government and military facilities. In May of 2009, Mainland tourist Ma Zhong-fei (馬中飛) left his tour group at Taipei 101 and traveled to the Armed Forces recruitment center on Keelung Road. He then entered the back door of a computer warfare command center and proceeded to take pictures inside the facility. Soon after entering the facility, Ma was taken into custody by military police and subsequently released from custody the next day. While some areas of the Armed Forces recruitment center are public, the computer warfare command center is a restricted area which is off limits to the public.

The events surrounding the Ma Zhong-fei incident are highly suspicious and it is very possible that he was tasked by PRC intelligence officials to collect information on the computer warfare command center or the sensitive Information and Communications Security Technology (ICST) center, which is co-located with the computer warfare center. Established in 2002, the ICST is said to play an important coordinating role in ensuring information security for all government agencies. The ICST was co-located with the computer warfare command center to facilitate cooperation between the two organizations. Both entities are tasked with protecting Taiwan from cyber-warfare, mainly from China.

¹¹⁴ Lo Tien-Pu "Security bureau to hold counter-intelligence lectures" *Taipei Times*, June 5, 2011

¹¹⁵ "FITs could pose security risk, DPP legislator says" *Taipei Times*, May 30, 2011

As the chairman of a high technology company in Mainland China, Ma was the perfect candidate to observe and access a computer facility. By simply entering the computer warfare command facility, or the ICST, Ma would be able to make note of the number of personnel working at the facility, the age and seniority of the personnel, the number of workstations in the facility and the general sophistication of the equipment at the facility. For an individual with sufficient technical expertise, much of this information could be easily committed to memory.

Sending a human agent to collect intelligence on a facility such as the Armed Forces recruiting center enables the PRC to acquire information which cannot be gained by other intelligence collection methods. One piece of information which the PRC may have been after is the exact location of the computer warfare command center and the ICST. If the ICST was not well known to PRC military intelligence, they may have sought to verify its location and the critical elements at the facility. The PLA may have been seeking to acquire targeting intelligence on these two computer centers.¹¹⁶ Satellite imagery and surveillance from outside the facility would probably have been insufficient to determine the exact locations of these units and their vulnerabilities. A human agent could quickly observe the physical layout of the facility and then pass this information to PRC intelligence analysts. Detailed knowledge of a facility is increasingly important to military planners who may employ precision-guided munitions against the target.

Tasking Mainland tourists to collect intelligence on ROC military facilities is relatively safe for the PRC and it is a fairly efficient use of resources when used against the right targets. Sending tourists to undertake low risk espionage missions is unlikely to result in punishment against the collector and it allows the PRC to maintain a higher degree of deniability. While Ma Zhong-fei's actions are extremely suspicious, it would probably be difficult to legally prosecute people in cases such as this. More importantly, taking legal action against, or punishing, Mainland tourists would likely have negative reverberations for the developing industries which benefit from these tourists. ROC government officials will be unwilling to take action in cases like this lest they be seen as a spoiler of cross-strait relations and exchange. Finally, using

¹¹⁶ In modern military planning, striking C4ISR targets such as the computer warfare command center and the ICST are high priorities which are often attacked at the outset of offensive operations. Using precision weapons against these types of targets, especially in heavily populated urban centers, requires precise coordinates and sufficient knowledge of the facilities critical areas.

tourists to collect against more accessible targets allows the PRC to save more valuable agents for riskier missions.

In the broad picture, intelligence collection by Mainland tourists is likely to remain a small part of the PRC's broader HUMINT operation against the island. Tourists still have limited access when it comes to possible surveillance and intelligence collection opportunities. The best HUMINT will most always come from insiders, who occupy sensitive positions in the government, and those who have recently retired from government or military service. Nonetheless, the Ma Zhong-fei case and the history of Cold War espionage shows that tourists can still make meaningful contributions to intelligence requirements.

4.4 Targeting of ROC Interests in Third Countries

One of the key developments in PRC HUMINT operations against Taiwan in the new millennia has been the emergence of high-level operations on the international stage. Several high profile espionage cases against Taiwan in third countries suggest that the PRC has broadened its strategy to pursue more aggressive HUMINT operations wherever significant ROC targets or interests exist. Until recently, the vast majority of PRC HUMINT operations in the West have been limited to the 'thousand grains of sand' approach, pursuing and recruiting well placed spies in government and military positions has been rare. Additionally, as Nicholas Eftimiades has pointed out, the PRC's spy agencies preferred to conduct aggressive operations on PRC soil. This is no longer the case. Several PRC HUMINT operations in the United States and Southeast Asia demonstrate that the MSS and the PLA Second Department are able, and actively conducting, aggressive spy recruitment in foreign countries.

In 2004 the PRC recruited one of its most valuable ROC spies in decades. Luo Hsien-che (羅賢哲), a Colonel in the ROC Army, was recruited to spy on behalf of China by an attractive young female agent. At the time, Luo was assigned to the ROC's Economic and Cultural Office in Bangkok, Thailand. It appears that Luo may have been targeted using the classic "honey trap" method. Additionally, he was also paid large sums of money, in total over 1 million US dollars, for his efforts. After returning to Taiwan, Luo was promoted to Major General in 2008 and assigned to work in the Army's communications division. It was here that he had access to information on the Po-shen system, Taiwan's new military command and control system. Prosecutors who searched Lo's office found documents relating to the Po-shen system as well as

information related to Taiwan's purchase of Apache attack helicopters and the army's network of underground fiber optic cables. Luo was also deeply involved in military war games and was familiar with Taiwan's defensive countermeasures against China. The fallout from this case was so serious that Ding Yu-chou (丁渝洲), a former member of Taiwan's National Security Council, said that the military's plans for repelling invading forces needs to be rethought following the Luo spy case.

That the PRC could recruit Luo in Thailand shows that China has a capable network of MSS and 2PLA agents stationed abroad. It would have taken some effort to spot and assess Luo as a potential spy. This would generally not be an easy task given that military attaches like General Luo are seasoned intelligence professionals who are trained to be on their guard against hostile foreign agents.

A high level target like Luo would most likely be handled by seasoned veterans in the MSS or 2PLA. The large sums of money paid to Luo, in excess of one million U.S. dollars, further illustrates the value and importance which the PRC placed on Luo and his information.

The fact that Luo's contact also had an Australian passport raises several important questions and it also demonstrates the growing capability and sophistication of PRC intelligence agencies. It is possible that Luo's contact had been sent to Australia by PRC intelligence to gain citizenship and undertake long-term espionage operations. It is also possible PRC intelligence is still actively forging passports.

The first question is whether the PRC falsified the passport or did the agent obtain it through legal residency in Australia? The passport could certainly have been falsified. The PRC has a history of falsifying foreign passports that goes back to at least the 1980's.¹¹⁷ At that time, PRC agents had successfully entered Taiwan using fake Singaporean and Thai passports. The PRC would not be the first country to forge an Australian passport. Evidence suggests that Israel's Mossad agents have frequently forged or used stolen Australian passports as a cover for their operations.¹¹⁸ However, in the case of Israel's Mossad agents using forged Australian passports, the Australian government voiced a strong diplomatic protest against Israel. In contrast, the Australian government appears not to have lodged any protest against China. This supports the possibility that the passport may not have been forged.

¹¹⁷ Nicholas Eftimiades, *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998)

¹¹⁸ Jonathan Pearlman, "Australia warns Israel on Dubai assassination plot" *The Sydney Morning Herald*, February 25, 2010

It is possible that the female agent had been sent to Australia in order to gain citizenship and conduct long-term operations. Gaining Australian citizenship would have provided the agent with a great deal of mobility and access to Western countries. Lo and his contact meet repeatedly in the United States to exchange information. A falsified passport would have increased the chances of the agent being discovered, especially if she travelled frequently to the US where post-911 security precautions would have made such endeavors more risky.

In either case, the question of the female agent's passport does suggest some important developments in PRC HUMINT operations. If the passport was forged then it shows that China is willing and able to successfully forge Western passports and use them for international operations. If the agent gained the passport by immigrating to Australia then it can be concluded that China is planting trained MSS or 2PLA agents abroad for deep cover operations

It is possible that Chinese intelligence operatives utilized an agent with a Western passport to lower Lo's guard to the potential threat. The MSS has a long and fairly successful history of using female agents to entrap targets.¹¹⁹ A female PRC national would have immediately aroused suspicion if she had attempted to initiate a romantic relationship with a military attaché. Using the cover of Australian citizenship may have played some role in lowering Lo's guard just enough to enable the agent to engage in romantic overtures.

An earlier espionage case shows that the MSS was aggressively targeting Taiwan agents abroad as early as the mid-1990s. Liao Hsien-ping (廖憲平), a former MIB agent, was convicted of fraud in 1995 by the Philippine government and incarcerated in a local prison. Interestingly, he was bailed out of jail two years later by PRC officials who then recruited him to spy against Taiwan. Liao also spent some time in the PRC for training before he was eventually sent back to Taiwan to spy on Falun Gong members.

The fact that PRC intelligence agents bailed Liao out of a Philippine prison in 1997 shows that they were highly opportunistic and aggressive in pursuing avenues for espionage against the ROC even at that time. It probably would have taken some planning and finesse for the PRC to secure Liao's release and extradite him to China. PRC officials seeking the release of an ROC prisoner would certainly have caught the attention of Philippine government officials. The PRC could have easily bribed local officials but they would have to have done it carefully in order to avoid arousing attention.

¹¹⁹ Nicholas Eftimiades, *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998) 60

Further facts surrounding the Liao case suggest that ROC security and law enforcement agencies were very complacent in their handling of the matter. It appears that ROC officials in the Philippines were either unaware, or could not prevent Liao's release and extradition to Hong Kong or China. The fact that Liao had been privy to ROC secrets and methods of operation should have made him a serious concern for ROC officials in the Philippines and MIB leadership. Additionally, it is questionable whether ROC security and law enforcement agencies conducted very much investigation on Liao once he returned to Taiwan. Liao was able to operate in Taiwan for four years before he was caught. Moreover, he successfully recruited two former colleagues to assist him in his spying efforts. Zhang Tzu-xin (張祖馨), a retired colonel in the ROC military, and Sung Wan-ling (宋婉玲), an employee at the National Police Agency Immigration Office both admitted to helping Liao.

4.5 Expansion and targeting of ROC interests in the United States

In recent years, PRC HUMINT operations have also experienced success against ROC interests in the United States. In 2008 and 2009, two serious spy cases were uncovered which involved PRC operations against Taiwan. In 2008 Greg Bergersen, an employee at the US DOD's Defense Security Cooperation Agency, was found to have provided sensitive military information to a PRC agent. The next year, another DOC civilian employee, James Fondren was caught providing sensitive information to the same PRC agent.

The Bergersen and Fondren cases are important for several reasons. First, the targeting and recruitment of US DOC officials marks an escalation in seriousness. Whereas collecting small pieces of technical information usually receive less attention, recruiting spies in a host nation's military community has deeper implications. These two cases can only have strengthened the view that China is a serious threat to US intelligence and security interests. PRC HUMINT operations on US soil will have a broad influence on how the PRC is perceived in the US defense and security community. Past and future espionage cases of this proportion could very well be used to strengthen the argument that China is a military and security competitor, rather than a potential partner of the United States. PRC leaders must certainly be aware of the impact which aggressive espionage operations have on the US DOD. It thus appears that China has prioritized its efforts to aggressively collect intelligence against Taiwan over its desire to appear benign and friendly towards the United States.

The fact that the PRC is undertaking sensitive and sophisticated HUMINT operations against Taiwan in the United States suggests that they can and will potentially target ROC interests anywhere in the world. China has a lot at stake in its relationship with the US. If PRC leaders are willing to deal with potential repercussions from the US then they could likely endure any potential protests from less powerful nations. Additionally, the United States maintains one of the largest and most sophisticated law enforcement and security systems in the world. If the PRC can be successful in the US, then it suggests that they could be successful in all but the most closed nations of the world.

China's increased HUMINT activity against ROC interests abroad is likely due to a combination of factors. First, this increase was likely partly a reaction to the Lee and Chen Administration's desire to increase Taiwan's international space and the increase in independence rhetoric. Chen Shui-bian was particularly active in pursuing international support for Taiwan and communication between Beijing and Taipei was severely limited. Additionally, the Taiwan Security Enhancement Act, passed by US congress in 1999, paved the way for deeper military support and cooperation between Taiwan and the United States. Annual meetings between military planners from both governments helped Taiwan improve its defense planning. This deepened interaction, combined with the Bush Administration's robust weapons package to Taiwan likely caused Beijing to re-evaluate its intelligence priorities and strengthen its HUMINT efforts against ROC targets abroad. PRC leaders have always strenuously objected to US weapon sales to Taiwan. It is certainly more than a coincidence that two of the most sensitive espionage cases against the US by China involved US weapon sales to the island.

The ROC's economic and diplomatic interests in Southeast Asia are strong and it's no surprise that the PRC has undertaken HUMINT operations against Taiwan in this region. Southeast Asia provides a significant amount of production for Taiwanese companies after the PRC. Lee Deng-hui's Go South Policy sought to increase Taiwanese investment in Southeast Asia at the expense of China during the 1990s. Lee was also able to meet with leaders from Thailand and Indonesia during his vacation diplomacy visits to the region. Taiwan has long sought to establish free trade agreements with Southeast Asian nations but Beijing has sought to control and define this economic relationship. According to a KMT spokesperson, several ASEAN nations indicated to ROC officials that Taiwan would first have to seek Beijing's approval in order to establish an FTA. This was one of the factors in Taiwan's desire to enter

into the ECFA agreement with Mainland China.¹²⁰

Increased PRC HUMINT operations abroad against ROC interests is most likely also due to a general increase in PRC espionage operations worldwide. As discussed earlier, China's intelligence budget is likely to have received double digit funding increases in line with the increases in the defense budget. This would naturally translate into increased manpower and operations in places where the PRC has priority intelligence requirements. With greater resources available, MSS and 2PLA units abroad would have been able to increase their operations against ROC targets and individuals of interest.

4.6 Increased recruitment of non-ethnic Chinese

The targeting and recruitment of Greg Bergersen and James Fondren also marks the emergence of a new strategy in PRC espionage against the US. Until recently, Chinese intelligence agencies preferred to target and recruit Chinese immigrants abroad to conduct espionage against the host country. They rarely, if ever, attempted to recruit spies who were not ethnic Chinese. Chinese espionage expert Paul Moore described the PRC approach to recruiting spies in the US as "soft recruitment."¹²¹ According to Moore, Chinese intelligence agents condition the targeted individual to see himself as a friend of China. They attempt to make the person feel that they are more Chinese than American and that they have a special duty to help China. In recruiting target individuals, PRC agents often emphasize the idea that the person is just helping China and not really hurting America. PRC intelligence agencies have also tended to distrust individuals who were not ethnic Chinese.¹²² They have generally been more comfortable going after people who have a shared language, culture and history. In general, PRC intelligence organizations seem to have more success in recruiting people who have close connections to China. Second and third generation ethnic Chinese who have assimilated into the local culture are much less likely to commit espionage on the PRC's behalf. Of the 11 publicized espionage cases by ethnic Chinese in the United States in 2010, 10 of the individuals were first generation Chinese.¹²³ Some of these individuals were PRC citizens who were living and working in the US and a few had

¹²⁰ 郭的光 Spokesman at KMT Headquarters, May 5, 2009

¹²¹ Paul Moore "How China Plays the Ethnic Card" *LA Times*, June 24, 1999

¹²² Sean Noonan "Chinese Industrial Espionage Makes Inroads in the US and Europe" *Stratfor*, January 24, 2011

¹²³ Ibid

acquired US citizenship. The PRC's preference to recruit ethnic Chinese spies is also used in other countries like Japan which harbors a large Chinese immigrant population.¹²⁴

This new development in Chinese recruitment strategy appears to have been at least partly brought about by the PRC's high emphasis on ROC-related issues. The PRC had already begun attempting to recruit non-ethnic Chinese to spy against the US as early as 2004. However, the PRC's first successful efforts to target non-ethnic Chinese sources, Fondren and Bergersen, were both US government employees who were working on Taiwan related issues.

4.7 Targeting of Taiwanese in the PRC

One of the most advantageous new recruiting grounds for PRC espionage against Taiwan is the Mainland itself. Since the late 1980s, Taiwanese citizens have been traveling to, and taking up residence, in the Mainland in ever greater numbers. There are now more than half a million Taiwanese who reside in the PRC permanently or for long periods of time. This group provides PRC intelligence agencies with a potentially large pool of well-educated, and often well-connected, Taiwanese individuals to recruit from.

The fact that the PRC is operating on its home turf provides several critical advantages. First, PRC intelligence agents are operating in a friendly environment where they have the full support of local governments. The PRC has a massive internal security and police force with several specialized organizations which maintain security and collect information on individuals of interest. In addition to local police forces, the PRC also relies upon the People's Armed Police (PAP), and the Ministry of Public Security to maintain order.

Secondly, MSS and PSB agents are under little, if any, real risk of surveillance or opposition by foreign governments. Whereas operations in Taiwan and the West are potentially dangerous due to local security and law enforcement agencies, no such opposition group is present in the PRC. It is simply impossible for foreign security organizations to conduct meaningful surveillance and counter-espionage operations in the PRC.

