

SPIES AND LIES



HOW CHINA'S GREATEST COVERT
OPERATIONS FOOLED THE WORLD

'When Alex Joske speaks,
governments need to listen.'

MIKE GALLAGHER,
MEMBER OF US CONGRESS

ALEX

JOSKE



Property of Hardie Grant Books. For publicity purposes only and not for distribution.

SPIES AND LIES

HOW CHINA'S GREATEST COVERT
OPERATIONS FOOLED THE WORLD

ALEX
JOSKE

Hardie Grant

B O O K S

Published in 2022 by Hardie Grant Books,
an imprint of Hardie Grant Publishing

Hardie Grant Books (Melbourne)
Wurundjeri Country
Building 1, 658 Church Street
Richmond, Victoria 3121

Hardie Grant Books (London)
5th & 6th Floors
52–54 Southwark Street
London SE1 1UN

hardiegrantbooks.com

Hardie Grant acknowledges the Traditional Owners of the country on which we work, the Wurundjeri people of the Kulin nation and the Gadigal people of the Eora nation, and recognises their continuing connection to the land, waters and culture. We pay our respects to their Elders past and present.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publishers and copyright holders.

The moral rights of the author have been asserted.

Copyright text © Alex Joske 2022



A catalogue record for this
book is available from the
National Library of Australia

Spies and Lies
ISBN 9781 74379 799 0

10 9 8 7 6 5 4 3 2 1

Typeset in Adobe Caslon Pro by Cannon Typesetting
Cover design by Josh Durham, Design by Committee
Printed and bound in Australia by Griffin Press, part of Ovato, an Accredited
ISO AS/NZS 14001 Environmental Management System printer



The paper this book is printed on is certified against the Forest Stewardship Council® Standards. FSC promotes environmentally responsible, socially beneficial and economically viable management of the world's forests.

LIST OF ACRONYMS

CASS	Chinese Academy of Social Sciences
CIA	Central Intelligence Agency (US)
CICEC	China International Culture Exchange Center
CICIR	China Institutes of Contemporary International Relations
CID	Central Investigation Department
CIIDS	China Institute for Innovation and Development Strategy
CISM	China Institute of Strategy and Management
CCP	Chinese Communist Party
ESRI	Economic System Reform Institute
FBI	Federal Bureau of Investigation (US)
MSS	Ministry of State Security
NSA	National Security Agency (US)
PLA	People's Liberation Army
PRC	People's Republic of China
SSSB	Shanghai State Security Bureau
UFWD	United Front Work Department
USCPF	US–China Policy Foundation

INTRODUCTION

ONE APRIL DAY in 2001, Lin Di sat before an exclusive audience in Washington, DC. His host, the former US government China expert Chas Freeman, gave only a brief introduction to the talk. Lin was well known to Freeman and the many foreign policy luminaries gathered at the National Press Club. As secretary-general of a key Chinese cultural exchange organisation, Lin had established contacts across America's policymaking circles and Chinese communities. In Beijing, he'd warmly welcomed dozens of American officials, China scholars, congressional staffers and retired diplomats.¹

A slightly built man with his face fixed in a disarming smile, Lin began his address in a shaky voice. 'I'm a little bit embarrassed to speak in front of a camera, and in English,' he admitted. He had studied the United States extensively, including at the China campus of Johns Hopkins University, but politely professed that he was no America specialist. Instead, he'd come to talk about China.

Lin's optimism surprised the audience. China, he declared, 'is deepening her reform to build a more open, prosperous, democratic and modernised nation'. Despite political disagreements between China and the United States, he said that China wished to focus on the overwhelming positives in the relationship. 'It is my sincere hope that in this new century our two great countries will work together to build a healthy and steady relationship for the lofty cause of world peace and

progress of human civilisation,' he said. People-to-people exchanges through his organisation would provide a crucial foundation for this endeavour. Closing off his speech, he described an idyllic future in which his children would look back and have no memory of a time when there was anything but friendship between America and China.

It was all a lie. In reality, Lin was chief of the Social Investigation Bureau of China's premier intelligence agency, the Ministry of State Security (MSS). He was a spy. At the time, his bureau was the primary US operations unit within the MSS, and he personally oversaw an extensive network of clandestine assets across the country. In between these public engagements he'd rendezvous with agents, like one woman the Federal Bureau of Investigation mistakenly viewed as their star source on China.

