



Ohio Homeland Security

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(U) Strategic Analysis & Information Center

(U//FOUO)

(U//FOUO) Scope. The Chinese government conducts economic espionage in the United States against private companies and educational institutions. It is likely China uses mechanisms such as the Thousand Talents Program, Confucius Institutes and other similar programs to target corporate, academic and research institutions in Ohio to gain access to intellectual property and research.

(U//FOUO) Key Judgments

- (U//FOUO) It is likely that companies and corporations in Ohio will continue to be the target of sophisticated Chinese economic espionage operations.
- (U//FOUO) It is likely that academic and research institutions in Ohio will continue to be targets of the Chinese government's attempts to steal research and intellectual property.

(U) Substantiation

(U//FOUO) It is likely that companies and corporations in Ohio will continue to be the target of sophisticated Chinese economic espionage operations. China poses an economic threat to the United States and Ohio. Ohio is the home to military installations, corporations and research universities in the fields of medicine, technology and medical research. These entities are prime targets for economic espionage. There have been several instances of Ohio businesses and academic entities as targets of Chinese economic espionage.

(U//FOUO) In 2018, Yanjun Xu was charged with conspiring and attempting to commit economic espionage and steal trade secrets from multiple U.S. aviation and aerospace companies by the U.S. Attorney for the Southern District of Ohio.¹ Yanjun Xu was deputy director of the Jiangsu Province Ministry of State Security in China.² One of the companies allegedly targeted was GE Aviation.^(USBUS) GE Aviation^(USBUS) is one of many aerospace companies in Ohio with Wright Patterson Air Force Base also located in Dayton, Ohio. In a separate but related case, Ji Chaoqun was arrested under suspicion of being a spy on behalf of China.³ It was alleged that Yanjun Xu recruited Ji Chaoqun, a college student at Illinois Institute of Technology.⁴ Mr. Chaoqun was instructed to gather

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¹ <https://www.wcpo.com/news/local-news/i-team/chinese-spies-covet-cincinnatis-corporate-secrets-was-october-arrest-an-isolated-incident>

² Ibid.

³ <http://www.chicagotribune.com/investigations/ct-chinese-espionage-chicago-20190926-xh74yrhonzakjpsnojyx4aapfm-story.html>

⁴ Ibid.

information on individuals working in the science and technology field, some of whom specialized in aerospace technology. At least seven of the individuals Chaoqun was tasked with gathering information about worked as defense contractors.⁵

(U//FOUO) In 2019, two U.S. persons were arrested and charged with stealing scientific trade secrets from a hospital in central Ohio.⁶ The hospital conducts medical research to identify new diseases and cures. Medical technology is a target for the Chinese government due to the possibility of benefitting from the research without spending time and money on actual research and without having to recruit individuals capable of the research.

(U//FOUO) In June 2020, a Chinese citizen, Hoa Zhang, was found guilty of economic espionage.⁷ According to evidence presented at trial, between 2010 and 2015, Zhang stole trade secrets from two U.S. companies that produce sensitive electronic components and systems.⁸ Evidence presented at trial showed that Zhang and co-conspirators started a company in 2006 to compete with the two US U.S. companies. The company worked in conjunction with Tianjin University in China. Tianjin University is a known arm of the Chinese government.⁹ This case of economic espionage took years to develop and demonstrates the complexity of schemes pursued by the Chinese government that threaten U.S. economic interests.

(U//FOUO) Associate General Counsel for Ohio based Procter & Gamble Co.(P&G) (USBUS) stated the biggest threat from China might be counterfeiting.¹⁰ Shelley Duggan told a Senate Judiciary Committee hearing in 2016 that counterfeit merchandise "encroaches upon P&G's (USBUS) market share, suppresses profitability, hinders business growth and hurts the equity of our brands." Duggan further stated: "Most P&G (USBUS), counterfeits are produced in China and then exported to other markets."¹¹

(U//FOUO) As of 2017, China has engaged in economic theft against the United States costing \$225 Billion to \$600 billion dollars.¹² China engages in multipronged and sophisticated operations targeting all aspects of the U.S. economy.¹³ In July 2020, Federal Bureau of Investigation (FBI) Director Christopher Wray stated that over the last decade there has been an approximate 1,300% increase in economic espionage cases linked to China. The FBI is conducting more than 1,000 investigations into possible theft of U.S. technology and roughly 1,000 counter-intelligence investigations related to China.¹⁴ The United States recently forced the Chinese Consulate in Houston, Texas to close over suspicions economic espionage and intellectual property theft was conducted out of the consulate.¹⁵