Finally, PRC intelligence officers can use a wide variety of incentives and threats against Taiwanese businessmen whom they seek to attract. Financial incentives are common but the

¹²⁴ *Jane's*, pg.113

PRC has also been known to use entrapment and coercive methods against Taiwanese in the PRC. In 2012, a Taiwanese businessman in Mainland China was pressured to spy for the PRC by officials who threatened to close his business if he did not agree to spy for China. PRC officials were interested in this individual, surnamed Zhen, because he had a friend who worked at the ROC's MIB. These officials attempted to use Zhen to persuade his friend to spy for the PRC.¹²⁵

PRC espionage against ROC citizens in the Mainland generally targets two groups; businessmen and retired ROC military officers and government officials. Since 1994 there have been at least five known cases of Taiwanese businessmen being recruited to spy against Taiwan while living in the PRC.¹²⁶ An additional case involved a Taiwanese antique dealer who lived in the Mainland and served as a courier of secrets for a retired ROC officer.¹²⁷

Retired and visiting ROC military and government officials in the PRC are a lucrative target for PRC intelligence and the most serious security risk for Taiwan. The information and experience which these individuals retain makes them much more valuable than ordinary businessmen. Retired ROC military officers are visiting and relocating to the Mainland in greater numbers. According to ROC defense officials, in 2002 there were roughly 3,000 former ROC military officers doing business in the PRC.¹²⁸ Furthermore, the waiting period which these officers are required to observe before they can travel to the Mainland has been reduced to just one year. In many cases, retired ROC military and intelligence officers have flouted this rule and illegally traveled to the Mainland immediately after retirement. In 2001, a Control Yuan report found that half of the 414 military and intelligence officers who retired between 1999 and 2001 had traveled to Hong Kong. Of these, eleven were confirmed to have entered Mainland China. Most of these individuals were senior officials who had access to national secrets.¹²⁹

So far, PRC intelligence officials have recruited three former ROC intelligence officials while they were residing in the PRC. Chen Chir-gao (陳志高), a retired MJIB agent, was caught spying for the PRC in 2007. In 2008, Wang Hui-hsien (王惠賢), a retired colonel in the MIB, was also

¹²⁵ See appendix 2, case 2012-3

¹²⁶ See appendix 2, cases: 2012-3, 2012-2, 2011-2, 2008-1, 1996-2

¹²⁷ See appendix 2, case 2010-1

¹²⁸ Lawrence Eyton, "Taiwan: Island of insecurity" *Asia Times Online*, June 18, 2002 Available at: <http://www.atimes.com/china/df18ad01.html>

¹²⁹ "Editorial: Identity crisis threatens security" *Taipei Times*, December 27, 2001

arrested for espionage. In 2012, Dong Jian-nan(董建南), a retired MJIB agent, was arrested for luring other retired colleagues to China for recruitment.

These cases are particularly serious because the two individuals had decades of experience in ROC military and security organizations. The situation was particularly serious in Wang's case because he compromised the identities of several MIB agents who were active in China. More importantly, recruiting retired ROC officials allows the PRC to take advantage of their professional networks and potentially gain more spies. Chen was able to recruit his longtime friend, Lin Yu-nung (林羽農), who was currently employed at the MJIB. Wang was also attempting to recruit two other MIB agents.

The fact that Wang was able to provide PRC intelligence with the names of active MIB agents in the Mainland should question the effectiveness of ROC security policies and screening practices. In cases such as this, requiring retired officials to wait for only one year before traveling to the PRC is not sufficient to guard against catastrophic intelligence losses.

It is important to consider that PRC spies in these two examples were caught only because they attempted to recruit their associates in Taiwan. It is very likely that many other cases of espionage have gone undetected. In such cases, PRC intelligence officials may simply elect to debrief willing ROC retirees who settle in the PRC. Interviewing and debriefing émigrés is a standard practice in intelligence collection. In these cases, detection of espionage would be virtually impossible.

Other groups of Taiwanese may also be vulnerable to potential PRC solicitations for secrets. The many former high-ranking ROC soldiers who now travel to for conciliatory exchanges and cross-strait cooperation activities could also be targeted. According to one participant, a former ROC Military officer, it appears that some retired ROC military officers have a very conciliatory attitude towards the Mainland and no longer view the PRC as a realistic military threat. These retired officers are often very excited and nostalgic about the opportunity to visit the Mainland and they sometimes lack caution when dealing with PRC counterparts. One former ROC military officer who participated in these events observed that other ROC

participants did not exercise caution in their statements and exercised very poor judgment in their choice of words.¹³⁰

Some observers may conclude, as one Taiwanese military expert did, that retired ROC military officers who travel or visit China are not potential espionage threats because they do not have current information on military matters in Taiwan. This is an extremely erroneous assumption. Retired military officers are essentially experts in what is known as “military software” issues. Major software issues include such areas as: military strategy & tactics, troop morale, training and overall fighting ability, leadership issues, future planning and budget issues. Having a good understanding of these issues is an absolute must in determining the overall capability of a nation’s military. Thus, for PRC intelligence agencies, retired military officers constitute a potentially rich target.

Observing and apprehending individuals who reveal sensitive details about ROC military software issues is harder than catching spies who deal with technical and physical material. Most software issues are based on informed opinion and therefore do not necessarily require the handling and transportation of physical material or technical specifications. Any retired ROC military officers who lives in, or travels to, Mainland China could easily compromise sensitive details about software issues in the ROC Military. Given that retired ROC military officers often let their guard down while visiting the PRC, it would be entirely possible for their PRC counterparts to elicit sensitive bits of information in the course of what appears to be a relatively harmless conversation. PRC intelligence agents are known to be highly adept at using alcohol consumption and social-pressure tactics to pressure their targets into revealing more than they intended.

Chinese intelligence agencies aggressively target Taiwanese businessmen in the PRC. In 2006 a former member of the PRC Ministry of Public Security revealed that over 2,000

¹³⁰ “Based on what I have seen, some of these officials appear to let their guard down when they go to these events. This, combined with China’s deliberately elaborate receptions, makes some of the military officials so excited that they sometimes forget to use good judgment. They then do and say things without thinking, apparently clueless that their actions not only hurt themselves, but also their nation”¹³⁰ Li Hua-chiu “Military must reign in retired generals” *Taipei Times*, June 14, 2011

Li Hua-chiu (李華球) is a researcher with the National Policy Foundation

Taiwanese businessmen in China were forced to spy against Taiwan.¹³¹ As early as 1999, the MJIB confirmed that over 34,000 Taiwanese businessmen had come in contact with PRC intelligence agents.¹³² Much of this contact probably included assessment or recruitment attempts. In that year, the chairman of the Taiwan Capital Business Association in Fuzhou suggested that many important Taiwanese businessmen in China are subject to wiretaps.¹³³

The first known case of PRC intelligence agents successfully recruiting a Taiwanese businessman occurred in 1994. In that year, PRC intelligence agents befriended Zhang Ming-Ho, a 37 year old Taiwanese man who ran a wedding photo business in Fuzhou.¹³⁴ Zhang claimed that he had initially cultivated ties with government officials in order to expand his business. After befriending Zhang, PRC intelligence agents asked him to collect unclassified information from Taiwan. Eventually, agents asked him to obtain ROC defense and foreign affairs budget proposals from an acquaintance who worked for a New Party legislature in the Legislative Yuan. Fortunately, Zhang was unable to obtain the budget proposals and he even turned himself in to Taiwanese authorities in 1996 once he realized the seriousness of his actions.

PRC intelligence agencies have a range of carrot and stick tactics which they can use to enlist the services of Taiwanese living in the Mainland. PRC officials have been known to employ various forms of blackmail against Taiwanese targets as well as very generous incentives for more important targets.

China is well known to use sexual entrapment against foreign targets and it sometimes uses this tactic against Taiwanese.¹³⁵ In 2009 PRC intelligence officers attempted to blackmail four Taiwanese officials from the Ministry of Justice.¹³⁶ During their official stay in China, the four individuals made visits to karaoke parlors and hostess lounges where they were secretly filmed engaging in inappropriate activities with female hosts. Chinese intelligence agents attempted to use the videotaped activity to coerce them into spying for China.

¹³¹ Hurley, B. "Taiwanese Businessman Blackmailed into spying for China" *The Epoch Times*, January 2, 2006

¹³² "ROC fears of PRC spying stirred by report" *The China Post*, August 17, 1999

¹³³ "Government bolsters spy controls" *Taiwan News* August 17, 1999

¹³⁴ Appendix 2, Case 1996-2

¹³⁵ Nicholas Eftimiades, *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998)

¹³⁶ Appendix 2, Case 2009-4

In this particular case, the blackmail attempt was unsuccessful. This aggressive form of blackmail can often be a double edged sword for intelligence agencies. In some cases, the attempt may backfire and the potential source can be lost if they confess their activities to their own security forces. In 2004 a Japanese Foreign Service officer committed suicide in Shanghai after having been blackmailed by a Chinese intelligence agent for his relationship with a bargirl.¹³⁷

PRC intelligence agents also appear to be increasingly aggressive against targets in the Taiwanese business community. Several Taiwanese businessmen were pressured to spy for the PRC on the threat that their businesses would be closed down.¹³⁸ In 2011, a retired Taiwanese intelligence agent, traveling with his wife in Mainland China, was abducted by PRC security officers and held for 82 days before being released. According to the retired Taiwanese intelligence officer, he had traveled to the PRC on several previous occasions without having any problems.¹³⁹

The aggressive way in which the PRC has recruited, and utilized Taiwanese, to spy against their government raises several questions about PRC strategy and operating methods towards recruitment and handling of Taiwanese assets. The PRC may view Taiwanese in China as readily available, but expendable, assets. In several cases, Taiwanese businessmen were directed to return to Taiwan and solicit their fellow ROC citizens for sensitive military or recruit them to spy for the PRC.¹⁴⁰ This type of activity is very risky because, as indeed happened, most ROC military officers are likely to report the incident to security officials. Secondly, these Taiwanese businessmen are not professional agents, and they likely receive very little training from the PRC, so their asset recruitment abilities are likely limited. Thirdly, recruiting a spy through coercion is less likely to produce reliable assets. Coerced individuals sometimes do inform their government of the situation.¹⁴¹ Given the risky nature, and potentially high rate of failure, for this approach, the PRC may simply be trying to recruit larger numbers of spies in the

¹³⁷ Justin McCurry “Japan says diplomat’s suicide followed blackmail by China” *The Guardian* December 29, 2005

¹³⁸ See appendix 2, case 2010-2

¹³⁹ Zhao-long Wu, “Retired Taiwanese intelligence agent held for 82 days in China” *Want China Times*, August 22, 2011. <http://www.wantchinatimes.com/news-subclasscnt.aspx?cid=1501&MainCatID=15&id=20110822000024>

¹⁴⁰ Appendix 2, Cases 2011-2, 2012-3

¹⁴¹ This is precisely what happened in 1996 when Zhang Ming-ho, decided to turn himself in to ROC authorities Case 1996-2

hopes that a few achieve true success. Given that the number of Taiwanese businessmen in China will only increase, the PRC may feel that it has little to lose and enough to gain by using these spies in high risk operations.

While PRC asset recruitment has often been aggressive, it is not limited to this approach. Chinese intelligence agents often use much softer, and subtler, forms of blackmail against Taiwanese businessmen in the Mainland. Former Chinese intelligence agent Hao Feng-jun, who defected to Australia in 2005, discussed one of these tactics which he used against Taiwanese businessmen in China.¹⁴² In the course of running a business and living in China, some Taiwanese businessmen invariably run into legal problems. They then come in contact with local government and law enforcement officials. When this happens, Taiwanese businessmen are sometimes lured into a trap set by Chinese intelligence agents who play on their fears of being punished. Intelligence agents like Hao Feng-jun often pose as city councilman or government officials and offer to help Taiwanese businessmen who stumble into legal problems. They then offer to overlook crimes such as tax evasion and prostitution if the individual agrees to collect information on China's behalf. As these businessmen are fearful of losing their investment or families, they often agree to the requests of Chinese intelligence agents.

China can use more subtle forms of elicitation when blackmail is too risky or deemed to be ineffective. Chinese officials often treat foreign visitors to extravagant meals where alcohol consumption is strongly encouraged. The hosts will often attempt to flatter the guest by praising their scholarly achievements if they are a scientist or academic. The foreign guest will then be invited to offer their opinion on an important subject, usually something technical or political in nature. Foreign guests in such situations will often feel compelled to speak and sometimes inadvertently let their guard down and reveal sensitive information.¹⁴³ Chinese military or intelligence professionals could easily tailor this tactic to target retired Taiwanese military officers who visit or retire in Mainland China. A Taiwanese visitor may accidentally reveal a few sensitive bits of information or opinions during a long night of drinking and exchanging "war stories." When this tactic is used, PRC agents usually attempt to acquire only a limited amount of

¹⁴² Hurley, B. "Taiwanese Businessman Blackmailed into spying for China" *The Epoch Times*, January 2, 2006

¹⁴³ Eftimiades

information. This may appear insignificant; however, when pieced together, this information can reveal useful intelligence on Taiwan's military or other targets.

On the other end of the spectrum, PRC intelligence agencies have also been known to use generous incentives to win over potential sources of information. The most common approach is to offer lucrative job offers to retired ROC military officials. In addition to providing the PRC with more potential sources of information, retired military officers would bring a wealth of technical and leadership experience to the PRC's rapidly developing industrial sector. China also actively courts Taiwanese scientists who have worked at places such as the Zhongshan Institute of Science and Technology and Hsinchu Science Park.¹⁴⁴

It appears that the Taiwan Affairs offices in the PRC are likely taking a central role in the spotting, assessing and recruiting process of spies from among the expat Taiwanese population in the PRC. In 2011, Lai Kun-jie, a Taiwanese software engineer working in Beijing, was found guilty of spying for the PRC. He was befriended by Li Xu, the deputy director of the Beijing Taiwan Affairs Office who recruited him to spy against Taiwan. According to Lai, Li pressured him to spy for the PRC by threatening to expel him from China.¹⁴⁵

The use of local Taiwan Affairs Offices to recruit spies from among the Taiwanese expat population makes perfect sense. Every major city in the PRC with a significant Taiwanese population has a Taiwan Affairs Office. The Taiwan Affairs Offices are the chief points of contact for Taiwanese businessmen and other expats in the Mainland. Taiwan Affairs Offices undertake official and social interaction with Taiwanese. As such, officials at these offices undoubtedly maintain a great degree of knowledge on important Taiwanese individuals in their area of responsibility. They are in the best position to determine who might have potentially valuable information.

The Lai Kun-jie spy case strongly suggests that professional intelligence agents are being assigned to at least some of the locale Taiwan Affairs Offices. The process of spotting, assessing and recruiting a potential spy is a complex task which is undertaken by trained professionals. It is likely that MSS personnel are staffing, and taking the lead in recruiting spies from the local

¹⁴⁴ Interview 3

¹⁴⁵ Appendix 2, Case 2011-2

Taiwanese population. The MSS is one of the PRC's leading organizations in charge of HUMINT operations. The Third Bureau of the MSS has traditionally had responsibility for Taiwan and it could have expanded its mission to include the targeting of Taiwanese in the PRC.

It is also possible that the PLA's Second Department is involved and operating at local Taiwan Affairs Offices. Like the MSS, the PLA also undertakes undercover HUMINT operations. The Fifth Directorate of the PLA Second Department is said to have run an intelligence team in Hong Kong and Macau since the mid-1980's.¹⁴⁶ Known as "Autumn Orchid" this organization collected political information by befriending local officials. The PLA General Political Department has also been involved in HUMINT collection operations targeting Taiwan.¹⁴⁷ The Liaison Bureau of the Political Department was responsible for collecting political intelligence on Taiwan and promoting the defection of Taiwanese agents. Its agents live undercover in Taiwan as merchants.

In addition to having experience in recruiting spies, the PLA would naturally be interested in recruiting retired ROC military officers and others Taiwanese who have connections to Taiwan's defense establishment. A PLA intelligence officer would be able to estimate the value of potential targets such as retired ROC military personnel and scientists or engineers whose work may have had some relation with Taiwan's military and defense. In the Lai case, the deputy director at the Taiwan Affairs Office specifically instructed Lai to obtain information on Taiwan's military and the Patriot Missile system operated by Taiwan.

¹⁴⁶ *Janes*, 47

¹⁴⁷ *Janes*, 50-51

Chapter 5 Internal Factors in ROC Security

An important factor in Taiwan's vulnerability to the PRC espionage threat originates from problems inside Taiwan's own security and military bodies. As a result of democratization and social changes in Taiwan, some officials and military officers have held, or still hold, deep ideological divisions with Taiwan's political leaders. This ideological division has, in some cases, been a motivating factor for committing espionage on behalf of the PRC.

Unlike most other countries and societies, Taiwan is a divided society which is at odds over its own future and its relationship with the PRC. During the Cold War, the ROC's authoritarian rulers preached unification and staunchly opposed the idea of Taiwanese independence and Taiwanese identity. With the end of martial law and the advent of democracy, desire for unification declined and Taiwanese identity and self-determination began to take hold in society and politics.

The identity problems which arose during the Lee and Chen administrations are exemplified by a series of high profile espionage cases during this period. From 1997 to 2012 there have been at least fifteen cases of current or retired ROC officials involved in serious espionage, or defection, to the PRC.¹⁴⁸ During this span, MIB officers have betrayed the identities of their colleagues in Hong Kong or the PRC on three occasions. Two scientists at the Chung Shan Institute of Science and Technology have passed sensitive details of ROC weapons development to the PRC. Five ROC military personnel, including a major general, have committed serious espionage on behalf of the Mainland. Finally, in 2001, a corrupt senior officer at the NSB fled Taiwan and went to the PRC before reportedly surfacing in another country.

