

THE ANNOUNCER

NEW YORK TIMES, July 9, 1997. [Congress] yesterday began long-awaited hearings on the campaign finance improprieties of 1996 with ... an assertion [by committee chair Fred Thompson, Republican of Tennessee]:

FRED THOMPSON

High-level Chinese government officials crafted a plan to increase China's influence over the U.S. political process. Our investigation suggests the plan continues today.

THE ANNOUNCER

Senator Sam Brownback, Republican of Kansas:

SENATOR BROWNBACH

John Huang brought in so much money for the Democrats, because under his salary agreement, no raise money, no get bonus. Two Huangs don't make a right.

THE ANNOUNCER

Senator Richard Shelby, Republican of Alabama.

SENATOR SHELBY

The Chinese are everywhere. ... They're real. They're here. And probably, ... very crafty people.

THE ANNOUNCER

Representative Tom DeLay, Republican of Texas.

REP. DELAY

There's a high probability this is money from foreign[ers] ... if you're friends with a guy named Johnny Huang [and Marcus Gee] ... and you have friend[s] by the name of Arief and Soraya, and I cannot even pronounce [these] name[s] ... Cheong Am, Yogesh Gandhi, Lap Seng Ng --  
(tries different pronunciations:)

Ng? ... Ng?

THE ANNOUNCER

New York Times. March 6, 1999: China Stole Nuclear Secrets  
from Los Alamos. Written by –

SOUND CUE

Name Withheld On Advice of Council.

The Announcer becomes “Name Withheld on  
Advice of Counsel.”

NAME WITHHELD ON ADVICE OF  
COUNSEL [NWOAC]

Government officials [have] administered lie detector tests  
to ... a Los Alamos computer scientist who is Chinese  
American ... This is going to be just as bad as the  
Rosenbergs, [an official] recalled saying.

DHH

In my research for this play, I read a transcript of the  
March 7, 1999 FBI interrogation of that scientist. His name  
is Wen Ho Lee:

FBI AGENT #1

Washington is under the impression that you're a spy. And  
this [New York Times] article is doing everything but coming  
out with your name. ... Everything is pointing to you. ...

WEN HO LEE

I'm just telling you, I believe truth, and I believe honest,  
and I know, I know myself, I did not tell anything ... OK? I  
told you more than ten times ... eventually something will be  
clear-cut, OK? ...

FBI AGENT #2

What are you going to tell your friends? What are you going

to tell your family? What are you going to tell your wife and son? ... They are going to say, you know, your father is a spy.

WEN HO LEE

But I, I'm not a spy.

FBI AGENT #1

... What if they decide, ok. We're going to polygraph your wife?

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WEN HO LEE

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FBI AGENT #1

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WEN HO LEE

On what? On what subject?

FBI AGENT #1

What difference does it make? ...

FBI AGENT #2

Your kids are going to have to live with this, ok. Your wife is going to have to live with it. This is going to eat away at them like a cancer. Just like the cancer that you had, but all the way ...

WEN HO LEE

Probably worse than the cancer.

FBI AGENT #2

That's right, it is worse than the cancer. ...

WEN HO LEE

Well, OK, let's, let's stop here, 'cause I'm very tired ...

FBI AGENT #1

Wen Ho, this is serious. ... Do you know who the Rosenbergs

are?

WEN HO LEE

I heard then, yeah, I heard them mention.

FBI AGENT #1

The Rosenbergs are the only people that never cooperated with the federal government in an espionage case. You know what happened to them? They electrocuted them, Wen Ho. ...

WEN HO LEE

Well, it ... my life. I accept it, OK. I will try to do the best I can, and I, I believe, eventually, ... God. God, will make it his judge, judgement.

THE ANNOUNCER

Senator Peter Dominici, Republican of New Mexico:

SENATOR DOMINICI

That man[, Wen Ho Lee,] doesn't deserve civil liberties.

Marcus, Leah, and other protesters

chant:

PROTESTERS

Justice for Wen Ho Lee! Justice for Wen Ho Lee! Justice for Wen Ho Lee!

DOROTHY HWANG

Dave, it's your Mother. Just want to let you know. There's going to be an article tomorrow in the New York Times. About your father. It's a big one. Front page. And it's -- it's not very good.

