

# Ah, Let Me Count the Ways China Is Stealing our Secrets, Part 1

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*RETRACTION: When Chem.Info first published this article, it mistakenly claimed that Sixing Liu pled guilty to exporting defense department data to China. The author regrets this error and all mentions have been eliminated below.*

There is one word that seems to be popular with all politicians — from the right or left — that word is innovation. Everybody likes the idea of innovation and agrees that it is key to American competitiveness, if not the future.

China and other Asian countries already make most of our high-volume commodity products, so America must compete by inventing new products, new technologies and new industries. President Obama, in his State of the Union speech, summed up our competitive challenge when he said, “The only durable strength we have — the only one that can withstand these gale winds — is innovation.”

America has always led the world in innovation, new products and new technologies. In fact, inventing new technologies is as American as jazz music, western movies and the Rocky Mountains. Everyone knows that new inventions and technologies can keep America in the manufacturing game. This includes the Chinese who are committed to acquiring our technologies any way they can. This is a much bigger threat than most people know because it not only threatens American manufacturing, but it is also beginning to threaten our national security. Getting our U.S. technologies is a state-led effort that is a multi-level strategy, including the following:

## 1.) Espionage

The FBI ranks China as one of the greatest potential espionage threats over the next decade. The FBI has done four investigations into suspected Chinese espionage over the past 20 years — only one of which was prosecuted successfully — revealing the complexities of such cases. According to Nicholas Eftimiades, author of the book *Chinese Intelligence Operations*, Chinese espionage is focused on the theft of American technology.

A 1999 report to the congressional committee on U.S. National Security and Military Concerns warned that the People's Republic of China (PRC) has stolen classified information on every thermo nuclear warhead in the ICBM arsenal. The U.S. Army War College says that China has gathered a lot of secret information on stealth technology, naval propulsion systems, electronic warfare systems and nuclear weapons through espionage

An analysis of the U.S. Justice Department records by the Associated Press reveals that “there have been at least 58 defendants charged in Federal Court related to Chinese espionage since 2008.”:

1. A former B-2 bomber engineer, Noshier Gowadia, was found guilty of selling cruise missile technology to China.
2. Mr. Kexue Huang pleaded guilty on espionage charges that he sold biotech trade secrets from Dow Chemical and Cargill Inc. to China.
3. Larry Wu-Tai Chin worked for the U.S. Intelligence community for 35 years. Chin sold highly classified National Intelligence estimates pertaining to intelligence agencies and their activities to China.
4. The FBI recruited Katrina Leung to work in Chinese counter espionage. Leung had a two-decade affair with special agent James Smith and became a double agent for China. She was able to copy documents on our nuclear and military issues carried by Agent Smith.
5. Chi Mak, a Chinese-born engineer who worked for L-3 Communications in California, was convicted of passing secrets on the Navy quiet-drive propulsion technology through a courier to China
6. Peter Lee, a Chinese-born physicist for the Los Alamos nuclear weapons lab, pleaded guilty to passing classified weapons technology and microwave submarine detection secrets to China for their nuclear development program.
7. Ko-Sen “Bill” Moo was convicted in 2006 of being a covert agent of the PRC. He was arrested for trying to buy an F-16 jet engine, an AGM cruise missile, Black Hawk helicopter engines and AIM 120 air-to-air missiles to send to China.

### 2.) Forced Technology Transfer

For the U.S. manufacturers that have invested in building plants in China, there is continuous pressure and a policy by the PRC to force technology transfer in violation of international trade agreements. They do this by requiring the creation of joint venture companies as a condition to getting access to Chinese markets. American companies complain all of the time about forced technology transfer, but most of them give in because China has many ways of putting pressure on them.

### 3.) Counterfeit Parts

In the early 1990s, most of the parts purchased by the Defense Department were made in the U.S., Philippines, Hong Kong and Singapore. But then we made the mistake of allowing vendors to purchase commercial off-the-shelf parts (COTS) that met function and fit standards instead of mil spec standards. This led to many parts being made in China and the purposeful production of counterfeit parts. The August issue of *Industry Week* said that "in 2010, government agents seized fake goods totaling \$188.1 million, which, if genuine, would have been worth \$1.4 billion. Goods from China accounted for 66 percent of the counterfeit goods."

This is a real problem in microprocessors and other electronic parts that go into military systems because they could cause catastrophic failures in missile systems, helicopters and aircraft. The Senate Armed Services Committee in November 2011 found that 1,800 cases of suspected counterfeit electronic parts have been investigated since 2009 and 70 percent of the parts came from China. This is now a national security issue.

*Tune into the Chemical Equipment Daily for part two of this two-part series. Michael P. Collins is the author of the book Saving American Manufacturing. You can find more related articles on his website via [www.mpcmgmt.com](http://www.mpcmgmt.com) [1].*

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