As a result of these developments, the Control Yuan issued a report in late 2001 which revealed some of the problems in Taiwan's intelligence organizations. The major conclusion of this study was that Taiwan's security and intelligence organizations were suffering from low loyalty and it further asserted that views on China had changed and that many people in Taiwan's military and security organizations no longer see China as an immediate threat. As a result, there is little distinction between enemy and friend. It further charged that some people in Taiwan's military and security organizations could not accept the change in Taiwan's ruling party and the

¹⁴⁸ For details, see Appendix 2

development of democracy in Taiwan.¹⁴⁹

The contemporary loyalty and allegiance problems in ROC military and security organizations can be explained by highlighting the relationship between an individual's allegiance and the nation-state. It is critical for a person to be bound to his or her nation-state if they are to be trusted with the state's most intimate and sensitive secrets. Loyalty and allegiance to the nation-state is the bedrock requirement in evaluating applicants for federal employments and access to classified information in the United States. However, divided loyalties are often the root factor in espionage cases. In her study, *Allegiance in a Time of Globalization*, security expert Katherine Herbig found that many cases of espionage in the U.S. are due to the fact that the individuals involved had a divided loyalty between the U.S. and a foreign nation.¹⁵⁰

A critical component of Herbig's analysis of loyalty and allegiance problems is the centrality of the relationship between the nation-state and the individual. It is vitally important for an individual to be bound to his or her nation-state if they are to be entrusted with the state's most intimate and sensitive secrets. Loyalty and allegiance to the nation-state is the bedrock requirement in evaluating applicants for federal employment and access to classified information in the United States.

The challenges and problems associated with individual loyalty to the nation-state often arise when there is a discrepancy between the nation and the state. In her study, Herbig adopts H.C. Kelman's concept of nation-state to highlight the problem of divided loyalty.¹⁵¹ Kelman makes a distinction between the concepts of nation, state and nation-state. He defines a nation as an ethno-cultural unit that has meaning apart from physical boundaries. Nations are composed of people who are bound together by factors such as a common language, history, religion, way of life etc. A state is a political entity which exercises sovereignty over a particular territory. A nation-state is a political entity in which a state coincides with, or defines a particular nation. However, nations can sometimes be spread out of the territory of several states and state boundaries can also include parts of different nations.

As Herbig's study shows, an individual's loyalty to the state can sometimes be

¹⁴⁹ Control Yuan (ROC). "Report No. 2540, 2001" Taipei, Taiwan (ROC)

¹⁵⁰ Katherine Herbig, "Allegiance in a Time of Globalization" *Defense Personnel Security Research Center (PERSEREC)*, 2008

Available at: <http://www.dhra.mil/perserec/reports/tr08-10.pdf>

¹⁵¹ Kelman, H. "Nationalism, patriotism and national identity: social-psychological dimensions" In I. D. Barta, *Patriotism in the lives of individuals and nations*. (Chicago: Nelson-Hall, 1997)

compromised or overpowered by their loyalty to a foreign nation. One way to understand the loyalty problem in Taiwan is to examine how the nation-state relationship between the ROC and the PRC has evolved since the end of the Cold War. The ROC and the PRC are essentially both states which claim, or have claimed, sovereignty over the greater Chinese Nation. In the PRC, this is still very much the case as the Mainland government has continually stressed that Taiwan is a part of China and a non-negotiable core interest. In Taiwan however, the issue has evolved to a point where a significant segment of the population does not support a single, unified nation-state. Because of this development, some individuals who were raised to strongly support the idea of One-China may find the PRC's vision of a unified China more appealing than the social-political situation which currently prevails in Taiwan.

Nearly all of the espionage cases involving ROC officials and citizens in the late 1990s and the following decade were committed by people who grew up under the Martial Law Era. This is important to emphasize because national identity is formed through socialization at a fairly young age, generally between four and eleven years of age. People who grew up during the Martial Law Era would have received a heavy dose of China-centric education and indoctrination. The ROC government firmly maintained that it was the rightful ruler of greater China and that Taiwan was merely a province within the Chinese Nation. This position was strongly emphasized in the schools through a China-centric curriculum and the strict use of Mandarin Chinese.

Although not everyone in Taiwan subscribed to, or strongly identified with the concept of Greater China, those who joined ROC intelligence services were usually of Mainland background.¹⁵² These individuals were either born in Mainland China or had descended from parents who were born in the Mainland. The majority of people from this social strata identified strongly with China and saw themselves as Chinese.

More importantly, the ROC military, and security organizations, were the vanguard organizations in Chiang Kai-shek's goal of retaking the Mainland. Cadre members in the intelligence agencies and senior military officers were some of the most dedicated individuals to the goal of reunification. During the authoritarian era, intelligence officers were taught to view the Chinese Communist Party as the No.1 enemy. Even as the dream of retaking the Mainland began to fade, the ROC remained committed to the One-China concept. Pro-independence

¹⁵² S.E.Philips., "Identity and Security in Taiwan" *Journal of Democracy*, (2006) 58-71

elements in Taiwan and abroad were outlawed and viewed as enemies.

Just as deep political and social changes were occurring in Taiwan, the old enemy in China was changing and had effectively shed its communist ideology. Some of the old rationale for opposing the PRC had vanished. This change in events likely caused some older ROC cadre to question their long-standing opposition and adversarial attitude towards the Mainland. If supporting Chinese territorial integrity was the prime mission then, who was the real enemy? The powerful human and ideological reasons for service had largely vanished. Adding to this, the new pro-Taiwan politics of the Chen Administration caused some government officials to further lose their sense of mission and importance.¹⁵³

Many senior officials in Taiwan's military and intelligence organizations had, and still have a strong ideological and cultural connection to China. During the Cold War, this connection to China was negated by a staunch opposition to the PRC because of its communist system. However, the death of the communist system in China amounted to the removal of the most important ideological barrier between China and many of the ROC's older officials. Once this conceptual wall fell, some officers and officials didn't have a clear or compelling reason to oppose China. The rise of democracy in Taiwan did not necessarily compensate and balance against China's transition away from communism to capitalism. Older ROC bureaucrats rose to power under an authoritarian system, it was this system which provided them with a privileged place in the government. Taiwan's new democratic system removed some of these privileges and overturned much of the old system. Thus, democracy was not necessarily advantageous for all members of the ROC's government and security organizations. The new government in Taiwan did not appeal to, and even threatened, some old guard members. Thus, the temptation to spy for China naturally began to increase at this time.

In one aspect, the espionage problem which Taiwan faces is similar to the situation which existed between East and West Germany during the Cold War. When an ROC official betrays his government, and spies for the PRC, he is only betraying a political entity; he is not betraying the greater Chinese nation. In fact, it is likely that some ROC officials who provide classified information to the PRC see themselves as helping the cause of reunification and contributing towards a greater good. The fact that some ROC officials can cooperate with the PRC and not

¹⁵³ Cheng-Tian Kuo, from a class lecture in the International Master's Program in Asia-Pacific Studies at National Chengchi University (Taipei, Taiwan), May 8, 2008

feel that they are betraying the greater Chinese nation is one less ideological safeguard against committing espionage. In other societies, individuals who commit espionage will betray both their government and their greater national identity.

The loyalty problems which have afflicted ROC intelligence organizations are not entirely unique to Taiwan. Herbig's research shows that from 1947 to 1990, fewer than 1 in 5 Americans committed espionage against the United States out of loyalty to another country. However, since 1990, divided loyalty has been the cause of roughly half of the espionage cases in America. In many of these cases, the perpetrators were naturalized American citizens who had roots in a foreign country. This suggests that ideological reasons for espionage, such as sympathy for the communist system, are decreasing, while ethnic and country of origin factors are becoming more influential.

These findings suggest that a sense of loyalty to one's native roots, or loyalty to a nation, rather than a state, has become an important cause of espionage in the post-Cold War era. Hitherto, the strong ideological struggle between communist and capitalist ideology appears to have overshadowed other drivers of espionage such as loyalty to a nation. This appears to be the case in the United States and in the Taiwan. According to the 2003 report by the ROC's Control Yuan, some members of the ROC military and security organizations no longer saw China as the enemy. This attitude contrasts sharply to the views held by ROC officials during the Cold War who felt that they were engaged, at least partly, in a struggle against communist forces. In essence, the ideological struggle between communism and capitalism overshadowed concerns for loyalty to the nation.

Another problematic feature of the ROC security establishment was that during the Cold War, these organizations were very undemocratic in nature and they largely operated outside of normal rules and legal oversight which applied to other government bodies. This particular bureaucratic culture would later contribute to serious problems once democracy deepened in Taiwan. Since their founding, the intelligence and security organizations in Taiwan formed a small, elite community which was closely tied with the KMT and to senior leaders in the government.¹⁵⁴ Chiang Ching-kuo himself was head of ROC internal security until the 1960s. During this time, security and intelligence personnel had a strong connection to their leaders and

¹⁵⁴ Phillips

to the KMT Party.¹⁵⁵ There were few restrictions on the power of ROC security and intelligence organizations as they answered only to top leaders. The power of these organizations, and their loyalty to top leaders, is best revealed by the 1984 murder of Chinese-American journalist Henry Liu. Liu, (who wrote under the pen name of Chiang Nan) a former official of the ROC Military Intelligence Agency, wrote a book which was highly critical of Chiang Ching-kuo. In response, ROC intelligence agents arranged for Liu's murder outside of his California home. In the ensuing investigation, three high ranking ROC government officials were convicted of arranging for Liu's murder and sent to jail. Chief among these individuals was Admiral Wang Hsi-ling, head of the National Intelligence Bureau.¹⁵⁶

ROC security agencies continued to exhibit undemocratic behavior by spying on opposition parties and pro-Taiwan political groups well into the 1990s. In fact, the actions of the ROC's security and intelligence organizations suggest that a significant degree of bureaucratic hostility towards democratic ideology and practice lingered in these organizations. In 1991, the chief of the MJIB was forced to apologize for spying on Jiao Tong University after one of its agents was discovered to have infiltrated the Taiwan Studies Society at the university.¹⁵⁷ In that same year an MJIB agent was discovered leafing through a legislators petition in the LY.¹⁵⁸ Several years later, in 1993, Yok Mu-ming, a member of the Chinese New Party accused the NSB and the MJIB of bugging the offices of those political parties which opposed the KMT. He also accused these intelligence organizations of intimidating government servants and soldiers who sought to join the Chinese New Party.¹⁵⁹ In 1993, a controversial situation occurred when Lee Yi-hsiung, a 26 year veteran of the MJIB, became the first person from that organization to join the DPP. Lee was suspected of having provided the DPP with confidential information. In response, Lee charged that the bureau had treated the DPP as an enemy and ignored its neutrality stance. He also claimed that the bureau opposed Lee Teng-hui by inviting supporters of the New Party to give speeches at the bureau. The fact that the first MJIB agent joined the DPP as late as 1993 is a further reflection of the traditional dominance which the KMT had over Taiwan's security agencies.¹⁶⁰

¹⁵⁵ Ibid

¹⁵⁶ Denny Roy, *Taiwan, a political history* (Ithaca: Cornell University Press, 2003)

¹⁵⁷ "MJIB Chief apologizes for campus spy" *China Post*, May 17, 1991

¹⁵⁸ "Bureau vows to stop spying in Yuan" *China Post*, September 20, 1991

¹⁵⁹ "Government espionage arm denounced" *China Post*, October 9, 1993

¹⁶⁰ "Intelligence agents joins DPP" *China Post*, December 12, 1993

In response to the problems in Taiwan's military and security organizations, the Chen Administration began to stress loyalty to the ROC Constitution.¹⁶¹ As with modern democracies, such as the United States, military officers and government officials pledge loyalty to the constitution, not the president. Although this was a step in the right direction, the influence of the new policy would require time to achieve. One ROC naval officer questioned whether all military cadres have truly put their loyalty in the ROC Constitution.¹⁶² She argued that it would take time for people to accept the new vision and that such a change could not occur in the span of a few years.

As the loyalty of some individuals in the ROC's military and security organizations began to waver, PRC intelligence organizations had already developed a potent asset recruitment tactic that could also be applied to recruiting assets in Taiwan's changing social and political environment. According to retired FBI counter-intelligence agent Paul Moore, Chinese intelligence officers operating in the U.S. have been successfully recruiting spies among the Chinese immigrant population by appealing to shared Chinese ethnicity.¹⁶³ PRC case officers typically approach ethnic Chinese individuals (usually first generation immigrants) and ask them to offer information under the guise of "helping China." Perhaps most importantly, they seek to foster a sense of loyalty and responsibility to China that will outweigh the individual's sense of commitment to their adopted country and government. They also stress that China is a developing nation and that the individual's actions, stealing information from the host government, won't really harm relations between China and that country.

Whether for espionage purposes, or for political purposes, the PRC sees shared Chinese ethnicity as a powerful psychological tool which it can harness to achieve desired objectives. This is especially true when dealing with Taiwan. PRC scholars and officials have used this general approach on retired ROC generals who visit the Mainland on goodwill visits. According to Wang Jhy-perng, an associate research fellow at the Association for Managing Defense and Strategies, Mainland scholars associated with the PLA stress that China and Taiwan should cooperate on sovereignty issues in the East China Sea and the South China Sea. As a basis of

¹⁶¹ In actuality, Chen had made similar calls as far back as 1991 when he proposed changes to make the military loyal to the ROC, not the KMT (*China Post*, September 11, 1991)

¹⁶² Appendix 1, Interview 4

¹⁶³ Paul Moore, "China's Subtle Spying" *New York Times*, September, 1999

cooperation, these scholars painted the issue as one of protecting “ancestral rights”¹⁶⁴

Recent cross-strait exchanges involving retired military officers, mostly ROC retirees traveling to the Mainland, provides further support for the claim of loyalty problems in the ROC military. In recent years, the PRC has been inviting retired ROC military officers to the Mainland for social activities. During these visits, retired ROC officers often exhibit a strong sense of solidarity with their PRC counterparts. Many of these retired officers return to Taiwan and advocate unification between the two sides. In June of 2011 one retired ROC general even went so far as to say that there should be no separation between the ROC military and the PLA because they were both China’s army.¹⁶⁵ This caused a stir in Taiwan’s domestic political scene and President Ma subsequently met with the National Security Council Secretary-General, the Minister of National Defense and his Veteran Affairs Commission Minister to discuss the incident. In response, President Ma responded by calling for a code of conduct among retired ROC generals who visit the Mainland.¹⁶⁶

China’s espionage recruitment tactic of appealing to national unity and shared Chinese culture would have exerted considerable appeal to members of the ROC’s old guard who had committed their careers to unification. China certainly knew about these problems in Taiwan’s government and it took steps to actively exploit the situation. In 2001, Taiwanese legislator Tsai Tong-Ren claimed that Beijing had reserved high posts in at least 100 state enterprises for Taiwan’s retired generals.¹⁶⁷ Moreover, according to some claims, China may have succeeded in luring up to ten or more former Taiwanese soldiers to actually join the PLA.¹⁶⁸ Although it did not verify this claim, the ROC government did underscore the seriousness of the threat by issuing a strong warning to retired and former soldiers in Taiwan against such actions.¹⁶⁹

5.1 Comparison to loyalty problems in Cold War Germany

¹⁶⁴ Jens Kastner. “PLA’s fruitless moves on ex-Taiwan top brass” *Asia Times Online*, May 3, 2011. <http://www.atimes.com/atimes/China/ME03Ad01.html>

¹⁶⁵ “Ma calls for ‘code of conduct’ for retired generals” *Taipei Times*, June 10, 2011

¹⁶⁶ “Ma calls for ‘code of conduct’ for retired generals” *Taipei Times*, June 10, 2011).

¹⁶⁷ “Beijing ‘luring’ retired generals: DPP legislator” *The China Post*, 1 May 2001

¹⁶⁸ “Retired officers given stern warning” *The China Post*, 21 July, 2001

¹⁶⁹ *ibid*

The internal security challenges which Taiwan faces from the PRC are somewhat similar to the tense security situation which existed between East and West Germany during the Cold War. In both cases, two different governments ruled a population which shared the same ethnic background, culture and language. However, in both cases, the political systems of the two opposing sides were, and are, very different. The West Germany of the Cold War and the ROC of today are both democratic governments. East Germany was a communist state and the PRC is an authoritarian, socialist state which continues to slowly evolve from its communist origins. Secondly, the two Germanys of the Cold War and the Taiwan Strait of today both show a high degree of militarization. During the Cold War, East Germany was home to 400,000 of the Soviet Union's best soldiers. On the other side, West Germany was a member of the powerful US backed NATO alliance and it was also the basing ground for short range nuclear missiles. Much of the mutual spying which occurred at this time was aimed at ascertaining the military plans and capabilities of the other side. Taiwan and the PRC face a similar, but less severe, military standoff. The PRC currently maintains over 1,500 ballistic missiles within striking distance of Taiwan and its military strength continues to increase as a result of yearly double-digit budget increases. Although Taiwan is much smaller than the PRC, it does maintain a moderate sized military which receives support from the United States. As a result of these political and military differences, both sides undertook, or are currently engaged in vigorous HUMINT operations against the other. A limited degree of openness also existed, and currently exists between the two sides. Movement between the two Germanys and the ROC and PRC today was never as restrictive as the situation between North Korea and South Korea. Despite the existence of the Berlin Wall, West Germans citizens could still travel to East Germany with some restrictions. As for East Germany, its citizens were not allowed to travel freely but its agents appeared to have no trouble operating in the West. Restrictions on human exchange between China and Taiwan were similar to that of Cold War Germany but have now rapidly evolved. Eventually, citizens on both sides of the Strait will be able to freely travel to the other sides, although military restrictions will likely remain.

However, by the end of the 1990s, China's government was clearly shedding its communist system and was pushing forward with market reforms. The former enemy was ridding itself of the ideology which had, in large measure, formed the basis of ROC opposition during the Cold War. At the same time, Taiwanization began to occur under Lee Teng-Hui and it

reached its zenith under Chen Shui-Bian. Chen's pro-independence moves could only have clashed with the ideals of older generation cadre who were taught to view the independence movement as an enemy entity. For these people, the old enemy was disappearing while another had risen to control Taiwan's government.