[NWOAC]

New York Times, May 11. China sent cash to U.S. bank, with suspicions slow to rise. Written by --

Name Withheld on Advice of Counsel.

[NWOAC]

Late in the spring of 1996, Federal bank examiners discovered that the central bank of China was moving tens of millions of dollars into the United States, depositing it in a maze of accounts ... at a small California bank. ... Far East National .... Some officials now suspect [the money] might have been intended to pay for Chinese intelligence operations.

(pause)

(MORE)

*Here's the story, reporters Tim Golden and Jeff Gerth*

*<https://archive.nytimes.com/www.nytimes.com/library/politics/051299china-launder.html>*

May 12, 1999

## China Sent Cash to U.S. Bank, With Suspicious Slow to Rise



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- [Democratic Fund-Raiser Tells of Dealings With Chinese Donors](#)
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- [Issue in Depth: White House Fund-Raising Inquiries](#)

By TIM GOLDEN and JEFF GERTH

**L**ate in the spring of 1996, federal bank examiners discovered that the central bank of China was moving tens of millions of dollars into the United States, depositing it in a maze of accounts controlled by a fast-rising Chinese executive at a small California bank.

The regulators struggled for almost two years to understand the transactions, guessing finally that they might have been intended to hide the private fortunes of Chinese officials. They turned their findings over to the Justice Department, the State Department and the FBI, but officials said no legal or diplomatic action was ever taken in the case.

But only in recent months, prodded by Congressional investigators, have U.S. officials started fitting together some of the most significant pieces of the story.

The banker in California, Nan Nan Xu, turned out to have a series of ties to a Chinese military officer who has been identified as the conduit for at least \$300,000 sent from the military's intelligence chief to a Democratic fund-raiser, officials said.

# China Sent Cash to U.S. Bank, With Suspicions Slow to Rise

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The banker in California, Nan Nan Xu, turned out to have a series of ties to a Chinese military officer who has been identified as the conduit for at least \$300,000 sent from the military's intelligence chief to a Democratic fund-raiser, officials said.

And almost half of the \$92 million that eventually flowed from China into the California bank, Far East National, came from a Hong Kong investment firm controlled in part by two men who American officials say have been associated with Chinese intelligence agencies.

The purpose of the money remains a mystery. Some federal officials now suspect that it might have been intended to pay for Chinese intelligence operations. Others believe that it could have been amassed for political contributions or to purchase sensitive military technology. And officials do not rule out that it could be related to legitimate business dealings.

But a close look at the case, based on interviews and confidential Government documents, shows that the Clinton administration was slow to pursue or even pull together the disparate leads uncovered over several years by different agencies.



The discovery of the Chinese money flow was the sort of information that typically sets off alarms among government investigators and the bank examiners alerted Justice Department officials early on. But officials said the department initially gave the matter only a cursory review, even as it was separately searching elsewhere for evidence of Chinese contributions to American political campaigns.

Federal prosecutors in Los Angeles examined the case last year, but then referred it back to the Justice Department in July, asking that its international-affairs section determine whether the transactions might involve criminal activity in China. A law enforcement official said the case was investigated further, but declined to say how.

A spokesman for the Justice Department, Myron Marlin, would not comment on the inquiry but he said the department was "vigorously pursuing every credible allegation that has come our way."

The State Department also agreed last year to consider raising the issue with officials in Beijing, but then decided against it, officials said. The FBI -- which had helped Ms. Xu, a Chinese national, to gain legal residency in the United States in 1992 and then tried unsuccessfully to recruit her as an informer -- paid relatively little attention to her in the years when her banking activities became suspect, several officials said.

"She just fell off the screen," one federal investigator familiar with the case said.

Critics of the administration contend that the handling of the inquiry reflects a pattern of sluggish government responses to indications of Chinese military and espionage activity in the United States in recent year.

"This information was in the hands of the Department of Justice, Department of State, and the FBI," the Republican chairman of the Senate Select Committee on Intelligence, Richard Shelby of Alabama, wrote in a letter last Friday asking the Senate Banking Committee to continue an inquiry into the matter begun by the Intelligence Committee last year.