(U//FOUO) In 2006, the Chinese government's State Council released the National Medium and Long-Term Program for Science and Technology Development ("MLP"), elevating the importance of science and technology development as a key Chinese strategic goal.¹⁶ For the Chinese government, the main purpose of international scientific collaboration is to advance China's national security interests, not solely to advance science.¹⁷ Another vector that China uses to conduct economic espionage is the Thousand Talents Plans and

⁵ Ibid

⁶ <https://www.forbes.com/sites/thomasbrewster/2019/09/16/exclusive-fbi-hunts-chinese-spies-in-american-hospitals/#4d59e48a20f8>

⁷ <https://www.justice.gov/opa/pr/chinese-citizen-convicted-economic-espionage-theft-trade-secrets-and-conspiracy>

⁸ Ibid.

⁹ Ibid.

¹⁰ <https://www.wcpo.com/news/local-news/i-team/chinese-spies-covet-cincinnatis-corporate-secrets-was-october-arrest-an-isolated-incident>

¹¹ Ibid.

¹² US Trade Representative 2017 Special 301 Report

¹³ <https://www.fbi.gov/news/speeches/responding-effectively-to-the-chinese-economic-espionage-threat>

¹⁴ <https://ge.usembassy.gov/fbi-director-chinas-economic-espionage-threatens-free-societies-july-9/>

¹⁵ <https://www.reuters.com/article/us-usa-china-consulate-idUSKCN24N0UW>

¹⁶ Threats to the U.S. Research Enterprise: China's Talent Recruitment Plans, pg 14

¹⁷ Threats to the U.S. Research Enterprise: China's Talent Recruitment Plans, pg 17

other similar programs.¹⁸ This plan calls for recruitment of 2,000 individuals with access to scientific and financial information or fields of expertise.¹⁹ These plans target individuals who work or study outside of China who have access or knowledge of research or fields of high interest to the Chinese government.²⁰ A 2011 FBI report stated, “Chinese talent programs pose a serious threat to U.S. businesses and universities through economic espionage and theft of intellectual property.”²¹ U.S. officials have stated these plans are “integral to Chinese government efforts to boost scientific and technological advancement in the country by having experts train and conduct research in the United States and elsewhere.”²²

(U//FOUO) In 2018, The National Counterintelligence and Security Center issued a report about foreign economic espionage entitled *Foreign Economic Espionage in Cyberspace*.²³ The graphics below from that report demonstrate how talent recruitment and the Chinese government’s actions fit into their strategic goals. This includes the increase of Chinese students studying abroad and returning to China. Graphic A from the report demonstrates that China has a multi-front approach to achieving their strategic goals. Among these fronts are Talent Recruitment Programs, Research Partnerships and Academic Collaborations.



¹⁸ <https://www.fbi.gov/news/testimony/securing-the-us-research-enterprise-from-chinas-talent-recruitment-plans-111919>

¹⁹ Threats to the U.S. Research Enterprise: China’s Talent Recruitment Plans, pg. 2

²⁰ Ibid.