5.2 Contributing factors to internal security weakness: Weak Morale and corruption

In addition to the loyalty problem facing the ROC military and security agencies, two additional inter-related contributing factors which must be considered are corruption, and morale problems in the military and intelligence organizations.

According to intelligence literature, the most common motivations for committing espionage can be broken down into four categories: money, ideology, coercion and ego (MICE). Money appeals to greed, ideology can appeal to political views and beliefs systems, coercion refers to those who are pressured or threatened into spying and ego describes individuals who commit espionage for reasons of ego fulfillment. Of these categories, money and ideology may be used as incentives against individuals and organizations which are hampered with corruption and low morale. Corruption is generally fueled by greed, and major intelligence organizations, including those of the PRC, will pay handsomely to greedy individuals who are willing to betray their government. If an individual chooses to harm their government through corrupt activities, it is likely that they will have few qualms about committing espionage for financial gain.

Since the beginning of the democratic era, Taiwan has been plagued with frequent corruption. The ROC military and the intelligence community has also suffered from its fair share of problems. In 1991, a major scandal occurred over Taiwan's purchase of Lafayette Frigates from France. According to reports, hundreds of millions of dollars was paid to middlemen, politicians and military officers in Taiwan and France. Most disturbingly, ROC Naval Captain Yin Ching-feng was murdered in December of 1993 after he threatened to blow the whistle on corrupt officials.¹⁷⁰ More recently, two former ROC Generals were punished for corruption. In 2010, the Control Yuan impeached Lieutenant General Hu Chen-pu for misappropriating employee funds

¹⁷⁰ "Taiwan's Frigate Corruption Investigation: Full Steam Ahead" *Defense Industry Daily*, October 13, 2011 <http://www.defenseindustrydaily.com/full-steam-ahead-for-taiwan-frigate-corruption-investigation-01546/>

while serving as director-general of the MND's Political Warfare Bureau. The same year, former Lieutenant General Ke Guang-ming was sentenced to 14 years in prison for embezzling 3.7 million NT while serving as the head of the MIB.

To a lesser extent, low morale could also weaken a person's ideological aversion to committing espionage. Although low-morale is generally not considered a direct factor in espionage, it could, when combined with other incentives, increase the chances of betrayal. If an individual does not have a strong belief in what they're doing, they could become more susceptible to ideological-based appeals to commit espionage. Conversely, organizations and individuals who maintain high morale and a sense of esprit-de-corps are less susceptible to ideological persuasion.

As Taiwan has democratized, and as its relationship with the PRC has changed, the level of morale in the ROC intelligence community may have declined, as has happened in the military. According to a former deputy director of the MIB, enthusiasm was high in ROC intelligence organizations under the leadership of Chiang Kai-shek and Chiang Ching-kuo. However, things became much more politicized under President Lee Teng-hui and also during the Chen Administration.¹⁷¹ By 2002 there were some suggestions that ROC intelligence organizations were facing a crisis of confidence over the defections of former NSB chief cashier Liu Kuan-chun and head of personnel Pan His-hsien.¹⁷² Problems continued for the ROC intelligence community and in 2007 it was revealed that Taiwan was having difficulty recruiting new spies in the PRC and that it had also lost many assets.¹⁷³ These difficulties appear to have extending into the first term of President Ma Ying-jeou. In 2010 the director of the NSB, Tsai Der-sheng sought to improve morale and intelligence gathering by offering monetary incentives of up to NT \$5 million to high performing officials.¹⁷⁴

5.3 Taiwan's Lack of Security Consciousness

¹⁷¹ Mao-Sen Zhang, "日媒專訪／前軍情局副處長龐大為：台對中情報 進入冬眠期" *The Liberty Times*, September 2, 2010. Available at: <http://news.ltn.com.tw/news/politics/paper/424398>

¹⁷² "Overhaul of spy agencies in the works" *Taipei Times*, June 19, 2010

¹⁷³ "KMT legislator says Taiwan is losing espionage battle" *Taipei Times*, October 3, 2007

¹⁷⁴ Tien-pin Lo "NSB creates awards for new intelligence" *Taipei Times*, November 1, 2010

A contributing factor which heightens the chance of successful PRC operations against Taiwan is the lack of security awareness and good security practices in Taiwan's military and government. Good security practices, known as operations security (OPSEC) in the military, are security practices which conceal one's own activity and reduce the risk of information loss from surveillance and reconnaissance by potential adversaries. By neglecting good security practices, Taiwan's military, security and government organizations have left themselves open to exploitation by PRC intelligence activities.

In general, security consciousness in Taiwan's government and military is fairly weak. According to several sources that serve, or have served in Taiwan's military and government, security programs and practices are generally not taken very seriously in military and government organizations. One former civilian researcher in Taiwan's MND, the counter-intelligence mission was not taken very seriously by Taiwan's military.¹⁷⁵ During another interview, a field-grade officer who was previously assigned to the ROC Political Warfare College, said that Operations Security (OPSEC) was not given enough attention in the military.¹⁷⁶ They pointed out that while Taiwan's military did circulate an internal publication of known OPSEC threats, many personnel did not pay much attention to the warnings. Similarly, a former enlisted ROC marine who fulfilled his military service between 2000 and 2002 also suggested that OPSEC was not taken very seriously.¹⁷⁷ As part of his secondary duties, this marine was responsible for maintaining OPSEC in his unit. By his own estimation, the practice of OPSEC was not a very high priority in his unit or in the ROC military in general.

The opinions of these observers who have served in Taiwan's military and government are supported by a pattern of serious security lapses which have occurred in military and government organizations. These security lapses, supported by the views of those inside the ROC Government, suggest that security consciousness towards potential PRC espionage is indeed lacking in ROC military and security organizations.

Taiwan Government security has been particularly lax with regard to the hiring and employment of Mainland workers and residents in Taiwan. In February of 2000, eight Mainland

¹⁷⁵ Appendix 1, Interview 2

¹⁷⁶ Appendix 1, Interview 4

¹⁷⁷ Appendix 1, Interview 8

Chinese were deported from Taiwan after working as janitors and using their position to access sensitive information. Most notably, two of the individuals had been working at the MJIB premises and had been charged with stealing information from the Bureau's archives. The eight individuals had entered Taiwan for the purpose of visiting relatives and subsequently sought employment with local cleaning services. The fact that two of these individuals were able to work inside Taiwan's MJIB shows that even Taiwan's premier security organization did not provide background checks on workers who were subsequently allowed to access its facilities. It further shows that these individuals were not escorted or closely supervised while they performed their cleaning services.

Important government bodies such as the Legislative Yuan (LY) have also displayed serious negligence towards security. The case of Yang Zhi-yi (楊芷宜) clearly illustrates just how much access and exposure a foreign agent can attain in a sensitive government and lawmaking body. The fact that Yang was hired as a legislative assistant shows that LY hiring protocol does not include a basic background check. Yang entered Taiwan in 1991 and then legally changed her name in 1999. A simple background check would have exposed her foreign nationality and her suspicious name change.¹⁷⁸

Once she was hired as a legislative assistant to Lin Nan-sheng (林南生), Yang had some degree of access to ROC military information since Lin Nan-sheng was a member of the Foreign and National Defense Committee. In her capacity as legislative assistant, Yang requested information from the navy on three occasions. Two requests were granted and one request was rejected due to its confidential nature.

Given that Lin Nan-sheng was a member of the important Foreign and National Defense Committee of the LY, he likely handled a significant amount of defense and diplomatic related material in his office. Under these circumstances, a legislative assistant would naturally come into contact with a great deal of sensitive information. It is likely that Yang Zhi-yi was exposed to a great deal of sensitive information regarding ROC defense and diplomatic affairs. In contrast

¹⁷⁸ On 9 August 1999, Yang changed her name from 稽琳麗 to 楊芷宜. The later name sounds like a more local, Taiwanese name. She also changed her place of birth from Mainland China to Hong Kong. (appendix 1, Case 2004-1)

to Taiwan's openness, Legislative staff members in the United States House and Senate are required to obtain security clearances with background investigations conducted by the FBI.¹⁷⁹

Once inside the legislative community, Yang was able to use her position to become friends with and socialize with high ranking members of the ROC military. Yang apparently used these relationships to inquire into the details of ROC arms purchases and military matters. Although Yang's military contacts denied revealing any information to Yang, the military temporarily removed three high ranking naval officers from their positions and opened an investigation into the matter.

Despite the seriousness of having Yang, a citizen of the PRC, working for a Legislative member who served on the defense committee, there was no change to security requirements at the Legislative Yuan. Legislative assistants are not currently required to undergo background checks.¹⁸⁰

Physical security and access restriction is also lacking at some of Taiwan's sensitive military facilities. In one instance, a Mainland Chinese tourist was able to access a computer warfare center in Taipei. In May of 2009, Ma Zong-fei broke away from his guided tour and traveled to the Armed Forces Recruiting Center in downtown Taipei. After spending some time browsing military displays in a public area, Ma found his way to a computer warfare center which is co-located at the recruitment compound. Ma entered the computer warfare center through a back door and immediately began taking photos once inside.

The ease with which Ma entered the facility is striking and it suggests that Taiwan's military is complacent when it comes to securing sensitive facilities. A computer warfare center, filled with critical, and valuable, equipment should at least be protected by a secure entrance. To the credit of the military personnel manning the facility, Ma was quickly detained after entering the restricted area. However, he should never have been in a position to gain entry.¹⁸¹

¹⁷⁹ For more information see: Kyzer, Lindy "Do Members of Congress Have Security Clearances?" online at: <http://www.clearancejobs.com/cleared-news/650/do-members-of-congress-have-security-clearances>

¹⁸⁰ Interview 10, appendix 1

¹⁸¹ In terms of damage, Ma's access to the computer warfare facility could have provided the PLA with several pieces of information. First, PLA planners now know (if they hadn't already obtained the information) the exact location of the computer warfare center. This would enable them to target the sensitive areas of the facility with precision weapons. China has been seeking intelligence on Taiwan's C4ISR system and a computer warfare center is

In another extremely troubling incident in 2010, an agent at the MJIB was indicted for deleting the files of over one hundred Mainland Chinese individuals who were either living in, or visiting, Taiwan. The agent was in charge of monitoring suspected PRC intelligence officers operating on the island. He was accused of accessing his superior's computer without authorization and deleting the files, apparently in order to decrease his workload.¹⁸²

For a law enforcement official to delete information on potential spies from a hostile entity is unthinkable. At the very least, this agent displayed complete disregard for potential espionage threats in Taiwan. If the agent was so overloaded, it may suggest that the MJIB is not, or was not at the time, allocating enough personnel resources to the counter-intelligence mission.

In 2011 another serious security breach occurred when Taiwan's Ministry of Foreign Affairs discovered that one of its veteran diplomats, stationed in the United States had employed a housekeeper from Mainland China. The diplomat, Jacqueline Liu, had employed a Mainland Chinese housekeeper, Xie Deng-feng, for two months between September and November of 2011. Employing PRC citizens is against MOFA regulations and the ministry claims that it has had an inspection system in place to prevent such occurrences from happening. The fact that Liu so brazenly violated basic security protocol further suggests that security consciousness in ROC government organizations is lacking.

The most troubling part of this incident is the possibility that Liu's secret conversations with MOFA headquarters could have been intercepted. Being a senior diplomat, Liu maintained a secure telephone at her home which was connected to MOFA Headquarters in Taipei. The encrypted phone system allowed Liu to place secure phone calls to Taipei. During her employment, Xie had connected her personal computer and router to the secure phone line. A MOFA spokesman claimed that Xie would have been unable to break the encryption system and

an important part of this system. In any large-scale military operation against Taiwan, the PLA could very likely seek to destroy C4ISR targets such as the computer warfare center.

The second piece of information that Ma acquired is a general overview of the size and sophistication of this computer warfare center. Simply by gaining access, Ma could easily have noted the number of consoles and work areas in the facility. By observing the age and background of the personnel (whether military or civilian, junior level or senior level), Ma would have gained a rough idea of the experience level and expertise of the personnel. Finally, Ma may have noted the extent and sophistication of the computer equipment that was present in the facility. As the chairman of a Chinese technology company, Ma may have drawn on his experience and technical expertise to focus on the most technically sensitive parts of the facility.

¹⁸² Rich Chang, "MJIB indicted for deleting profiles of PRC officials" *Taipei Times*, October 5, 2010

that no information had been compromised. The fact that a housekeeper had been using the internet, especially one connected to secure communications equipment, while supposedly performing housekeeping duties is highly suspicious. PRC intelligence agents frequently conduct surveillance on ROC diplomats stationed abroad. Given that the United States is Taiwan's principle military supporter, surveillance of senior ROC diplomats in the U.S. is likely very intense. PRC intelligence would likely have noticed an ethnic Chinese housekeeper making regular visits to Liu's premises. It is standard practice for PRC foreign affairs officials and intelligence officers to frequently recruit spies from PRC nationals who reside in foreign countries.

If Xie had been approached, or had agreed to cooperate with PRC intelligence officials, she could have very easily planted electronic surveillance and audio devices in the room where Liu conversed with MOFA headquarters. If co-opted by PRC intelligence officials, Xie could also have potentially allowed PRC intelligence officials to enter Liu's premises and plant listening devices. Xie could also have examined or photographed the encryption equipment used in Liu's home. This would have provided the PRC's technical intelligence experts with some insight into Taiwan's encryption system.

PRC intelligence has a long a successful history of eavesdropping on ROC diplomatic facilities abroad. In 2002, then ROC Minister of Foreign Affairs Eugene Chien revealed that PRC bugging of ROC offices abroad was a serious problem. In response, Chen ordered a thorough review of the security system and called for measures to improve the system.¹⁸³ Liu's disregard for MOFA regulations is even more troubling given the PRC's aggressive posture and its past success. As a veteran diplomat, Liu would have been well aware of the sophisticated threat posed by PRC intelligence operatives.

Contact between ROC military personnel and PRC citizens in Taiwan continues to be a problem for Taiwan's military. As recently as 2012, an ROC Air Force combat pilot formed an intimate relationship with a PRC journalist who was assigned to Taiwan. In this case, the military's counter-intelligence units discovered the activity and the pilot was disciplined. The security breakdown in this incident occurred when the pilot failed to inform the military about

¹⁸³ "PRC bugging still a serious problems says FM Chien" *China Post*, November 1, 2002

his contact, and relationship, with a PRC journalist.¹⁸⁴ The PRC frequently uses journalists as cover for espionage activities and this journalist may likely have been a member of, or had close contact with the PRC's MSS. Given that some ROC military personnel are willing to violate regulations and engage in intimate relations with PRC nationals in Taiwan, the chance for security compromise will increase.



¹⁸⁴ Rich Chang, "Pilot suspended for dating Chinese journalist: MND" *Taipei Times*, May 17, 2012

Chapter 6 Developments during the Ma Administration and Conclusion

The election of Ma Ying-jeou as President of the ROC in 2008 brought significant changes to Taiwan's policy towards the Mainland and the relationship between the two governments. Under President Ma, Taiwan has signed a major economic agreement with the Mainland, ECFA, avoided pro-independence actions, pursued a diplomatic truce and opened the island up for visitors and tourists from the PRC. These actions have led to a significant improvement in cross-strait relations.

Despite these efforts, the PRC still remains a military and intelligence threat to the ROC. During Ma's first term, beginning in May 2008, there were 13 cases of PRC espionage against Taiwan that were reported in the media.¹⁸⁵ The Luo Hsie-che case, discovered in 2010, was one of the most serious cases of espionage in decades. Moreover, as discussed earlier, PRC intelligence agencies may be becoming more aggressive in their attempts to seduce, or coerce, Taiwanese businessmen in the PRC to commit espionage.

At the outset, it appears that the Ma Administration did not pay particularly close attention to the intelligence establishment. According to several sources, counter-intelligence did not appear to be a priority during the early part of Ma's first term.¹⁸⁶ Whether this was a reflection of the Ma Administration, or a holdover from the previous administration is unclear. In general however, military and security issues appeared to take a back seat to economic issues and improving relations with Beijing.

As it became clear that the PRC was still vigorously spying on Taiwan, the ROC Government and the Ma Administration began to take administrative and operational measures to increase Taiwan's defense against this threat. In 2010, the NSB announced that it would amend the Intelligence Services Act (國家情報工作法) in order to treat the National Immigration Agency (NIA) as an intelligence organization.¹⁸⁷ This measure should reduce bureaucratic barriers to cooperation and enables the NIA to access and share more intelligence information with frontline counter-intelligence bureaus like the NSB and MJIB. The NIA is the

¹⁸⁵ See appendix 2

¹⁸⁶ Interview source 2 and 4, appendix 1

¹⁸⁷ Tien-pin Lo, "NSB creates awards for new intelligence" *Taipei Times*, November 1, 2010

primary agency which handles requests for foreign nationals who wish to remain in Taiwan for extended periods of time. Increased cooperation and information sharing between the NIA and other intelligence organizations could help Taiwan prevent, or identify, suspicious individuals who seek to reside on the island.

In April of 2011, just two months after the Luo Hsie-che spy case, the MND took an important step to improve the internal security of Taiwan's intelligence and security organizations. It amended the Regulations of Personnel Security Investigation for Participants in the National Defense Security Program (涉及國家安全或重大利益公務人員特殊查核辦法) to better screen employees in national security related fields.¹⁸⁸ The Ma Administration specifically included stipulations to better ensure that individuals in defense related area are loyal to the nation. Under the new guidelines, security investigations will now include: nationality and influence by foreign or enemy forces, personal records and economic welfare, including credit card information. Additionally, investigators are also allowed to use scientific equipment and psychological tests on the investigated person in order to help verify information.