"We also provided this and additional information to the FBI and the Justice Department on numerous occasions during the course of our investigation," Shelby continued. "It is my understanding, however, that nobody from the federal campaign contributions investigation has followed up in any significant manner."

In interviews, Ms. Xu and **her former boss at Far East National Bank, Henry Hwang, denied any wrongdoing in their handling of the Chinese money**, and the bank's president, Robert Oehler, said it had not been cited for any regulatory violations in connection with the affair. But Ms. Xu and **Hwang declined to explain where the \$92 million had come from or how they managed it, citing client confidentiality**. Nor would Ms. Xu describe her involvement with Chinese officials in detail, other than to emphasize that she does not work for the Chinese government.

Ms. Xu told banking regulators that much of the money consisted of Chinese loans to small investment companies that she and Hwang had established in California, documents show. Yet a detailed report on the matter written last year by investigators for the **Office of the Comptroller of the Currency cast doubt on that explanation, concluding that the money was probably being hidden for Chinese officials. Evidence?**

"Xu's explanation does not resolve this central issue," the lawyers wrote in the 76-page report, a copy of which was obtained by The New York Times. **"We believe the likely explanation lies with Xu's connections and self-dealing by Chinese officials." Evidence?**

### **Unlikely Partners for a Central Bank**

**Neither Hwang nor Ms. Xu were obvious partners for Peoples' Bank of China, as the country's central bank is called.**

Hwang, 69, is a well-known figure among Chinese-Americans in Los Angeles, an elder statesman who delights in telling the story of his rise to the boardroom from a job in a laundry. **His office is decorated with photographs of himself with various American presidents, including Bill Clinton, and with a poster from "M. Butterfly," the Broadway hit written by his son, David Henry Hwang, who was formerly a director of the bank.**

Henry Hwang helped start Far East National Bank in 1974 with \$1.5 million in capital and a single branch office in the Chinatown section of Los Angeles. By 1997, when it was sold to Banc SinoPac of Taiwan, it had \$514 million in assets and 10 branches around the state, but it remained a community bank with profits that rarely exceeded \$5 million a year.

In 1989, Hwang was at the center of a major scandal in Los Angeles when it was disclosed that he had hired the then-Mayor, Tom Bradley, as a paid consultant. Bradley had also received a loan from the bank, and appeared to have helped it secure a \$2 million deposit of city funds.

Bradley said he was supposed to help the bank develop business abroad but had been of little use before he was forced to resign from the consultancy. Hwang, however, was soon having better luck with overseas business. The key to his success was Nan Nan Xu.

Ms. Xu (pronounced "shoo"), 48, came to the United States in 1987 with a student visa and plans to learn some English.

Her references were excellent: A physician by training, she is the daughter of a member of the Communist Party's old guard, Xu Yunbei, a former deputy minister of health and minister of light industry. But she had no banking experience at all when she walked into Hwang's office and persuaded him to give her a \$900-a-month job helping Far East National drum up Chinese business in California.

"They didn't understand mainland China very well," Ms. Xu said over tea in the offices she now keeps in a business tower in downtown Los Angeles.

She was by all accounts a stunning success. Using contacts at the consulate that China had then just opened in Los Angeles, she persuaded scores of Chinese firms to leave big banks for Far East National. She also began to build the bank's business in China, winning approval from the Chinese authorities to open an office for the bank in Beijing.

"Without her connections, we could not have gotten a representative office there," Hwang, now the bank's vice chairman, said of Ms. Xu. "I go to China to carry a briefcase for Nan Nan Xu."

Ms. Xu was made a senior vice president in 1993, a managing director in 1994 and, according to Hwang, was its highest-paid executive after himself at one point before she left the bank in 1997 a consulting firm.

### **A Flood of Money Raises Suspicions**

As Far East National's China business was starting to flourish, the bank was also quietly taking in huge deposits of Chinese government money.

In late November of 1992, Far East National received the first \$5 million in a series of wire transfers from the Peoples' Bank of China, from one of its apparent subsidiaries, and from another state bank.

Initially, the money went to an account for Far East International Trading Corp., a shell company that Hwang had incorporated a decade earlier.