Yet handling double agents and spies wasn't the most impressive part of Lin's job. Far more impactful was the influence and leverage MSS spies carefully developed over elites around the world, and especially in the United States. This involved schmoozing, making friends and opening doors, and much less of cloak and dagger. It's exactly what Lin did that day in Washington, DC. With their high-level connections inside the Chinese Communist Party (CCP), Lin and other undercover MSS officers claimed to have insider knowledge of China's direction and could offer meetings with Party leaders to a chosen few.

Over decades, the MSS has deployed these techniques to mislead world leaders about the CCP's ambitions, lulling them into the comfortable belief that China would rise peacefully – maybe even democratically – and slot itself into the existing international order. Its targets have included former presidents and prime ministers, multinational corporations, business leaders, Buddhist monks, influential think tanks and respected China scholars. It's an influence operation that continues to this very day.

This is the first book to reveal the MSS's influence operations: this most potent part of the CCP's intelligence work has been the most overlooked, misunderstood and ignored. The few books on the Party's intelligence apparatus glide over the issue of influence operations. Dedicated studies of China's influence operations have only speculated about MSS involvement.² Even within counterintelligence agencies

that try to interrupt the plans of China's spies, the significance of these activities has long been downplayed, and little has been done to impede them. This knowledge gap exists in part because the covert nature of MSS work means that its influence operations are often mistaken for those of more visible Party organs, such as the United Front Work Department (UFWD). On the contrary, this book suggests that most of the CCP's high-level influence operations are orchestrated by intelligence officers.

Instead, it's the more conventional parts of the MSS that attract the most scrutiny and have contributed to the perception of the MSS as an aggressive but unsophisticated intelligence agency. A recent deluge of court cases, leaks and media exposés has revealed the MSS's appetite for trade secrets, sensitive technology, and intelligence on foreign politics and dissident communities. Often these operations were exposed because the MSS officers involved in them made basic mistakes, like using unsecured phone lines to communicate with agents. Since the 2000s, greater numbers of MSS officers have been expelled or quietly barred from countries including the United States, Sweden and Germany. Starting in late 2017, governments started to publicly accuse the MSS of far-reaching cyber espionage campaigns against companies, individuals and government agencies.³

The immensity of the CCP's intelligence community is another distraction from its influence operations. Alongside the MSS, the People's Liberation Army (PLA) has three main intelligence agencies, roughly responsible for eavesdropping and hacking, human intelligence operations and analysis, and political warfare.⁴ China's Ministry of Public Security, nominally a police agency, also has a long history of foreign intelligence operations, including an unsuccessful attempt to influence the Trump administration in 2017.⁵

Even within the MSS there are subordinate units in every region and major city of China that often take the lead on foreign operations. Put together, these local counterparts likely have well over 100,000 employees – perhaps ten times more than the MSS's headquarters.

Sitting around these core agencies, additional Party-state organs, private and state-owned companies and lone actors appear to feed into the Party's intelligence system. Chinese companies have been

caught encouraging employees to bring back proprietary research from foreign rivals. A Chinese official might opportunistically glean sensitive information from a friend or relative in America. From the outside, it looks like an incoherent mess of overlapping responsibilities and unprofessional intelligence operations. And sometimes it is.

If you're looking for Chinese state intelligence activity, there's plenty of it – enough to keep you busy without having to step back and worry about influence operations.

What this shows is that the CCP supervises an extensive array of professional intelligence agencies and calls on hundreds of thousands of intelligence officers to do its bidding. Though coordinating this web of agencies and spies is a nearly impossible task, intelligence operations are a fundamental source of power and influence for the Party. Their activities are deliberately hidden, making them easy to forget and overlook, but their significance is difficult to understate. Peter Mattis, an expert on China's intelligence services, argues that delving into these organisations does much more than help catch spies. Properly analysed, MSS activities offer unrivalled insights into the Party's inner workings and ambitions. Understanding the operation of the Party's intelligence apparatus is essential to understanding China's past, present and future.⁶