The Ma Administration also appeared to place more emphasis on strengthening counter-intelligence. During a meeting on intelligence issues relating to cross-strait exchange, President Ma specifically stated that Taiwan needs to actively prevent any leak of secrets and that counter-intelligence needs to be strengthened.¹⁸⁹ In terms of concrete measures, the NSB began to hold counter-intelligence lectures for field staff in the MJIB, NIA and the NPA in 2011 (National Police Administration).¹⁹⁰ These lectures were intended to train hundreds of front-line staff members to identify potential spies when they enter the country, and to better collect information on any illegal activity. Additionally, the Nation Intelligence Services Act (國家情報工作法) was amended to enable the NSB to share information with the MJIB, NIA and NPA with regard to investigating foreign and Chinese visitors in Taiwan. This marks an important step in cooperation and information sharing between Taiwan's security organizations. As the American experience with intelligence failures related to 9-11 shows, lack of information sharing amongst security organizations and bureaucratic turf wars can lead to catastrophe.

¹⁸⁸ Cheng-hsiang Fan, "Defense officials alter law to better screen employees" *Taipei Times*, April 11, 2011

¹⁸⁹ "Ma seeks to act against China spies" *Taipei Times*, August 6, 2011

¹⁹⁰ Tien-pin Lo, "Security Bureau to hold counter-intelligence lectures" *Taipei Times*, June 5, 2011

Despite the changes which were implemented by the Ma Administration, it appears that the ROC's security organizations still face substantial challenges. As the 2010 case of the MJIB officer suggests, the ROC's security organizations may not have enough staff to monitor and investigate the increasing number of Mainland Chinese who permanently reside in, or visit, Taiwan.¹⁹¹ Unless the budget for the ROC's security organizations is increased, the ever-growing number of Mainland Chinese in Taiwan will likely continue to be an overwhelming investigative burden.

6.1 Implications & Outlook

Successful espionage against military targets can have a devastating effect on a nation's military capability and security. The use of human spies has been seen as one of the biggest threats to military success since ancient times. In his classic treatise, *The Art of War*, Sunzi observed that the best means to acquire knowledge of one's enemy was by recruiting enemy personnel to serve as spies. Sunzi's observations on espionage are just as true today as they were over 2,000 years ago. Successful HUMINT operations can have potentially catastrophic consequences for an enemy military. Unlike other intelligence collections methods such as IMINT, SIGINT and cyber espionage, human spies can bypass physical and technical barriers and reveal the enemy's most sensitive plans and weaknesses.

In modern times, HUMINT operations have continued to pose serious challenges to modern militaries. One of the biggest blows to U.S. military advantage in the 20th Century occurred as a result of the Walker spy ring case. Walker and his son, both enlisted sailors in the U.S. Navy, spied for the Soviets from 1968 to 1985. Over this period of time they enabled the Soviets to decipher more than 1 million encrypted U.S. Navy messages.¹⁹² Because of Walker's actions, the Soviet Navy discovered that its nuclear ballistic missile submarines were highly vulnerable to opposing U.S. Navy attack submarines. This prompted the Soviets to drastically change their tactics, and thus caused the U.S. to lose some of its vital advantages over the Soviets.

Over the last twenty years, PRC intelligence organizations have managed to acquire a great deal of information on the ROC military. Additionally, it is very likely that other PRC espionage cases have gone undetected and have most likely added to the PRC's understanding of ROC

¹⁹¹ Rich Chang, "MJIB indicted for deleting profiles of PRC officials" *Taipei Times*, October 5, 2010)

¹⁹² R.C. Toth, "Change in Soviet Sub Tactics Tied to Spy Case" *LA Times*, June 17, 1985

military and government.

With respect to military secrets, the implications of PRC HUMINT operations against the ROC can be observed in four main areas: 1, compromise of ROC defensive systems and plans, 2, capabilities of Taiwan's weapon systems, 3, the ROC's military relationship with the United States, and 4, to undermine the ROC's ability to collect HUMINT against the PRC.

Knowing an enemy's defensive systems and capabilities is a virtual prerequisite for military success. PRC intelligence agencies have been able to acquire portions of Taiwan's defenses from defectors, human surveillance operations and from soldiers inside the ROC military. This knowledge has very likely enabled the PLA to refine its battle plans and take advantage of possible ROC military weaknesses.

The second major focus of PRC intelligence operations has been Taiwan's weapon development projects and weapons acquisition. The two espionage cases at the Chung-Shan Institute of Science and Technology were serious compromises for the ROC. The scientists who compromised information on Taiwan's missile systems and electronic warfare programs likely undermined the potential effectiveness of these systems. For instance, by acquiring the technical specifications of Taiwan's missile systems, the PLA has a much better chance of developing technical countermeasures to defeat or degrade these weapons. Knowing the performance capability of Taiwan's missiles, and other military hardware, could also help the PLA to develop defensive tactics to further minimize the effectiveness of these systems.

An important consequence of Taiwan's vulnerability to PRC espionage is the limitations which it imposes on the US – ROC defense relationship. The US and the ROC have maintained official and unofficial defense relations for over half a century. With a brief exception, the United States has been contributing to Taiwan's defense since ROC forces arrived on the island. After the US formally recognized the PRC, US – ROC military relations experienced major changes and a downgrade in status. The US no longer formally pledged to defend Taiwan and US military forces were withdrawn from the island. However, military equipment sales were continued as this was seen as an absolute necessity to maintain the cross-strait military balance with the PRC. Additionally, many in Taiwan view US arms sales to Taiwan as an indicator of US willingness to support and defend Taiwan.

In 1999, military-to-military relations between Taiwan and the US were increased as a result of the perceived threat from China following the 1996 Missile Crisis. After this initiative,

US military officers to the rank of Colonel were allowed to visit the island for yearly meetings to review Taiwan's defense needs. This allowed ROC officers to exchange ideas with American officers and gain more exposure to contemporary military concepts. Prior to this, ROC officers had very little interaction with advanced militaries.¹⁹³

Although the US and Taiwan have increased military interaction in recent years, the espionage threat from Mainland China may presently, or in the future, impose limitations on the content of US – ROC military cooperation. One of the goals and functions of this military exchange is to help determine how Taiwan can best defend itself from potential PLA use of force against the island. The details and content of this cooperation must certainly include some analysis of PLA equipment, strategy and tactics. Additionally, this discussion would naturally include strategies and tactics of how best to defend against, or defeat PLA units. This type of cooperation and exchange often brings up sensitive details of foreign militaries which are classified as military secrets. The level of US knowledge regarding China's military is an extremely sensitive issue and US Department of Defense therefore takes precautions against revealing what it knows and how it acquires information (sources and methods). If the ROC military and security community is not regarded as a trusted partner then the US would naturally refrain from sharing the most valuable and sensitive information and analysis on the PLA. The degree to which the US refrains from sharing information and intelligence would detract from the quality and effectiveness of US – ROC military to military exchange.

The biggest impact of PRC espionage on the US – ROC military relationship may well be in the area of military sales. The United States is currently Taiwan's only major outside supplier of advanced weaponry. Further limitations on U.S. weapon sales to Taiwan could have strategic consequences for the ROC's ability to mitigate the rising strength of the PLA.

The willingness of the US to sell advanced weaponry to Taiwan is influenced by a complex mix of factors. PRC political pressure and the desire on the part of the US to limit Taiwan's weapons purchases to defensive weapon systems are some of the primary limiting factors which bear on US decision makers. However, the US concern over military technology leakage to the PRC is also an important factor. Taiwan's ranking on the US export control

¹⁹³ The most notable exception is Taiwan's military exchanges with Singapore.

system¹⁹⁴ is fairly low, below NATO allies and below a second category which is used for close, non-NATO allies such as Japan.¹⁹⁵

According to Lin Chong-pin, former ROC Deputy Minister of Defense, penetration by PRC spies has already affected the type of weapons which the US is willing to sell to Taiwan.¹⁹⁶ US concern over Taiwan's ability to safeguard military technology appears to have been a central factor in US refusal to sell high-tech weapon platforms such as Aegis Destroyers. Although the MND had requested the expensive Aegis Destroyers, the US only agreed to sell the much older Kidd Class destroyers to Taiwan. During the same purchase, the US also refused to allow Taiwanese companies to participate in the upgrading of P-3C anti-submarine aircraft because of concerns over the protection of anti-submarine technology.¹⁹⁷

US export restrictions on advanced military technology to Taiwan creates other challenges and problems for both the US, and for the ROC military. Some of the more advanced components in weapon systems which are sold to Taiwan include 'tamper boxes' to prevent access to the most sensitive components. This added millions of dollars to the already high price tag of these weapons systems.¹⁹⁸ In other cases, since the ROC military is not granted the authorization and technology, entire weapon systems have had to be shipped back to the United States for maintenance procedures.¹⁹⁹

Another key implication of PRC espionage is its effect on intelligence sharing between the United States and Taiwan. The ROC and the US have a long history of sharing PRC-related intelligence which dates back to the 1950s. At that time, Taiwan was an important base for signals collection and reconnaissance flights against the Mainland before US troops were removed from the island. The CIA worked with ROC pilots to conduct surveillance missions over China using the U-2 spyplane. Some sources claim that SIGINT cooperation between the

¹⁹⁴ This system dictates what type of US weapons, based on their technological sophistication, can be exported to various foreign countries.

¹⁹⁵ Interview subject 6, appendix 1

¹⁹⁶ Paul Mozur, "Taiwan Spy Case Centers on Lockheed System" *The Wall Street Journal*, March 8, 2011

¹⁹⁷ W.C. Lee, "Arms Twisting: U.S.- TW Arms Transfers in the First Decade of the Twenty-first Century" *Issues & Studies* (September, 2010) 151-186

¹⁹⁸ Shirley A. Kan, "Taiwan: Major U.S. Arms Sales Since 1990" *Congressional Research Service*, May 21, 2012 Available at: www.crs.gov accessed on June 17, 2012

¹⁹⁹ W.C. Lee, "Arms Twisting: U.S.- TW Arms Transfers in the First Decade of the Twenty-first Century" *Issues & Studies* (September, 2010) 151-186

US and the ROC continues to this day, albeit at a reduced level.²⁰⁰

Despite the long history of cooperation, US – Taiwan collaboration is limited in comparison to US cooperation with other allies. While part of this can be attributed to political considerations, US concern over Taiwan’s ability to safeguard secrets appears to be an important factor as well. A prominent American military scholar confirmed that there were indeed concerns in the DOD over PRC HUMINT operations in Taiwan.²⁰¹

Successful PRC espionage operations against ROC organizations such as the MIB and the NSB also directly undermine Taiwan’s HUMINT network and its ability to collect important military intelligence in the Mainland. Since 1997 there have been at least five cases of MIB officers and NSB officials who have either spied for, or defected to the Mainland. These spies have provided the PRC with valuable information on Taiwan’s HUMINT operations and networks. The consequences have often been severe as was the case with Lo Hsie-che (羅賢哲) in 2010.²⁰² The Lo spy case was considered to be the worst case of betrayal in the ROC in decades.

The compromise of even a few good agents or human sources in the PRC represents a serious loss for ROC intelligence. The development of a relationship between an agent and a well-placed human source can take a significant amount of time, especially if the source has access to sensitive information. This is especially true for HUMINT sources and networks inside a tightly controlled authoritarian country like the PRC. Once these valuable sources of intelligence are lost, they are very difficult to replace. According to one Taiwanese scholar, the recent string of spy cases has degraded Taiwan’s HUMINT capability in the PRC and would take at least 5-7 years to rebuild.²⁰³ Additionally, frequent discovery and executions of ROC spies in the Mainland could very well deter other potential spies from helping Taiwan.

One of the most serious implications of the loss of ROC HUMINT sources is the degradation in Taiwan’s indications and warning (I&W) capability. I&W is one of the most important functions of strategic and military intelligence and success or failure in this endeavor

²⁰⁰ “Secret station helps the US eavesdrop on China” *Taipei Times*, January 18, 2003

²⁰¹ The author, who requested to remain anonymous, is a retired US military officer who has written widely on both the PLA and on Taiwan defense issues. Appendix 1, Interview 5

²⁰² Appendix 2, Case 2011-1

²⁰³ Jens Kastner, “Dark days for Taiwan’s spies” *Asia Times Online*, November 4, 2011

<http://atimes.com/atimes/china/mk04ad01.html>

has decided the outcome of many important military engagements throughout history.²⁰⁴ The purpose and importance of I&W is that it allows a defensive actor to ascertain whether or not an enemy is preparing to launch a military offensive. This allows the defensive country to muster its forces and potentially deter aggression.

The existence of a well-developed human surveillance network inside the Mainland would make it much more difficult for the PRC to conduct a surprise military operation against Taiwan. Large-scale military operations require massive logistical preparations and movement of people. Well placed ROC spies would likely be able to pick up on changes and developments in PLA operations. The more spies the ROC has, the more information it could acquire. Conversely, if the ROC has lost a substantial part of its HUMINT network then it could miss key developments of a PLA mobilization. ROC analysts could fail to discover PRC intentions if they can't gather enough pieces of the intelligence puzzle.

The loss of ROC HUMINT sources in the Mainland also adversely impacts Taiwan's ability to conduct a wide spectrum of military analysis on the PLA. Human sources can provide vital intelligence on key military topics such as the development of new weapons systems, order of battle (OB) and military training and exercises. The value of human sources in this endeavor was revealed when Tsai Der-sheng, the director of Taiwan's NSB, claimed that ROC intelligence had a long-term focus on developing human sources in China to collect intelligence.²⁰⁵

6.2 Recommendations and Conclusion

As this study has shown, PRC HUMINT operations against Taiwan have evolved over the past two decades to take advantage of the growing human interaction between China and Taiwan. China now aggressively seeks to recruit spies among the Taiwanese population who live and reside in the PRC. It has also taken advantage of Taiwan's open society to conduct a wide variety of HUMINT operations on the island.

The PRC's emphasis on collecting intelligence on Taiwan's military planning has also pushed it to expand its HUMINT operations in other countries, particularly the United States. The PRC's recruitment of two U.S. DOD officials who worked on Taiwan-related issues marks a significant

²⁰⁴ For further details see: Grabo, Cynthia, *Handbook of Warning Intelligence* (Plymouth UK: Scarecrow Press, 2010)

²⁰⁵ Rich Chang, "China aims new missile types at Taiwan, NSB says" *Taipei Times*, March 17, 2011

achievement for PRC intelligence. Recruiting such high-level U.S. government spies was rare for the PRC. Additionally, the fact that these two individuals were not ethnic Chinese also shows that PRC intelligence is becoming more confident, and is expanding its targeting operations. Once again, the emphasis on collecting Taiwan related intelligence was the primary driver of this new development.

In light of the PRC's continued aggressive HUMINT operations against the ROC, it is clear that Taiwan should do more to bolster its defenses against Chinese HUMINT activity. The Ma Administration has taken a step in the right direction by including the NIA in the ROC's intelligence bureaucracy, initiating deeper background checks for security personnel and drawing attention to the need for strengthened counter-intelligence. However, there is a great deal more that the administration could do to improve Taiwan's defense, possible steps could include:

- Work to improve the morale issues at ROC security agencies and continue to draw attention to the PRC espionage threat by issuing public statements which directly, or indirectly, call attention to the PRC's activity. Strong statements on the part of ROC leadership could strengthen the sense of mission and purpose for Taiwan's security personnel. It could also foster more scholarly and public awareness of this danger. As Taiwan citizens are also targets of PRC HUMINT recruitment, it is important that the public have some level of awareness, and understanding of how important the danger is.
- Expand and deepen security training for ROC government agencies, and military installations, in sensitive areas. As this study has pointed out, physical security at ROC military installations has sometimes been insufficient. As the case of Ma Zong-fei illustrates, even a supposed PRC tourist can gain access to a computer warfare center.²⁰⁶ By initiating relatively simple security measures, these types of problems can be avoided or at least reduced.
- Expand the security background check program to include personnel who work in sensitive areas outside of the military and security bureaucracy. Security shortfalls still exist in organizations such as the Legislative Yuan. The fact that a PRC citizen could gain employment as a legislative assistant to a legislature, one who sits on the Foreign and National Defense Committee, is unimaginable. The Legislative Yuan still does not require background checks for legislative

²⁰⁶ Appendix 2, Case 2009-5

assistants.²⁰⁷ Taiwan should adopt security measures which are similar to other democracies, such as the United States, and require that all legislative assistants undergo a background investigation.

- Increase the budget for counter-intelligence and increase the number of personnel dedicated to counter-intelligence and security. The increasing number of PRC residents and visitors to Taiwan appears to be placing a strain on the security organizations.²⁰⁸ Although sensitive details of the security budget are guarded, it is likely that Taiwan is not providing adequate funding for counter-intelligence and security in general. The Ma Administration has not raised the military budget. Given its focus on economic affairs and cross-strait relations, the budget for counter-intelligence and security has likely taken a back seat to other issues.
- Ensure that all of the ROC's governmental bodies are fully participating in intelligence-related matters. Include the Mainland Affairs Council (MAC) to the ROC Intelligence Community, or at least ensure that the MAC has sufficient input into intelligence matters. Increase the Ministry of Foreign Affairs' involvement in the intelligence community.

The information and insights in this study are only a first step towards a better understanding of PRC HUMINT operations against Taiwan, and in other countries. A great deal of additional study on this issue could be undertaken, especially by Taiwanese researchers.²⁰⁹ One such area for further study is how the PRC recruits, and interacts, with Taiwanese who reside in, or frequently travel to the PRC.