In January 1993, Ms. Xu incorporated her own California shell company, Four Earth Investment and Trading Corp., and over the next 32 months, it absorbed a flood of Chinese money. Another \$40 million came from the central bank. The China Construction Bank wired \$5 million. More than \$42 million came from United Wide Investments, a Hong Kong concern that American regulators **believe** was controlled by the Chinese Government.

Officials said one of Ms. Xu's accounts also received an early deposit of almost \$50,000 from a Chinese military company that manufactures and markets advanced weaponry.

Ms. Xu has given varying accounts of these dealings. At one point, she told bank regulators the Chinese funds were investments that she was handling with the help of outside brokers. In other instances, she characterized transfers in and out of the accounts as loans.

Records show that Ms. Xu wasn't much of an investor, losing more than \$5 million on a large purchase of Mexican pesos in 1994, just before the currency was devalued. But most of the money she received from China was paid back with some interest.

Government documents show the regulators found many of her transactions suspicious, sometimes because she often moved the Chinese money through different accounts before placing it, and other times because she could not document purported loans. As far as the investigators could determine, \$10 million was never repaid to the Peoples' Bank of China.

Some of the activity in Ms. Xu's accounts, like some of her business in China, points to an influential Chinese official whom she described to regulators as an old friend: Chen Yuan, a former deputy governor of the central bank and the son of a powerful Chinese official of the 1970's and '80's.

Investigators believe that Chen, who is now president of the China Development Bank, may have been responsible for at least some of the funds moved into Ms. Xu's accounts. And among her few expenditures that can be traced are more than \$200,000 paid to Chen's son, including \$46,000 to cover some of his tuition at Cornell University.

In Beijing, an aide to Chen Yuan said he had no involvement with the money sent to Far East National Bank and would therefore have no comment on it. A spokeswoman for the central bank also did not respond to questions about the matter.

In his letter to the Banking Committee, Shelby warned that he was especially concerned about **accusations that the former comptroller of the currency, Eugene Ludwig, had blocked an investigation of Far East National.**

Both Ludwig and a spokesman for the comptroller's office strongly denied that. Interviews with two people who participated in the investigation also suggested that there was **no evidence to support those claims**, which were made in an Aug. 27, 1996 memorandum from a Federal Reserve examiner.

While the comptroller's office expressed pride about their inquiry, other officials said the investigation was slow to get underway and might never have taken place had it not been for prodding by the Federal Reserve.

The comptroller's office began its investigation in mid-July 1996. On Aug. 5, Hwang, a lifelong Republican, gave \$10,000 to the Democratic Party, records show. He said his contribution was prompted by President Clinton's sympathy and support for ethnic minorities in America.

A week later, the examiners began a second, more specific inquiry. But according to officials and internal documents, Federal Reserve officials came away dissatisfied with both the bank's forthrightness and the resolve of the comptroller's office to force its disclosure of key documents.

In a letter to the comptroller's senior aide for enforcement matters, Daniel Stipano, a senior Federal Reserve official, Herbert Biern, wrote that examiners suspected fraudulent activities at Far East National, but felt the bank's lack of cooperation had prevented a "thorough review."

"There is a perception that there could be some sensitivity relating to this case within the OCC because of a personal relationship between Hwang and the comptroller," Biern continued, apparently echoing the allegations of the examiner, Philip Holt. "Although this may have absolutely no basis in fact, we thought you should be aware of it because under the circumstances, you may want to take steps to assure that even the appearance of preferential handling is avoided."

In interviews, Ludwig said that while he might have met Hwang at bankers meetings, he never intervened on his behalf. "This guy is no buddy of mine," said Ludwig, who retired as comptroller in 1998 and is now the vice chairman of Bankers Trust.

Shortly after Biern's Nov. 19 letter, the comptroller's office gave final approval for a formal investigation of Far East National. On June 23, 1997, about six months into the inquiry, Stipano convened from the Justice Department and other law-enforcement agencies to describe its initial findings.

"We were not oblivious to the fact that this could be money laundering, that it could be embezzlement, that it could be campaign-finance related," one official said.