The prevailing view until recently was instead that the Party used a 'thousand grains of sand' approach to gathering intelligence. This theory has since been thoroughly debunked, and its flaws help in understanding why the MSS and its influence operations have received so little scrutiny.⁷ The 'grains of sand' analogy explains that if Russia needed to gather a thousand grains of sand from a beach (that is, a thousand pieces of intelligence), it would send a submarine to deploy a highly trained team of clandestine agents to shovel up sand in the dead of night. In contrast, China would send a stream of tourists to the beach in broad daylight, each picking up a single grain. Back in Beijing, each grain of sand is then analysed and aggregated to form a brilliant picture. The central claim of this theory is that China relies on ad-hoc masses of ethnic Chinese amateurs to steal huge amounts of low-grade information, with relatively little involvement by professional spies and intelligence agencies.

It's a catchy narrative with amusing imagery, but that's about all it offers. Instead of looking for the structure, mission and intelligence officers behind the CCP's influence efforts, the 'grains of sand' theory makes it easier to assume they're largely autonomous and driven by ethnic Chinese patriots. Peter Mattis criticised the theory for wrongly framing the threat in racial terms, when China's intelligence agencies have comfortably recruited people without Chinese heritage.⁸ When Western governments also treated harassment and surveillance of ethnic Chinese communities as a minor concern, this helped the MSS face little resistance as it built up extensive foreign intelligence networks.⁹

My research into the CCP began from a similar position of ignorance about its intelligence apparatus. My entrée was the UFWD, a Party agency that had long been neglected by China scholars.¹⁰ The department plays a leading role in efforts to co-opt important groups and individuals in China. Internationally, it seeks to manipulate and claim the right to speak on behalf of ethnic Chinese communities, which includes managing Chinese student organisations.

In 2016, I was a university student in Canberra studying China and working on my Chinese-language skills. After living in China as a teenager, I was surprised to discover CCP influence on campus. The previous year, the president of a Chinese government-backed student association threatened the university pharmacy until it stopped stocking copies of a dissident Chinese newspaper. Media reports claimed that similar groups were used by the Chinese government as informant networks to collect intelligence on students, fearful that they might bring Western ideas or verboten religious beliefs back to China.¹¹ After I published articles in the university newspaper about these findings, members of the same student association responded by aggressively following me around at an event, including into the bathroom, and accusing me of racism.¹²

It was terrifying and exciting to me, and I later had the opportunity to focus on this issue when I helped Clive Hamilton research his 2018 book *Silent Invasion: China's influence in Australia*.¹³ Examining recent cases of what looked like CCP efforts to covertly influence Australian politics, media and society, we quickly found that the UFWD was connected to many of them. Billionaire property developers,

self-appointed community leaders and numerous political candidates who had a history of alignment with the CCP's interests were almost invariably members of organisations controlled by the UFWD.

At the same time, a handful of scholars around the world were documenting the CCP's footprint in their own regions. From Europe to New Zealand and the United States, we saw similar patterns of UFWD influence on politics, media and academia.¹⁴ One politician in New Zealand had worked for Chinese military intelligence earlier in his life, and it later emerged that he'd obscured that from the New Zealand government.¹⁵ Media investigations into the activities of one UFWD-linked billionaire ended the political career of an up-and-coming Australian senator, who'd been swayed by political donations into siding with China's position on the South China Sea.¹⁶

It looked as if the UFWD were controlling the strings of Party influence abroad, but something didn't add up. The department has far less expertise in foreign politics than other wings of the Party. Its officials didn't appear to have the sort of leverage or resourcing you'd expect for targeted operations against political elites, even if they do give orders to sympathisers abroad. On top of this, some key agents of influence didn't have significant links to the UFWD and instead had friends in the military, police or propaganda apparatus.¹⁷

One missing piece stood out: the Party's intelligence apparatus. Far more powerful and resourceful than the UFWD, intelligence agencies like the MSS combine unchecked coercive powers with a penchant for clandestine operations. China's intelligence agencies are now the world's largest and dedicate themselves to protecting the Party's interests while projecting its power abroad. If I had only rarely seen the fingerprints of these organisations in CCP influence operations, was I simply not looking hard enough?