During the course of this research, one Taiwanese academic revealed that several PRC think tanks had invited him on all-expense paid visits to the Mainland in return for his willingness to discuss Taiwan's political and international relations.²¹⁰ In his view, it was common for Taiwanese academics to receive this type of invitation to PRC think tanks. It appears that PRC researchers were interested in the views, and relationships between, prominent Taiwanese scholars who had friends, or had served in Taiwan's government. Although this information may not be classified, it likely provides the PRC with important insight into the workings of Taiwan's political establishment. PRC think tanks which conduct

²⁰⁷ Appendix 1, Interview 10

²⁰⁸ The 2010 incident involving an MJIB agent who deleted profiles of Mainland residents living in Taiwan suggests that the MJIB is understaffed to deal with the problem. (Chang, Rich "MJIB indicted for deleting profiles of PRC officials" *Taipei Times*, October 5, 2010)

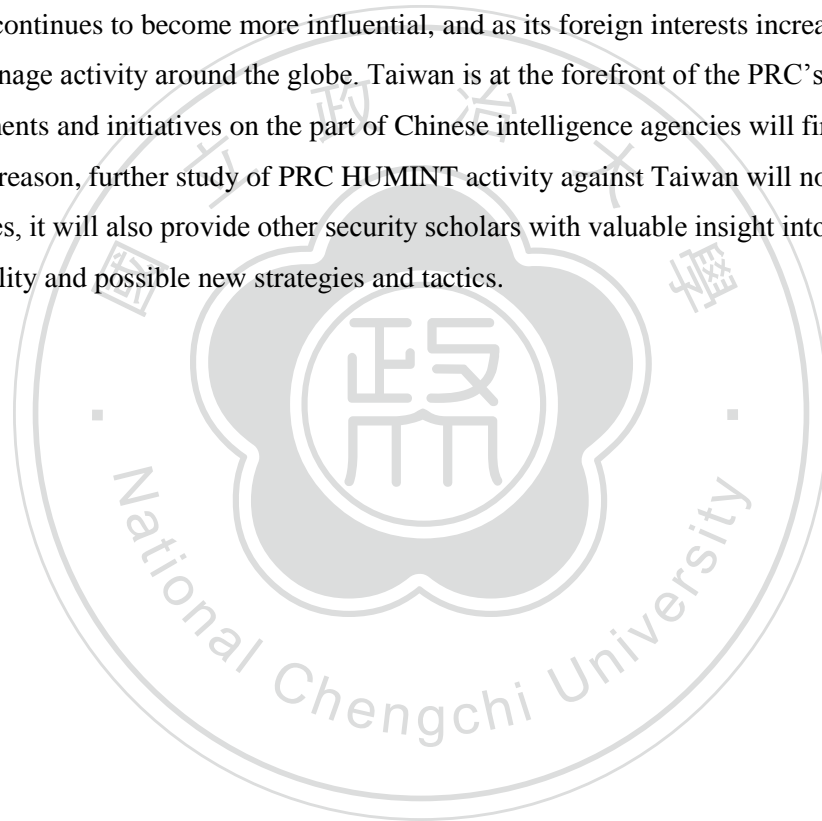
²⁰⁹ During the course of this research, the author found that some Taiwanese individuals who had experience in the PRC were simply afraid to discuss the issue. Additionally, one former ROC military officer even concluded that this research was being sponsored by U.S. government intelligence agencies.

²¹⁰ Appendix 1, Interview 8

research on Taiwan are known to have links the MSS.²¹¹ The connection between PRC think tanks and Taiwanese scholars would be one area for additional study and it would likely reveal a great deal on how the PRC collects information on Taiwan's government.

Another potential area for additional study would be to examine how the Taiwan Affairs Offices in Mainland China handle important Taiwanese. Given that the Taiwan Affairs Offices have a great deal of interaction with Taiwanese, it is likely that they play an important role in assessing Taiwanese individuals, and recruiting spies.²¹² An interview based research effort could reveal a great deal about these organizations.

As the PRC continues to become more influential, and as its foreign interests increase, it is likely to increase its espionage activity around the globe. Taiwan is at the forefront of the PRC's HUMINT targets so new developments and initiatives on the part of Chinese intelligence agencies will first appear against Taiwan. For this reason, further study of PRC HUMINT activity against Taiwan will not only increase Taiwan's defenses, it will also provide other security scholars with valuable insight into the PRC's HUMINT capability and possible new strategies and tactics.



²¹¹ *Jane's* pg. 38

²¹² In 2011, Taiwanese software engineer Lai Kun-jie was pressured by the director of the Beijing Taiwan Affairs Office to spy against Taiwan. (Appendix 2, Case 2011-2)

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Appendix 1 Interview Subjects

The following appendix contains a list of sources who were interviewed on the subject of PRC espionage against Taiwan. Unless otherwise noted, these interviews were face-to-face interviews held in Taipei, Taiwan. In some instances, subjects were interviewed on multiple occasions. Due to the sensitivity of the subject, most interview subjects asked that their name not be used. The interviews listed below represent roughly half of the total number of interviews conducted by this author. However, additional interviews are not listed because the subjects failed to provide useful information.

Name: Date of interview: Position, experience, Education:	Comments:
Interview 1 Kuo Cheng-Tian October 2008 Professor of politics, NCCU	<ul style="list-style-type: none"> - Remarked that Taiwan was a very open society and that it was hard to keep secrets in Taiwan - Described an incident from an academic conference at Jiaotong University in Mainland China. Several PRC scholars approached their Taiwanese academic counterparts and asked them to confirm details about President Ma Ying-Jeo's advisors and their meeting times.
Interview 2 Su, Hans 21 December 2009 Former researcher and assistant at ROC National Security Council and MND	<ul style="list-style-type: none"> - PRC spies very active and aggressive in general - Individuals from the PRC have been known to establish simple business near ROC military bases where they then observe activity levels and seek to befriend military personnel. - Counter-intelligence does not seem to be well respected in Taiwan's government. - Ma Administration cut MIB budget by about 50%, has reduced HUMINT collection in the PRC and is relying more on open source information
Interview 3 Huang, Jing-Yi 10 January 2010 Former engineer in Taiwan, PhD in material science	<ul style="list-style-type: none"> - PRC appears to collect information on Taiwanese scientists. - Former employees of Taiwan's Chung-Shan Institute of Science and Technology (CSIST) are often approached by PRC officials who offer them employment in China. - Some former employees at the CSIST feel as though Taiwan's government does not value them. - Some Taiwanese scientists have gone to work in Mainland China and Korea after downsizing in Taiwan.
Interview 4 (Name withheld – asked not want to be cited by name) Current ROC Naval officer, previously worked at the General Political Warfare Bureau February 2010	<ul style="list-style-type: none"> - Morale is low in many areas of the ROC military, particularly among young recruits who don't see the PRC as a big threat. - ROC military has an internal publication which warns of security threats, including espionage. However, Many officers and soldiers do not pay much attention to this publication. - In 2008, an NCO in the ROC Navy, stationed at Tso-Ying Naval base, was punished for having a relationship with a female prostitute from Mainland China. (Source said that the navy NCO may have provided the

	<p>prostitute with information on ROC navy but was not sure about the details of the case) This incident was not reported in Taiwan's news agencies.</p>
<p>Interview 5 (Name withheld – asked not want to be cited by name) Retired US Navy officer, author of several books on PRC and ROC navy E-mail correspondence on 20 June 2010</p>	<ul style="list-style-type: none"> - Remarked that there is a very strong PRC espionage threat against Taiwan's military, remarks were made based on conversations with ROC and American military officers. - Taiwan is not included in the American intelligence sharing relationship which includes NATO, as well as Japan and Australia. - There is indeed concern in the US defense establishment over PRC HUMINT operations against Taiwan.
<p>Interview 6 (Name withheld – asked not want to be cited by name) Retired US Air Force officer, currently a researcher at a US think tank focusing on Asia E-mail correspondence on 10 July 2010</p>	<ul style="list-style-type: none"> - In terms of military technology, the PRC could also obtain information about U.S. weapons used by Taiwan from other sources. China would not have to rely solely on direct espionage against Taiwan to collect information on U.S. military hardware sold to Taiwan. - Due to its status within the US export control system (roughly three tiers down, behind NATO and a second category for non-NATO allies), Taiwan would not have detailed tech data on the most sophisticated assemblies, and would not even have access to them. These would be enclosed and tamper-proofed. For repairs, sometimes entire missiles have to be shipped back to the original manufacturer in the US. There is usually no transfer of software "source" code either. MND is usually given relatively general performance data, which is sensitive but not the crown jewels. This issue of US restrictions is a sore point within MND. It's not just Taiwan - all countries in this category are treated pretty much the same with some exceptions. - I would imagine that China's priorities are Taiwan's indigenous programs within CSIST, Taiwan's defense plans, bio data on key personnel, order of battle info, what problems Taiwan may be having in terms of readiness, when/if maintenance problems arise on US procured systems, delivery dates, specs of Taiwan's requirements, what US visitors are doing in Taiwan, AIT activities, Taiwanese delegations visiting the US, and so on.
<p>Interview 7 (Name withheld – asked not want to be cited by name) Former member of the Mainland Affairs Council (MAC) 2000 – 2004, currently a professor at a national university in Taiwan 16 May 2011</p>	<ul style="list-style-type: none"> - During the Cold War and White Terror, Chiang Kai-Shek purged the ROC government of suspected spies and communists. It was more difficult for spies to operate (in Taiwan) at this time. - In general, Taiwan is not able to safeguard secrets from the PRC very well. - Loyalty to Taiwan is a big problem in the government -- Taiwan's society is split, some deep-blue individuals feel closer to Mainland China. -- Loyalty problems in Taiwan's government unlikely to go away - PRC cyber-espionage is very active, most of the important academics in Taiwan have had their e-mail compromised and monitored by the PRC. - With regard to espionage, most scholars in Taiwan are afraid of upsetting the PRC and fear that China would attempt to punish them if they criticize the PRC too strongly.
<p>Interview 8 (Name withheld – asked not</p>	<ul style="list-style-type: none"> - While serving as an ROC marine, subject had a secondary responsibility for internal security (including counter-intelligence) in his unit. In

<p>want to be cited by name) Former ROC marine, 2000 - 2002 PhD – National Taiwan University Post-doctoral fellow at NTU Interviewed on multiple occasions</p>	<p>general, security, including counter-intelligence, was not strong. - Subject has received expense-paid trips to PRC think tanks on several occasions. During these visits, PRC researchers asked questions regarding Taiwan’s domestic politics and relations with the United States. This Taiwanese scholar does not have access to confidential ROC government information.</p>
<p>Interview 9 (Name withheld – asked not want to be cited by name) Former senior official in ROC Ministry of National Defense formerly a professor in Taiwan</p>	<p>- Stated that he encountered a taxi driver in Taipei City, near the Ministry of National Defense who claimed we was from the PRC. The taxi driver stated that he was conducting surveillance in Taiwan for the PRC, incident occurred in the late 1990s.</p>
<p>Interview 10 Pan, Billy Legislative assistant to ROC Legislative Yuan member Tsai Tong-Rong (1999 to present) 8 June 2012</p>	<p>(Question: with regard to the 楊芷宜 case, how is it possible that she could have worked as an assistant in the LY? Were any changes made to LY security protocol following this incident?) - There are no background checks for legislative assistants, LY did not make any changes following this incident. - Legislators can hire whoever they wish, LY members typically have about 5 or 6 assistants, sometimes as many as 10. - Security at the LY is generally not very good. Some legislative members will make sensitive remarks to the media following defense committee meetings. (Question: Do any of Taiwan’s security organizations provide security training to LY staff or legislators?) - No security training in LY. - Many legislators have business relations with the PRC and they spend a great deal of time in Mainland China. Some legislators provide sensitive information to contacts in Mainland China in order to win business deals or improve their connections.</p>

Appendix 2 PRC Espionage Cases Against or Involving Taiwan

The following appendix provides a list of PRC HUMINT cases that were directed at, or related to Taiwan. This list was compiled using both English and Chinese media sources. Cases are listed in order of time, beginning with the most recent. PRC HUMINT activity against other countries, or other forms of PRC intelligence collection (IMINT, SIGINT, cyber-espionage etc.), are not included in this list.

2012

Case 2012-3

Date: April, 2012

Name: Zhen

Position/background: Taiwanese businessman in China

Target(s)/Objective: MIB, attempted to recruit an acquaintance who works in the MIB

Duration of activity:

Methods or access:

Motivation: Claimed that he was pressured by PRC authorities to recruit his friend to spy for the PRC. PRC authorities threatened to close his business in Fujian Province if he did not follow their demands. Also received several tens of thousands worth of NT Dollars as payment.

Connections:

Details of apprehension: Zhen's acquaintance in the MIB alerted his superiors to Zhen's actions.

Damage/potential damage: None

Source of information: United Daily News, 19 April 2012

台商遭脅變共諜 滲透軍情局被逮

聯合報／記者劉時均、張宏業／台北報導 2012.04.19

Additional notes:

Case 2012-2

Date: March

Name: 董建南 (Dong Jian-nan)

Position/background: retired Investigation Bureau, posted in the bureau's china situation division (兩岸情勢研析處)

– retired around 2008/2009

Target(s)/Objective: Taiwan's HUMINT network in PRC

Duration of activity: recruited after retirement

Methods or access: lured retired colleagues to PRC under pretext of traveling or doing business, were then detained by PRC officials

Motivation:

Connections:

Details of apprehension: ex-agent who was held in PRC reported Dong's activities to Taiwanese authorities. Dong was caught after he returned to Taiwan to collect pension.

Damage/potential damage:

Source of information: China Post, march 19, 2012 “Retired agent suspected of spying for China: media report”

Additional notes:

- China also used other ex-agents to gather information on spies in the Mainland (China Post)

Case 2012-1

Date: February

Name: Chiang (only surname provided)

Position/background: ROC Air Force Captain

Target(s)/Objective: Taiwan’s air defense systems

Duration of activity:

Methods or access:

Motivation:

Connections: Chiang’s uncle, Taiwanese businessman in Mainland China, passed information to PRC

Details of apprehension:

Damage/potential damage:

Source of information: yahoo news, 29 Feb, 2012 “Taiwan air force captain held over leaks to China”

Additional notes: Worked at an air defense center which was part of the “strong net” radar system.

2011

Case 2011-3

Date: September

Name: Wu Chang-yu

Position/background: professor at Central Police University

Target(s)/Objective: Chinese dissidents in Taiwan

Duration of activity:

Methods or access: asked a junior police officer to tap into records

Motivation: likely money

Connections:

Details of apprehension:

Damage/potential damage:

Source of information:

Additional notes:

The Liberty Times newspaper quoted unidentified sources as saying Wu asked a junior police officer and former student of his to tap into the computers of the National Police Agency last year to acquire entry and exit data related to a key Chinese dissident. The dissident was not identified.

Another newspaper, the *United Daily News*, quoted unidentified sources as saying Wu frequently visited China to lecture on fortunetelling, his other specialty. It said Chinese officials offered him lucrative fortunetelling contracts in exchange for spying on the Taiwan activities of selected Chinese. None of the alleged targets were named.

Case 2011-2

Date: 14 June, 2011

Name: Lai Kun-jie

Position/background: Taiwanese businessman in PRC, was a software engineer in Taiwan working for Motorola, was transferred to Beijing, later left Motorola to work for Lenovo

Target(s)/Objective: ROC Patriot Missile system

Duration of activity:

Methods or access:

Motivation:

Connections: Li Xu, deputy director of Taiwan Affairs Office in Beijing

Details of apprehension: MJIB had been investigating Lai for over a year before his apprehension

Damage/potential damage: No apparent damage, arrested before he could recruit willing spies in Taiwan.

Source of information: “Taiwanese spy arrested attempting to steal missile secrets” *The Epoch Times*, 25 June, 2011

No high-ranking officers involved in latest alleged spy case: MND” *The China Post*, 15 June, 2011

Additional notes: While in Beijing, *was befriended by the deputy director of the Taiwan Affairs Office*, Li Xu. Li hired Lai to return to Taiwan and obtain information related to Taiwan’s military. Lai claimed that he was forced into the spy role and that he could not have stayed in the PRC if he did not fulfill the request.

- After returning to Taiwan, Lai attempted to obtain classified information from a friend in the ROC military who worked in the air defense missile command unit. The ROC military member refused the request and notified his superiors of the issue. Lai was caught handing over a cash bribe of US\$16,000 and NT\$113,000 (US\$3,730) to Tsao, who had tipped off his superiors, in May.

Case 2011-1

Date: 8 February (detained 27 January)

Name: Lo Hsieh-che, 羅賢哲 (age 51)

Position/background: Major General, in charge of the army’s telecommunications and electronic information dept.

Target(s)/Objective:

Duration of activity: Recruited in 2004 while serving as an attache in Thailand (served in Thailand from 2002 to 2005)

- Became deputy director of the international intelligence division at the General Staff Headquarters immediately after he returned from Thailand in 2005. Two months after he

took the position at the General Staff Headquarters, the international intelligence division was reorganized into the strategic planning department at Ministry of National Defense headquarters.

- Official said Lo had access to confidential documents submitted by other defense agencies that requested opinions from the strategic planning department or Army Command Headquarters.
- Reported the loss of a code scrambler (anping-6) while posted in Thailand. MND denied that Lo sold the code scrambler to the PRC (Taipei Times, 17 July)

Methods or access: inside access

Motivation: recruited by a young (early 30s) female PRC agent who held an Australian passport and who claimed to be working in the import/export business, received up to 200,000 each time he provided information, eventually collected over 1 million.