**The inquiry was completed early the next spring. No charges were brought, and no regulatory actions taken.**

At the time of the June 1997 meeting, Justice Department and FBI officials were already searching for flows of Chinese money into American political coffers. And they were focusing closely on one of Ms. Xu's relatives by marriage, a Chinese military officer and aerospace executive named Liu Chao-ying.

A California businessman, Johnny Chung, told authorities Ms. Liu was the conduit for \$300,000 from the head of China's Military Intelligence Directorate, Gen. Ji Shingde, officials said. Federal investigators have traced a small amount of that money to Democratic campaigns.

Ms. Xu said she was not questioned by federal investigators until almost a year later, and then only briefly. She said the officials asked about her role in setting up a checking account for Ms. Liu in 1991, but dropped the matter after she explained that Ms. Liu was the sister of her younger brother's wife, and that she had no other business involvement with her.

They are not my favorite people," Ms. Xu said of her in-laws. "I live in a different world."

Several American officials privately questioned that assertion, saying Ms. Liu traveled to China with Ms. Xu at least once, in 1991. Ms. Liu has also used Ms. Xu's identity as an alias on at least one occasion, officials said.

On June 3, 1998, the comptroller's office called a second, larger interagency meeting to present the findings of its investigation into Far East National.

"This was a situation where we had identified a piece of a much bigger puzzle," Stipano, the agency's enforcement director, said. "And the rest of the puzzle was not something that we had the ability or the authority to investigate."

Because the investigators thought some of the \$92 million **might have been** diverted by Chinese officials, a State Department official was asked to consider raising the matter with Beijing. The Department decided against that.

"It was not a foreign policy issue that one raises with the Foreign Ministry," one official said.

At the FBI, an official said the matter was initially passed on to a task force investigating campaign-finance cases questions. The task force later referred it back to the bureau's headquarters in Washington, which forwarded it to the FBI field office in Los Angeles. Although the field office brought the case to the office of the U.S. attorney there, word of it only belatedly reached agents in foreign counterintelligence -- those who knew the most about Ms. Xu.

Yellow Face - Revised 9-24-24 61.

[Far East National's CEO, Henry Y.] Hwang, 69, is a well-known figure among Chinese-Americans in Los Angeles. ... [Hwang's] office is decorated with photographs of himself with various American Presidents, including Bill Clinton, and with a poster from "M. Butterfly," the Broadway hit written by his son, David Henry Hwang, who was formerly a director of the bank.

**Wen Ho Lee** or **Li Wenho** ([Chinese](#): 李文和; [pinyin](#): *Lǐ Wénhé*; born December 21, 1939) is a [Taiwanese-American nuclear scientist](#) and a [mechanical engineer](#) who worked for the [University of California](#) at the [Los Alamos National Laboratory](#) in [New Mexico](#). He created computerized simulations of [nuclear explosions](#) for the purposes of scientific inquiry, as well as for improving the [safety and reliability](#) of the U.S. nuclear arsenal.

A federal [grand jury](#) indicted him on charges of stealing secrets about the U.S. [nuclear arsenal](#) for the [People's Republic of China](#) (PRC) in December 1999.<sup>[1]</sup> After **federal investigators were unable to prove these initial accusations**, the government conducted a separate investigation. Ultimately it **charged Lee only with improper handling of [restricted data](#)**, one of the original 59 indictment counts, a felony count. He pleaded guilty as part of a plea settlement.

**He filed a civil suit that was settled. In June 2006, Lee received \$1.6 million from the federal government and five media organizations as part of a settlement leaking his name to the press before any charges had been filed against him.**<sup>[2]</sup>

Federal judge [James A. Parker](#) eventually apologized to Lee for denying him bail and putting him in [solitary confinement](#). He excoriated the government for misconduct and misrepresentations to the court.<sup>[3]</sup>

<https://www.nytimes.com/1999/03/06/world/breach-los-alamos-special-report-china-stole-nuclear-secrets-for-bombs-us-aides.html> reporters James Risen and Jeff Gerth, story appended with NYT apology

<https://www.nytimes.com/2000/09/26/us/from-the-editors-the-times-and-wen-ho-lee.html>

<https://www.nytimes.com/2000/09/28/opinion/an-overview-the-wen-ho-lee-case.html>

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