Investigating clandestine activities is intrinsically hard. I began to hoard information on the MSS, starting with historical sources like memoirs, old court cases and retired intelligence officers who would agree to interviews. These pointed to a long tradition of hiding intelligence operations through united front work. Party leader Zhou Enlai, the father of China's intelligence community, advocated 'nestling intelligence in the united front' in 1939, when the Party formed a

tactical coalition with the Kuomintang against the Japanese invasion.¹⁸ Then, as the CCP conquered China in 1949, some of its intelligence agencies outwardly called themselves UFWDs to obscure their secret operations.¹⁹ Through the 1980s, Chinese intelligence agencies continued to embed spies into united front groups, media organisations, trade agencies and cultural exchange bodies, exploiting their networks for influence and espionage.²⁰ This is not ‘united front work’ but professional intelligence work masquerading as something else.

These footholds from history led to the discovery that, today, the MSS’s symbiosis with united front networks, business empires, public diplomacy and universities is as strong as ever. Only one in a hundred clues led me to meaningful discoveries, but a few strong anchors were enough to begin identifying covert operations currently active across the globe. Recognising a handful of key individuals as undercover MSS officers and then tracing them from front group to front group eventually unravelled decades of covert influence operations, more sophisticated with each iteration. These operations are widespread, targeted and handled with direct involvement from Party leaders. More than anything else, this is what China’s intelligence agencies excel at.

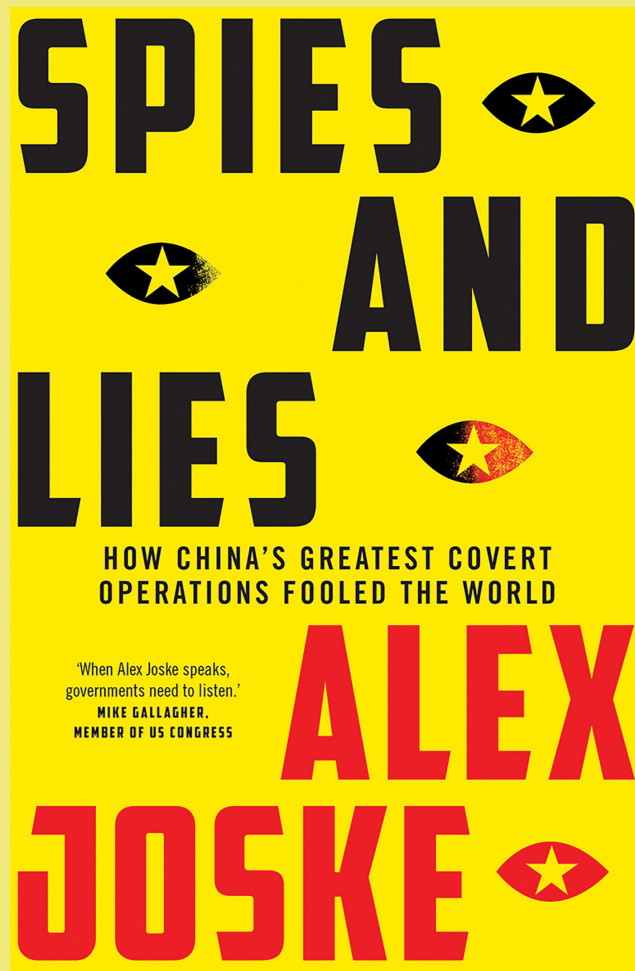
The greatest of these covert operations was the MSS effort to convince influential foreigners that China would rise peacefully and gradually liberalise. It was stunningly successful. Stepping back, it’s clear that the MSS has woven itself into the very fabric of China’s relationship with the world. It is the invisible thread that bound the United States to ideologies of engagement and mythologies of China’s liberalisation. In these pages you will meet the plain-clothes MSS intelligence officers and agents who continue to broker access to information about China and its leaders. You will also meet the who’s who of American and international politics, business and academia who they courted and fooled while Western intelligence agencies failed to understand and disrupt these influence operations.

‘All governments are run by liars’, to quote the journalist I. F. Stone – himself a target of failed KGB cultivation – but few lies and attempts at manipulation have shaped our world as much as those spun by the MSS.²¹ This book tells the story of those lies.

Spies and Lies by Alex Joske

Now Available

[Click Here to Find Your Preferred Online Retailer](#)



Hardie Grant

B O O K S