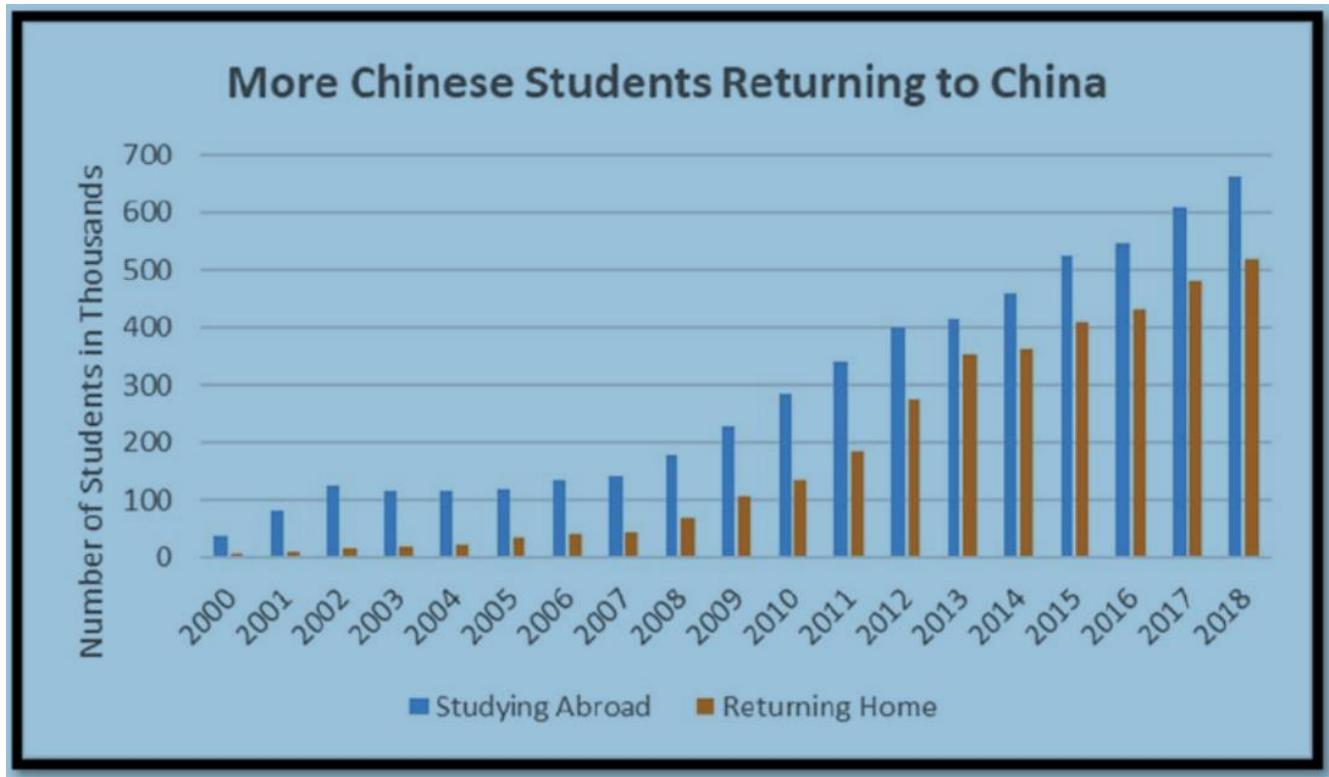
²¹ Threats to the U.S. Research Enterprise: China’s Talent Recruitment Plans 31

²² <https://www.msn.com/en-us/news/us/feds-top-ohio-state-immunologist-lied-about-chinese-funding-and-ties-to-research-groups/ar-BB16xPLR>

²³ <https://www.dni.gov/files/NCSC/documents/news/20180724-economic-espionage-pub.pdf>

²⁴ Foreign Economic Espionage in Cyberspace, pg. 6

(U//FOUO) Graphic B from *Foreign Economic Espionage in Cyberspace* demonstrates the increased number of Chinese students studying abroad and returning to China since the early 2000's. China started the Confucius Institutes Program in 2004. This program was designed to be a Chinese funded language and cultural program that would be on academic campuses around the world.²⁵ The graph does not demonstrate that a larger proportion of students who study abroad are returning to China. However, it does strongly demonstrate that *more* students are studying abroad and returning to China. In this this way, quantity is a factor. This increase strongly correlates with China's National Medium and Long-Term Program for Science and Technology Development and other initiatives such as the Confucius Institutes that were implemented in the early to mid-2000's.



²⁶(Graphic B)

(U//FOUO) According to former Deputy Assistant Secretary for Counter Threat Finance and Sanctions, Peter Harrell, economic espionage is an integral part of a broader Chinese strategy to modernize its economy and to promote China as the world leader in a range of technologies that will be critical to both economic and military power in the years ahead.²⁷ China is pursuing a multi-front approach to its technological capabilities that includes purchasing innovative companies through overseas investments, requiring companies to transfer technologies to China as a condition of market access, providing vast state resources to finance domestic technological development, and financing training for top Chinese students and researchers overseas and paying a hefty premium to attract talent back to China. Outright theft of U.S. and western intellectual property (IP) is a key piece of China's strategy, but it is only a piece.²⁸

(U//FOUO) In November 2014, the FBI Connecticut field office arrested Dr. Long Yu, a Chinese citizen and U.S. legal permanent resident, for attempting to take hundreds of gigabytes of export-controlled, proprietary information to China. Some of the materials included design information for the F-22 and JSF-35 military jet