Connections:

Details of apprehension:

Damage/potential damage: Puo-Sheng C4ISR system

Source of information:

Additional notes:

2010

Case 2010-2

Date: 2 November 2010

Name: Luo Chi-zheng 羅奇正, Luo Bing 羅斌

Position/background: ROC colonel/MIB, Taiwanese businessman in PRC

Target(s)/Objective: Provided the PRC with information on the MIB's spy network in the Mainland.

Duration of activity: 2004 - 2010

Methods or access:

Motivation: Earned between \$4,000 to 6,000 U.S. dollars for each delivery, earned more than 100,000 during entire duration of activity.

Connections:

Details of apprehension:

Damage/potential damage: Described as the worst case in 20 years, likely caused grave damage to Taiwan's HUMINT network in the PRC.

Source of information: Apple Daily, 2010, 2 November

Chang, Rich *Taipei Times*, "MIB officer held as China double agent" *Taipei Times*, November 3, 2010

Additional notes: Colonel Luo Chi-zheng had been using Luo Bing to collect information in China under an MIB sponsored intelligence program. Luo Bing was caught by PRC authorities in 2004 and alleged that he was interrogated and tortured by PRC security authorities for fifteen

days. The PRC persuaded Luo Bing to recruit Colonel Luo to spy for PRC.
- Lo was reportedly involved in maintaining the MIB's spy network in the PRC

Case 2010-1

Date: 11 March, 2010

Name: Zhang De-ren, Liu Zheng-ping, Zhuang Yen-chuan

Position/background: retired army Lt.Col, Taiwanese businessman in PRC, Liu: antique dealer who had been working in PRC for 7 or 8 years, Zhuang: acquaintance of Zhang

Target(s)/Objective: ROC military secrets

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: Lian He Bao (United Daily) March 11, 2010

Additional notes:

Zhang De-ren skipped bail and escaped to China, Liu had been doing business in China for 7 or 8 years. A search of Zhuang's house revealed a large number of military documents and over 100 computer disks with information on: Han Guang military exercises, joint warfare exercises, military equipment and communication codes.

2009

Case 2009-5

Date: May, 2009

Name: Ma Zhong-Fei

Position/background: Mainland Chinese tourist

Target(s)/Objective: Likely targeting computer warfare command center at the armed forces recruitment center in Taipei

Duration of activity: one time, 25 May, 2009

Methods or access: entered the facility to take pictures in public area, entered the computer warfare center through a back door.

Motivation:

Connections:

Details of apprehension: Detained by officials shortly after he entered the restricted area.

Damage/potential damage: Was likely able to observe the size of the computer warfare center and the general sophistication of the equipment in the facility, could gain an idea of how many personnel worked in the facility, Ma's access to the facility could also help refine PLA targeting data.

Source of information: *Taipei Times*, "Prosecutors retrace steps of suspected Chinese spy" 27 May, 2009

Additional notes: Ma was part of a PRC tour group that was visiting Taiwan. He detoured from his scheduled itinerary to pay his respects to a deceased Taiwanese friend in Xindian and stopped at the Armed Forces Recruitment Center along the way. After taking pictures in a public area of the recruitment center, Ma entered a computer warfare center (restricted area) through a back

door. He began taking pictures but was soon apprehended by security personnel at the facility. Ma Zhong-Fei is the chairman of a technology company in China.

Case 2009-4

Date: 2009, February

Name: 4 x ROC Ministry of Justice officials (names withheld)

Position/background: Ministry of Justice officials

Target(s)/Objective:

Duration of activity: one time incident

Methods or access: PRC agents attempted to blackmail the four individuals for information after they were secretly filmed in several hostess lounges engaging in compromising behavior

Motivation:

Connections: 3 or 4 other ministry members may have been targeted

Details of apprehension:

Damage/potential damage: no apparent damage, incident was reported to ROC security authorities

Source of information: *Taipei Times* "Officials warned of China perils" 12 February, 2009

Additional notes:

Case 2009-3

Date: January, 2009

Name: Wang Ren-Bing 王仁炳

Position/background: Senior specialist at the Presidential Office, ROC

Target(s)/Objective: Ma Administration power transfer committee

Duration of activity:

Methods or access: Used inside access to obtain information

Motivation:

Connections: Chen Pin-Jen(陳品仁)

Details of apprehension:

Damage/potential damage: Compromised information relating to the Ma Administration power transfer committee

Source of information: *Taipei Times* "Two detained in espionage case" 16 January, 2009

Additional notes: Wang Ren-Bing photocopied documents relating to the Ma Administration's power transfer committee. He then passed the documents to a friend, Chen Pin-Jen, who then e-mailed them to Tang Gang (member of PRC Ministry of National Security). Wang had worked at the Presidential Office since 2001 and Chen was a former assistant to KMT lawmaker Liao Kuo-Teng and PFP party official, Lin Chun-De.

The ruling said Wang copied confidential documents from 2004 to 2008 when he worked under then-Presidential Office deputy secretaries-general Chen Che-nan (陳哲男), Cho Jung-tai (卓榮泰) and Lin Chia-lung (林佳龍), when then-Democratic Progressive Party president Chen Shui-bian (陳水扁) was in power.

Wang and Chen Pin-jen handed over seven confidential documents, including notes from a meeting between Chen Shui-bian and a US official, the ruling said.

Chen Pin-jen also collected information on Taiwan's UN bids, lists of Taiwanese athletes at the 2008 Beijing Olympic Games and information on Taiwanese legislators visiting China, the ruling added.

Sentenced to two years in prison in 2012. (Rich Chang, "Former top officials jailed for espionage" *Taipei Times*, July 29, 2012)

Case 2009-2

Date: 2009

Name: Lee Lan (b. 1965), naturalized U.S. citizen from PRC and Ge Yue-Fei (b. 1973), PRC citizen

Position/background: Computer engineers in the U.S.

Target(s)/Objective: Semiconductor technology

Duration of activity:

Methods or access: Had inside access to Taiwan Semiconductor and Netlogic **Microsystems**

Motivation:

Connections:

Details of apprehension: Individuals were apprehended by the FBI in response to a tip from Ge's wife.

Damage/potential damage:

Source of information: CI Centre, <http://www.cicentre.com/>, accessed on 16 Sept, 2009

"San Jose jury hears conflicting stories in opening of Lee and Ge espionage trial" *San Jose Mercury*, 22 October, 2009 accessed on April 21, 2010

<http://www.istockanalyst.com/article/viewiStockNews/articleid/3571720>)

Additional notes: Charged with stealing technical information on computer chips from Netlogic and Taiwan Semiconductor, planned to provide their information to the PRC's 863 Program. The 863 Program is a PRC government initiative which is designed to encourage technology development in China. The PLA and the General Equipment Department (GED) is a major user of this program.

Case 2009-1

Date: 2009

Name: James Fondren, 62

Position/background: U.S., Department of Defense official, deputy director of the Washington liaison office for U.S. Pacific Command, held a top-secret security clearance

Target(s)/Objective: US-Taiwan military relations

Duration of activity: March, 1999 to February 2008

Methods or access: Inside access

Motivation: money

Connections: Kuo Tai-Shan – Kuo is a naturalized U.S. citizen, originally from Taiwan, ROC. Kuo paid Fondren for sensitive information and passed this information to the PRC. Kuo Tai-Shan also handled the espionage activity of another US DOD official, Greg Bergersen.

Details of apprehension:

Damage/potential damage: Likely enabled PRC to gain a better understanding on the details and depth of US – Taiwan military relations.

Source of information: "DOD official James Fondren indicted for giving secrets to China" *USA Today (AP)*, June 11, 2009 Accessed on June 12, 2009

Washington Post “Defense official charged with giving classified data to China” 14 May, 2009
Additional notes: Fondren wrote “opinion papers” for Kuo Tai-Shan which included classified details on the US – Taiwan military relationship. Kuo deceived Fondren by claiming that he represented individuals in Taiwan’s defense community. In fact, Kuo was running a false flag operation as the information was actually provided to the PRC.

2008

Case 2008-3

Date: 2008

Name: Gregg William Bergersen (b. 1957)

Position/background: U.S. DOD official in the Defense Security Cooperation Agency, held a Top Secret security clearance

Target(s)/Objective: US weapon sales to Taiwan, including Taiwan’s “Po-Sheng” C4ISR system

Duration of activity: January 2006 to February 2008

Methods or access: inside access

Motivation: money

Connections: Kuo Tai-Shan

Details of apprehension:

Damage/potential damage: Compromised information relating to current and future US weapon sales to Taiwan, also revealed information about U.S. – Taiwan communication security.

Source of information: U.S. Department of Justice “Defense Department Official and two others arrested on espionage” www.USDOJ.gov Accessed on October 7, 2010

Additional notes: Provided classified information regarding US weapon sales to Taiwan to Kuo Tai-Shan who was working for the PRC.

Case 2008-2

Date: 2008

Name: Kuo Tai-Shan (b. 1950)

Position/background: Naturalized US citizen from Taiwan, ROC

Target(s)/Objective: Information regarding US weapon sales and military cooperation with Taiwan

Duration of activity: January 2006 to February 2008

Methods or access: befriended US DOD personnel, claimed he was helping friends and officials in Taiwan’s military

Motivation:

Connections: Kang Yu-Xin – female employee from PRC who assisted Kuo in his espionage activities.

Details of apprehension:

Damage/potential damage:

Source of information: “US v Tai Shen Kuo, Gregg W. Bergersen and Yu Xin Kang” AFFIDAVIT, 6 February, 2008, case no 1:08 Mj 98

Additional notes: Immigrated to the United States and opened an import-export furniture business, also maintained an office in Beijing. Kuo befriended officials in the US DOD in order to obtain classified information on US arms sales to Taiwan. He also took steps to establish two companies in an effort to obtain sub-contracts for items to be sold to Taiwan for the Po-Sheng

C4ISR system.

Case 2008-1

Date: June, 2008

Name: Wang Hui-Hsien (王惠賢)

Position/background: former ROC Air Force colonel, Military Intelligence Bureau

Target(s)/Objective: Identities of Taiwan's MIB agents operating in Mainland China

Duration of activity:

Methods or access: inside access, also attempted to recruit former associates in MIB

Motivation:

Connections:

Details of apprehension:

Damage/potential damage: Provided the identities of an unknown number of ROC MIB agents operating in Mainland China. These agents would have faced certain arrests and possible execution.

Source of information: Minnick, Wendell "Taiwan arrests analyst on espionage charges" *Defense News*, June 20, 2008, Accessed on September 20, 2010

Additional notes: Wang retired from the MIB in 2002 and later worked as a businessman in the PRC. He was recruited by PRC intelligence officials while in Shanghai and attempted to recruit other MIB agents to spy for the PRC. Wang confessed to the charges and *identified two other ROC MIB agents who were working for the PRC.*

2007

Case 2007-2

Date: 2007

Name: Lin Yu-Nung ((林羽農)

Position/background: ROC, MJIB, Dept. of Economic Crime Prevention

Target(s)/Objective: information presumably related to ROC economic security

Duration of activity: 2005 to 2007

Methods or access: inside access

Motivation: money

Connections: Chen Chih-Gao, served as information courier for Lin

Details of apprehension: colleagues at MJIB noted suspicious behavior

Damage/potential damage:

Source of information: "Two MJIB agents indicted for spying for PRC" *Taipei Times*, November 21, 2007

Additional notes:

Case 2007-1

Date: 2007, November

Name: Chen Chih-Gao (陳志高)

Position/background: former MJIB agent

Target(s)/Objective:

Duration of activity: 2005 to 2007

Methods or access:

Motivation: money – owned a travel magazine company in Shanghai which was having financial problems

Connections: served as information courier for Lin Yu-Nung ((林羽農)

Details of apprehension:

Damage/potential damage:

Source of information: “Two MJIB agents indicted for spying for PRC” *Taipei Times*, November 21, 2007

Additional notes:

2006

Case 2006-1

* This is not a case of PRC espionage against Taiwan. However, it is noteworthy because it is a case of the PRC using a Taiwanese to conduct espionage in the United States.

Date: 2006, February

Name: Moo Ko-suen

Position/background: businessman, originally from Taiwan

Target(s)/Objective: Wanted to transfer U.S. weapons to PRC

Duration of activity:

Methods or access:

Motivation:

Connections: partner was a Frenchman

Details of apprehension:

Damage/potential damage:

Source of information: “U.S. charges pair as China spies” *CNN*, 10 Feb, 2006, Accessed on September 15, 2010

Additional notes:

2005

Case 2005-1

Date: 2005, November

Name: Chuang Po-Hsin

Position/background: ROC army officer, major, electronic surveillance officer

Target(s)/Objective: ROC military’s knowledge of the PLA

Duration of activity:

Methods or access: inside access

Motivation:

Connections: *one of 17 officers and civilians arrested*

Details of apprehension:

Damage/potential damage: The fact that Chuang was sentenced to life in prison underlies the seriousness of this case. Compromising ROC intelligence on the PLA would likely have catastrophic consequences for Taiwan’s intelligence ability. PLA analysts would be able to better determine the capabilities and limitations of ROC intelligence. Additionally, the PLA could modify or change their tactics to better protect their own assets from being collected against.

Source of information: “Taiwan officer jailed for spying for China” *UPI*, November 10, 2005
Additional notes: was sentenced to life in prison

2004

Case 2004-2

Date: 2004, September

Name: Liao Hsien-Ping (廖憲平) (b. 1944)

Position/background: retired MIB agent

Target(s)/Objective: Falun Gong members in Taiwan

Duration of activity: 2000 to 2004

Methods or access:

Motivation: was recruited by PRC intelligence after being bailed out of a Philippine prison by the PRC.

Connections: Former colleagues: retired ROC colonel Zhang Tzu-Xin (張祖馨) and Sung Wan-Ling (宋婉玲) (employee at national police agency immigration office). Zhang and Sung admitted to helping Liao collect information.

Details of apprehension:

Damage/potential damage: PRC identified Taiwanese Falun Gong members and barred their entry to Hong Kong in 2003

Source of information: “Ex-spy under arrest for helping Beijing monitor Falun Gong members” *Taipei Times*, September 16, 2004

Additional notes: Liao was a former ROC agent stationed in the Philippines who was convicted of fraud in 1995. He served two years in a Philippine jail and was bailed out by PRC security agents. Liao received training in either/both Hong Kong and/or Fujian. He moved back to Taiwan in 2000 and worked as a cab driver as a cover for his activities. Liao maintained contact with PRC authorities by traveling to Hong Kong or Macau every 2 or 3 months. The PRC paid Liao NT 1.7 million over four years for his work.

Case 2004-1

Date: 2004, January

Name: Yang Zhi-Yi (楊芷宜)

Position/background:

Target(s)/Objective: Likely targeting defense budget details and information on ROC Navy

Duration of activity: 2002 to 2004

Methods or access: assistant in the LY for Lin Nan-sheng, also developed relationships with 3 ROC military officers: Wan Shang-chun, Ku Chun-chu and Ran Chi-chang

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: “Two China-born women accused of spying in Taiwan” *The Straits Times*, 31 January, 2004

“Navy officers under investigation in Espionage case” *The China Post*, 31 January 2004

謝忠良 “美女涉色誘高官蒐軍機” *蘋果日報*, 台北報導 2004-01-30, accessed on May 7, 2012

Additional notes: Yang immigrated to Taiwan from the PRC after marrying a Taiwanese. She worked as an assistant to Taiwanese legislator Lin Nan-Sheng from 2002 to 2003. During her time as an assistant to Nan, Yang had access to some information on Taiwan's military. She made three written requests to the navy for unspecified information. Two of these requests were granted and one was turned down by the navy due to its highly confidential nature. Yang also attempted to arrange a visit to a Navy base near Kaoshiung for Nan's supporters. The navy denied this request because the day requested was a weekday. Yang also established personal connections with ROC military officers. Reportedly, Yang and navy officer Ku Chun-chu had an affair. Ku denies this but it was also reported that Ku had brought her to Hawaii on vacation.

2003

Case 2003-2

Date: 2003, November

Name: Huang Chen-An (黃正安)

Position/background: Scientist and researcher at the Chung Shan Institute of Science and Technology. Huang worked on R&D for all missile and radar programs, cruise missile programs, anti-radiation missile and short range ballistic missile projects.

Target(s)/Objective: same as above

Duration of activity:

Methods or access:

Motivation: recruited by his wife, Lin Wei

Connections: Lin Wei, wife

Details of apprehension:

Damage/potential damage:

Source of information: "Two China-born women accused of spying in Taiwan" *The Straits Times*, January 31, 2004

Additional notes: Huang was recruited by his wife, Lin Wei. Lin, originally from Mainland China, married a Taiwanese businessman in 1995 and later moved with him to Taiwan. She soon divorced her husband and later married Huang. Lin bought classified information via her husband. She was implicated by Huang after his arrest.

Case 2003-1

Date: 2003

Name: Chen Shir-Liang

Position/background: senior researcher at Chong Shan Institute of Science & Technology

Target(s)/Objective: information relating to Taiwan's military and the P-3C

Duration of activity: began at least as early as 1999, probably earlier, investigators began tailing Chen and his accomplices in 1999

Methods or access: inside information

Motivation: money

Connections: Yeh Yu-Chen and Hsu She-Che

- Yeh was the owner of a high technology company (Ai-Yin-His) in Taoyan. He had a close

relationship with PRC authorities and he was married to a Mainland Chinese woman. He and Hsu would fly together to Mainland China and pass classified information to PRC authorities, was Chen's courier

- Hsu was a naturalized U.S. citizen from Taiwan, he lived in Seattle and had retired from Boeing. Hsu often flew to Taiwan to meet Yeh and the pair would then proceed to fly to China to deliver classified information.