²⁵ <https://www.washingtonpost.com/news/monkey-cage/wp/2019/01/11/u-s-universities-have-shut-down-confucius-institutes-heres-what-you-need-to-know/>

²⁶ Threats to the U.S. Research Enterprise: China's Talent Recruitment Plans, pg 35

²⁷ <https://www.cnas.org/publications/congressional-testimony/chinas-non-traditional-espionage-against-the-united-states-the-threat-and-potential-policy-responses>

²⁸ Ibid.

engines.²⁹ According to court documents, Dr. Lu confirmed he used his knowledge and access of U.S. technology to apply for multiple Chinese talent plans, and he did so while employed by a U.S. defense contractor.³⁰ A guilty plea was reached in December 2016.³¹

(U//FOUO) It is likely that academic and research institutions in Ohio will continue to be targets of the Chinese government's attempts to steal research and intellectual property. In May 2020, Dr. Qing Wang^(USPER) was arrested by the U.S. Department of Health and Human Services (HHS) for failing to properly disclose his connections to the Chinese government and Chinese Universities, charges of false claims and wire fraud.³² It is alleged that Dr. Wang^(USPER) was part of the "Thousand Talents Program."³³ Recently, a professor at The Ohio State University fraudulently obtained federal grant funds from the National Institutes of Health and made false statements to investigators. Professor Zheng had previously been made aware that he needed to properly disclose his ties to foreign entities.³⁴ According to prosecutors, Professor Zheng may be connected to the Talent Plans and was a flight risk.³⁵ Zheng was arrested in Alaska while attempting to board a flight to China.³⁶ Professor Zheng was in possession of several bags along with laptops, cell phones, USB drives, expired Chinese passports for his family and other items.³⁷

(U//FOUO) Part of China's strategy is to build sympathy around the world for Chinese culture. China started the Confucius Institutes Program in 2004. Since then, the program has been instituted at more than 500 universities worldwide. The United States' has more than 100 Confucius Institutes at universities around the country.³⁸ One of the goals is the positive portrayal of China abroad.³⁹ It is likely that the positive portrayal is important insofar as it allows access to universities. However, it is unlikely that a positive image abroad is the end objective. This is not to say that China does not care about its image abroad or that the Confucius Institute Program does not help in achieving a positive image abroad. Rather, the "positive image abroad and the sharing of "language and culture" is a way for the Chinese government to gain access to universities.⁴⁰ While this may seem benign, the fact that approximately 20% of the institutes are in the U.S., may demonstrate the strategic goals of the Chinese. Confucius Institutes are arrangements on university campuses across the globe to host Chinese culture and language instructors.⁴¹ In 2010, The Chinese propaganda minister Liu Yunshan said, "With regard to key issues that influence our sovereignty and safety, we should actively carry out international propaganda battles against issuers such as Tibet, Xinjiang, Taiwan, human rights and Falun Gong. ... We should do well in establishing and operating overseas cultural centers and Confucius Institutes."⁴² In 2011, a member of the Chinese Politburo, Li Changchun stated in a speech that "the Confucius Institute is an appealing brand for expanding our culture abroad," "It has made an important contribution toward improving our soft power. The 'Confucius' brand has a natural attractiveness. Using the excuse of teaching Chinese language, everything looks reasonable and logical."⁴³ This states in no uncertain terms the goal of using soft power. It demonstrates

²⁹ Threats to the U.S. Research Enterprise: China's Talent Recruitment Plans, pg 93

³⁰ Ibid, pg 93

³¹ Ibid, pg 93

³² <https://www.cleveland.com/crime/2020/05/former-cleveland-clinic-researcher-charged-with-fraud-for-failing-to-disclose-china-ties.html>

³³ Ibid.

³⁴ <https://www.msn.com/en-us/news/us/feds-top-ohio-state-immunologist-lied-about-chinese-funding-and-ties-to-research-groups/ar-BB16xPLR>

³⁵ Ibid.

³⁶ <https://www.msn.com/en-us/news/politics/rep-anthony-gonzalez-seeks-confucius-institute-crackdown/ar-BB16Juif>

³⁷ Ibid.