Details of apprehension: agents found a suspicious deposit of U.S. \$40,000 in Chen's account

Damage/potential damage: seriously compromised information to Taiwan's electronic warfare capability, details about the P-3C anti-submarine aircraft

Source of information: "Investigators credit tip for spy charge" *Taipei Times*, August 7, 2003

Additional notes:

2002

Case 2002-4

Date: 2002, September

Name: Liu Chen-Kuo

Position/background: former ROC air force captain

Target(s)/Objective:

Duration of activity:

Methods or access: convinced his son, a radio operator in the ROC navy, to spy for China

Motivation: spied for China in exchange for being released from prison

Connections: son, Liu Yueh-Long

Details of apprehension:

Damage/potential damage:

Source of information: "Taiwanese charged as Chinese spies" *BBC News*, 26 September 26, 2002

Additional notes: Liu was originally arrested by the PRC for smuggling in 1988. He spent one year in prison where he was recruited by PRC intelligence to spy on Taiwan in exchange for being released. Chinese agents asked him to convince his son to spy for China. Liu passed ROC secrets to China by internet and by traveling to China directly.

Case 2002-3

Date: 2002

Name: Liu Yeh-Long

Position/background: ROC Navy, radio decoder

Target(s)/Objective:

Duration of activity: 1997 to 2002

Methods or access: inside access

Motivation: convinced to spy by his father

Connections: father, Liu Chen-Kuo

Details of apprehension:

Damage/potential damage: Provided the PRC with extremely sensitive communication codes which could have enabled China to exploit Taiwan's naval and military communications. The ROC navy ordered a complete change of codes after discovering the compromise. Liu also provided the PRC with photos of Taiwan's naval ports and vessels as well as information about

naval operating systems.

Source of information: “Taiwanese charged as Chinese spies” *BBC News*, 26 September 26, 2002, Accessed on December 21, 2009

Additional notes: Was spared the death sentence but received life in prison.

Case 2002-2

Date: 2002, October

Name: Wang Yi-Hung

Position/background: ROC Army captain, political warfare officer at HAWK company (HAWK is a U.S. made surface to air missile system which is commonly used for air defense by Taiwan’s military)

Target(s)/Objective:

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage: MND considered modifying Taiwan’s missile and radar networks. They also shuffled senior level political warfare officers in response to the case

Source of information: “Petty officer gets life sentence” *Taipei Times*, December 18, 2002

Additional notes: Wang defected to Mainland China with his family by first flying to Bangkok, Thailand. He later flew from Bangkok to Beijing. Wang may have had financial problems which factored in with his defection. (both the PRC and the ROC have historically offered large sums of money to military defectors from either side of the strait)

Case 2002-1

Date: 2002, June

Name: Chen (first name not provided) (age 41)

Position/background: Engineer living in Hsinchu

Target(s)/Objective: Hsinchu Air Base

Duration of activity: 1998 to 2002

Methods or access: surveillance of Hsinchu Air Base

Motivation:

Connections:

Details of apprehension: reported by a citizen living near the base

Damage/potential damage: Flying hours and pilot proficiency of Taiwan’s Mirage 2005 pilots could be ascertained based on Chen’s observations

Source of information: “Engineer arrested for photographing military jets” *China Post*, June 8, 2002

Additional notes: Chen was a naturalized ROC resident who was originally from Hong Kong, we worked as an engineer in Hsinchu. Chen surreptitiously observed operations at Hsinchu Air Base from 1998, until his apprehension in 2002. He had over 700 photographs of aircraft from Hsinchu Air Base and he compiled nine notebooks worth of information which detailed the schedules of aircraft which departed and returned to the base.

2001

Case 2001-3

Date: 2001

Name: Pan Hsi-hhsien

Position/background: major general, former Chief of Personnel Department - NSB

Target(s)/Objective:

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: “Mainland intelligence junkets present major security breach” *China Post*, December 25, 2001

Hsu, Brian “Ting will stay despite NSB upheaval” *Taipei Times*, July 24, 2000

Additional notes:

- Went to China several days after retirement, NSB co-workers knew of his plans and held farewell party for him, Pan’s subordinates concealed Pan’s plans from Ting
- While a colonel, Pan was already involved in Taiwan's intelligence operations in China, responsible for training agents to operate across the Taiwan Strait

Case 2001-2

Date: 2001

Name: Liu Guan-Chun (劉冠軍)

Position/background: ROC National Security Bureau, Chief Cashier

Target(s)/Objective:

Duration of activity:

Methods or access: inside access

Motivation:

Connections:

Details of apprehension:

Damage/potential damage: Could have provided the PRC with details of Taiwan’s intelligence budget as well as a wide variety of issues about the NSB

- Stole NT 180 million from a secret government fund over a 12 year period

Source of information: “Island Watchdog Urges Closing of Security Gaps” *China Post*, January 8, 2001

“Prosecutors charge to former NSB financial officials” *Taipei Times*, November 18, 2003

Additional notes: Liu escaped to Mainland China through CKS International airport using special ID and passport issued by the NSB.

- Smuggled secret documents out of Taiwan (*Taiwan News*, “State secrets act approved” January 15, 2003, Staff reporter/Dennis Engbarth)
- According to the Bureau of Investigation, he left Taiwan in September 2000 and went to

Shanghai. He surfaced in Bangkok in January last year and from there went to North America. Sources said that he is now in Canada.

Reportedly meet with MSS agents in the PRC. (王焯華 “劉冠軍遭中國控制” 蘋果日報, 2004年 04月 26日)

Case 2001-1

Date: 2001

Name: Yeh Ping-Nan

Position/background: former head of MIB in Hong Kong

Target(s)/Objective:

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage: Likely compromised the identities and missions of Taiwan's senior MIB agents in the Mainland. These officers would have faced certain incarceration or execution.

Source of information: “Identity Crisis Threatens Security” *Taipei Times*, December 27, 2001
China Post, 8 January, 2001

Additional notes: Yeh had been administering operations of senior MIB intelligence officers operating in Mainland China. He defected to China.

2000

Case 2000-1

Date: 2000, February

Name: 8 x Janitorial workers from Mainland China, names of two individuals: Pi Pei-Shui and Chao Huei

Position/background: worked for a cleaning company in Taiwan

Target(s)/Objective:

Duration of activity:

Methods or access: attempted to steal information while providing cleaning services to various government offices

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: “Eight Janitors Deported on Spy Charges” *Taiwan News*, February 22,

2000

Additional notes: The eight individuals entered Taiwan for the stated purpose of visiting relatives, they were illegally working for a local cleaning company. Pi Pei-Shui and Chao Huei were charged with stealing information from the Investigation Bureau's archives. Some of the janitors also worked in Hsinchu's science park.

1999

Case 1999-2

Date: 1999, July

Name: Luo Chih-Hao

Position/background: ROC government, secretary to Transportation Minister (Tsay Jaw-Yang)

Target(s)/Objective: Taiwan's transportation infrastructure

Duration of activity:

Methods or access: inside information

Motivation:

Connections:

Details of apprehension:

Damage/potential damage: provided airport blueprints of CKS airport to the PRC

Source of information: "Former close aid to transport chief accused of spying" *Taiwan News*, July 28, 1999

Taipei Times, 28 August, 1999

Additional notes: Luo traveled frequently to the Mainland and provided the PRC with blueprints to Taiwan's CKS international airport. He also handed over details of air link negotiations between Taiwan and Thailand to a China Times reporter.

Case 1999-1

Date: March, 1999

Name: unidentified MIB agent, one Hong Kong man, surname Lee

Position/background: ROC military/MIB

Target(s)/Objective: Provided PRC with information relating to Taiwan's military

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: "Military agents held in alleged espionage case" *China Post*, March 4, 1999

Additional notes: Lee served as a courier for the MIB agent.

- According to a report by Jane's, Two Taiwanese agents in Hong Kong were discovered to have been working for Mainland. This resulted in the disappearance of Taiwan's entire network. (China's Intelligence and Internal Security Forces: Jane's Special Report, 1999)

1997

Case 1997-4

Date: 17 Oct, 1997

Name: Huang (only surname provided)

Position/background: ROC soldier stationed on Matsu

Target(s)/Objective: location of ROC military facilities and units stationed on Matsu

Duration of activity: one time

Methods or access: inside access

Motivation:

Connections: had an unnamed accomplice

Details of apprehension: girlfriend handed the map over to ROC authorities

Damage/potential damage: Was caught before he could hand the map over to the PRC, no information given on previous activity

Source of information: "Soldier arrested for spying" *China News*, October 17, 1997

Additional notes: Huang asked his girlfriend to pass the map to an unnamed accomplice. Instead, his girlfriend turned the map over to authorities. The map detailed the locations of military facilities and troop locations on Matsu. Military sources said the map was a top military secret.

Case 1997-3

Date: 2 Nov, 1997

Name: Chiu Sheng-Kuo

Position/background: unknown, was a suspected car thief

Target(s)/Objective: ROC naval and marine operations, defense and logistic plans for Taiwan and Penghu from 1994/95 time period, information was classified secret.

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension: Police found information while searching the suspects personal computer in relation to an investigation surround car theft.

Damage/potential damage:

Source of information: "Car thief arrested with military secrets" *China News*, November 2, 1997

Additional notes: It is unclear what Chiu's exact role in the case was, he could have been a courier for another spy.

Case 1997-3

Date: 1997

Name: Ho Po-Ching

Position/background: former employee of Taiwan's state owned telecommunications company

Target(s)/Objective: sensitive telecommunications equipment

Duration of activity: 1995 to 1997

Methods or access:

Motivation: possibly disgruntled with Taiwan's society, pro-China

Connections: wife, Chung Shu-Lan

Chung stole a military training manual from her employer (unidentified but presumably associated with Taiwan's military or defense establishment) and sent it to China.

Details of apprehension:

Damage/potential damage:

Source of information: "Accused spies for Mainland charged" *China Post*, 20 May, 1997

Additional notes: Ho was a former employee of Taiwan's state owned telecommunications company and worked Gaoxiung City. He took photos of sensitive communications facilities and equipment and provided the information to Mainland China.

Case 1997-2

Date: 1997, June

Name: Hsu Wen-li, Li Chien-hsin and Liu Chun-liang

Position/background: former executives at Kao Chi Company in Hsinchu Science Park, Kao Chi company specialized in computer chip technology

Target(s)/Objective: trade secrets – high-tech electroplating technology for computer chips

Duration of activity: 1995 to 1997

Methods or access: inside access (employees)

Motivation: likely financial gain

Connections: Kang Chiang Company in Ningbo, PRC

Details of apprehension: Kao Chi Company reported suspicious technology leaks to MJIB who then conducted an investigation into the matter

Damage/potential damage:

Source of information: "Three men convicted of industrial espionage" *China News*, June 23, 1997

Additional notes: Hsu was sent to prison for two years, Li for 16 months and Liu received one year.

- Hsu had been hired by Kang Chiang as a deputy manager in 1992 while he was still serving as a director of High-tech Taiwan's electroplating technology department.
- The Kang Chiang Company in Ningbo was an off-shot of a state run company also located in Ningbo. It's unclear whether this is a simple case of corporate espionage or if the technical requirements were part of the PRC's strategic developments programs which often task state run companies, and the engineers who work there, with acquiring necessary technology. The PRC has been known to purchase technology to support these programs but espionage is also common.

Case 1997-1

Date: 1997, April

Name: Wu Tao-Ming (age 57) and Zhang Lu-Chung (age 61)

Position/background: both KMT intelligence officials

Target(s)/Objective: identity of ROC intelligence agents operating in Hong Kong and Macau

Duration of activity:

Methods or access: inside knowledge

Motivation:

Connections:

Details of apprehension:

Damage/potential damage: Likely compromised much of the ROC's covert HUMINT

capability in Hong Kong and Macau

Source of information: “Two agents indicted as PRC spies” *China Post*, April 26, 1997

Additional notes: Wu retired from the KMT’s Mainland Affairs Department in 1991 and continued working in Macau in the KMT’s Overseas Affairs Department. He cooperated with Zhang to hand over the identity of ROC intelligence agents working in Hong Kong and Macau.

1996

Case 1996-2

Date: 1996, October

Name: Zhang Ming-Ho

Position/background: Taiwanese businessman working in PRC

Target(s)/Objective: ROC defense and foreign affairs budget proposals

Duration of activity:

Methods or access: attempted to obtain classified budget proposal from a friend who worked for the government

Motivation: money

Connections:

Details of apprehension: Zhang turned himself in to ROC authorities after it became clear to him that PRC agents were using him to spy against Taiwan

Damage/potential damage: little or no real damage

Source of information: “Businessman a spy for PRC, Authorities say” *The China Post*, October 17, 1996

Additional notes: PRC intelligence agents posing as ordinary government officials provided Zhang with help and favors to win his initial trust. They then asked him to provide unclassified information (publicly available) about Taiwan’s political system. Eventually, PRC agents asked Zhang to acquire ROC defense and foreign affairs budget proposals from a friend in Taiwan. Zhang turned himself in to ROC authorities after he realized the seriousness of his activities. He also remarked that he thinks many of his peers are involved in similar activity.

Case 1996-1

Date: October, 1996

Name: unknown PRC agent, possibly several individuals from Mainland China

Position/background:

Target(s)/Objective: ROC military

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: “PRC spy ring tracked, report says” *The China Post*, 28 October 1996

Additional notes: Counter-intelligence investigators discovered that air force personnel stationed at the Air Force Warfare Command’s Taipei headquarters had been making frequent contact with a Mainland Chinese man. The man, who was unidentified, was in Taiwan visiting

relatives and had applied for permanent residency. Investigators also discovered unusual banking transactions traced to one person working in a unit of the facility. Over US \$100,000 had come in to the account from an unknown origin. It was believed that personnel at the facility had been providing information to Mainland China via an unknown number of deep undercover agents. Further details were unavailable because the investigation was still ongoing.

1991

Case 1991-1

Date: October, 1991

Name: Zhou Chao-long (age: 26)

Position/background:

Target(s)/Objective:

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage: No apparent damage

Source of information: “Communist member sentenced to 18 months” *China Post*, 31 October 1991

Additional notes: Zhou arrived in Taiwan in January from the Dominican Republic using a forged ROC passport and a false name. He admitted that he was sent by the Chinese government to set up organizations in Taiwan to subvert the government. Zhou underwent a one month long training program for espionage in the PRC.

1989

Case 1989-1

Date: 11 February 1989

Name: Lin Hsien-shun

Position/background: Lt. Col ROCAF, age 36

Target(s)/Objective:

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: China Post – 12,13,14,16 and 25 February

Additional notes: Lin defected to the PRC on 11 February 1989 by flying his F-5E from Taidong AB to an area of Guandong China.

- An unnamed source said that Lin took several documents with him which would adversely affect the combat capability of the ROC (13 Feb)
- Lin denied that he had carried documents to the PRC (however, Lin also denied that he was

- defecting to the PRC and he claimed that he was just going to see his uncle).
- Lin may likely have had access and/or taken documents related to Taiwan's aggressor squadron training
 - Military authorities concerned that Lin would reveal "Chia Shan Plan" (defensive plan for eastern Taiwan).
 - Lin had a gambling debt of 3 million NT, also had family problems

1988

Case 1988-1

Date: 1988

Name: Liu Kuang-Shen

Position/background: professional PRC intelligence officer

Target(s)/Objective:

Duration of activity:

Methods or access: established a trading company as cover for activities

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: Eftimiades, Nicholas *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998)

Additional notes: Liu first attempted to enter Taiwan in 1986 using a false Thai passport but failed. He successfully entered Taiwan in 1987 using a falsified Singaporean passport and established an overseas trading company.

1987

Case 1987-2

Date: 1987, December

Name: Chi Shang-yao

Position/background: Taiwanese businessman

Target(s)/Objective: wanted to illegally export US weapons to China

Duration of activity:

Methods or access:

Motivation:

Connections: worked with Fan Lian-feng, a PRC diplomat to the United Nations

Details of apprehension:

Damage/potential damage:

Source of information: Eftimiades, Nicholas *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998)

Additional notes: * This incident is not a case of PRC espionage against Taiwan. It is a case of PRC espionage against the United States where the agent was from Taiwan, not from the PRC.

This case is noteworthy because the PRC was able to use a Taiwanese to conduct espionage operations in the US. This is important because it foreshadows later incidents where the PRC used Taiwanese to conduct false flag operations in the US in 2008 and 2009 (Bergersen and Fondren cases).

Case 1987-1

Date: 1987

Name: Li Tung

Position/background: professional PRC intelligence officer

Target(s)/Objective:

Duration of activity: 1986 to 1987

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: Nicholas Eftimiades, *Chinese Intelligence Operations*, (Arlington: Newcomb Publishers, 1998)

Additional notes: Li entered Taiwan in 1986 using a false Singaporean passport. He established a trading company and was engaged in united front activities. Li's Singaporean passport was a falsified document, not an altered original.

1986

Case 1986-1

Date: 1986

Name: unidentified

Position/background: PRC intelligence officer

Target(s)/Objective:

Duration of activity:

Methods or access:

Motivation:

Connections:

Details of apprehension:

Damage/potential damage:

Source of information: "Ex-FBI translator sentenced for passing secrets to Taiwan" *Houston Chronicle* 22 January, 1992

"Espionage and other compromises of National security 1975-2008" *Defense personnel security research center (PERSEREC)* August 11, 2009

Additional notes: Douglas Tsuo provided the ROC government with information on a PRC agent in Taiwan. Tsuo was born in Shanghai and emigrated to Taiwan in 1949. He later moved to the U.S. and became a naturalized citizen. Tsou wrote a letter to an ROC office in the U.S. which exposed the PRC agent in 1986.