³⁸ <https://www.politico.com/magazine/story/2018/01/16/how-china-infiltred-us-classrooms-216327>

³⁹ <https://www.washingtonpost.com/news/monkey-cage/wp/2019/01/11/u-s-universities-have-shut-down-confucius-institutes-heres-what-you-need-to-know/>

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² <https://www.politico.com/magazine/story/2018/01/16/how-china-infiltred-us-classrooms-216327>

⁴³ Ibid.

how tightly woven China's plan is to achieve its strategic goals. The continuity of China's plan goes one step further. It is likely that China uses the Confucius Institutes to leverage access to universities and the intellectual property and research found within them.

(U//FOUO) In mid-2020, Miami University in Oxford, Ohio closed their Confucius Institute.⁴⁴ Funding was the only reason cited by the University for the closure. In 2019, the Senate Permanent Subcommittee on Investigations issued a report entitled *Threats to the U.S. Research Enterprise: China's Talent Recruitment Plans*. Ohio U.S. Senator Rob Portman, who chaired the Senate Permanent Subcommittee on Investigations, stated that he believed the Chinese government was using Confucius Institutes as a propaganda arm.⁴⁵ In 2019, Miami University did not consider the program to be a problem. Miami University stated they developed the curriculum and it was approved by China.⁴⁶

(U//FOUO) The Chinese government coordinates with Chinese Students and Scholars Associations (CCSA) vis-a-vis embassies.⁴⁷ These student associations give the Chinese government visibility into U.S. college campuses and they are a conduit for CCSA to notify Chinese diplomatic posts of activities that may be deemed harmful to China.⁴⁸ The CCSA also allow for Chinese to monitor students and ensure they do not make anti-China statements or speak out on other matters related to Chinese influence.⁴⁹ While this may not impact economic espionage directly, it is likely that this control reinforces a structure that allows China to leverage students which in turn, allows access to universities where economic espionage may occur. Similarly, there have been several cases where students record lectures by professors who may speak disparagingly against or criticize China.⁵⁰ Once these recordings are leaked, it may allow China to criticize the professor and pressure the university to silence the professor or cause the professor to self-censor. Professors who have a desire to conduct research and study in China may self-censor anything that China would not approve so as to not lose the opportunity to teach or conduct research in China. China seeks to influence and silence voices critical of China or supportive of Taiwan by dispatching personnel to the United States to pressure these individuals and their relatives in China.⁵¹ China also views Chinese Americans as part of Chinese reach around the globe and assumes they will retain not only an interest in the welfare of China but also a loosely defined cultural and political allegiance to "Motherland China."⁵²

(U) Gaps

(U//FOUO) It is unclear to what extent China's sophisticated regime of economic espionage is the driving force behind certain activities. It is likely that not all Chinese nationals that work or attend school in the United States are acting as a vector of economic espionage. It is difficult to determine which individuals are acting nefariously from those simply seeking education or employment opportunities within the U.S."

(U) Implications

(U//FOUO) It is likely that China's Strategic Goals (Graphic A) are not the real reasons for China's attempts to engage in economic espionage. It is likely that China has the goal of being the world's superpower regarding innovation, economic growth and military modernization-not just that they want to achieve some level of these objectives. Due to unrealistic goals of national power, economic growth, and military modernizations, it

⁴⁴ <https://www.miamioh.edu/news/campus-news/2020/03/confucius-institute-to-close.html>

⁴⁵ <https://www.wcpo.com/news/education/portman-chinese-government-funded-educational-programs-are-spreading-propaganda-at-uk-miami>

⁴⁶ Ibid.

⁴⁷ <https://foreignpolicy.com/2018/03/07/chinas-long-arm-reaches-into-american-campuses-chinese-students-scholars-association-university-communist-party/>

⁴⁸ Chinese Influence & American Interests- Promoting Constructive Vigilance, pg 43

⁴⁹ Ibid, pg. 44

⁵⁰ Ibid, pg. 44

⁵¹ Chinese Influence & American Interests- Promoting Constructive Vigilance, pg 5

⁵² Chinese Influence & American Interests- Promoting Constructive Vigilance, pg 5

is unlikely that China will end its economic espionage operations.

(U//FOUO) It is likely that corporate and academic institutions in Ohio will continue to be a target of Chinese economic espionage efforts. Ohio possesses a substantial and wide range of military, medical and corporate resources. These resources are likely considered valuable assets by the Chinese government.

(U//FOUO) It is likely that China will continue to adapt and change the ways it conducts economic espionage. In the event that Confucius Institutes are shutdown, it is likely China will devise new ways to gain access to U.S.

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