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FROM CHINA WITH LOVE

HOME | "PARLOR MAID" | CHINA SPYING | COUNTERINTELLIGENCE

Chronology

[William "Bill" Cleveland Jr., (Accessed Jan. 07, 2012). From China With Love, Chronology of FBI-Chinese double agent Katrina Leung aka "Parlor Maid." PBS WOSU Frontline.]

A chronological outline of the "Parlor Maid" story, drawn from the government's court filings in the cases against Katrina Leung and J.J. Smith.

1969 ★ Bill Cleveland begins working for the FBI

In the early 1970s, Cleveland, the son of an assistant director of the FBI, begins working in the FBI's San Francisco office. He eventually becomes the San Francisco office's supervisory special agent for Chinese counterintelligence.

October 1970 ★ J.J. Smith begins working for the FBI

He begins his career in the FBI's Salt Lake City office and is transferred to the Los Angeles office one year later. In October 1978, J.J. is assigned to the foreign counterintelligence squad focused on the People's Republic of China. He remains in the Los Angeles office and works Chinese counterintelligence until his retirement in November 2000.

Late 1970s ★ Katrina Leung is contacted by the FBI



According to sources close to Katrina, she is first recruited by the FBI while living in Chicago, where she was obtaining an MBA at the University of Chicago.

1979 ★ "Tiger Trap" investigation begins

A source in China allegedly provides the U.S. with information that scientist [Gwo-Bao Min](#) may be a security risk. FBI Special Agent Bill Cleveland, who works in the bureau's San Francisco office, is chosen to head up the investigation and Katrina Leung becomes one of his sources. According to government documents, Katrina "traveled frequently to San Francisco in the early 1980s" where she would meet with Cleveland.

In 1981, Cleveland interviews Min and believes that he has pushed Min to the brink of a confession. But Min does not confess, and although the FBI recommends prosecuting the case, the Justice Department decides the evidence is not strong enough. In February, Min is forced to resign from his position at Lawrence Livermore Laboratory. However, the Tiger Trap investigation continues.

August 1982 ★ J.J. develops Katrina as an "asset"

According to government documents, J.J. starts recruiting Katrina in August 1982 and in August 1983 formally recommends that the bureau use her as a counterintelligence "asset" to obtain information about China.

The government maintains that J.J. and Katrina began a sexual relationship in the early 1980s, although it is unclear exactly when.

1990 ★ Bill Cleveland travels to China

FBI Agents Bill Cleveland and [J.C. Smith](#) travel to China as part of a State Department delegation. Although there remain questions as to the exact nature and purpose of their trip, the pair ostensibly is in China to check out security at the U.S. Embassy and consulates. When they arrive, they notice that they are being tailed by more than the usual number of Chinese security.

The two journey to the remote city of Shenyang on the North Korean border and are shocked when Cleveland runs into Gwo-Bao Min in their hotel. They wonder whether the incident is a coincidence.

April 1991 ★ Cleveland recognizes Katrina's voice

When he returns from China, Cleveland listens to an audiotape of a classified intercept, recorded in the fall of 1990, between a female, code-named "Luo," and her Chinese Ministry of State Security (MSS) handler, code-named "Mao." The recording reveals information that compromised Cleveland and Smith's trip to China. When Cleveland hears the tape, he recognizes the voice of "Luo" as that of Katrina Leung, who was one of his sources in the Tiger Trap investigation of Min -- and who has been his lover for three years.

Cleveland immediately notifies J.J. of the recording, and according to government documents, J.J. is "visibly upset" at the news.

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May 1991 ★ **A meeting at FBI headquarters**

J.J. and Cleveland are called to a meeting at FBI headquarters in Washington to discuss the Parlor Maid revelation. Apparently no one at headquarters learns of Katrina's romantic relationships with either of the two men, and it is not clear that either J.J. or Cleveland knows of her relationship with the other.

At the meeting, a decision is made to hand the matter back to J.J., Katrina's FBI handler.

May 31, 1991 ★ **J.J. confronts Katrina**

The government alleges that when asked about her conversation with "Mao," recorded on the classified intercept, Katrina tells J.J. that in mid-1990 the Chinese had discovered that she was working for the FBI and threatened her. She says that she then promised to provide "Mao" with information about the FBI. Katrina later tells an FBI interviewer, "If you ask me, like, worst day of my life, that must be the day that, you know, J.J. confronted me."

J.J. believes Katrina and tells her that she can continue as his asset. According to the government, he does not reveal that she has refused to submit to a polygraph examination. However, he makes her apologize in person to Bill Cleveland, who accepts her apology. Katrina's affairs with both J.J. and Cleveland continue.

1993 ★ **Cleveland retires from the FBI**

Cleveland (pictured at right) accepts a job as head of security at the top-secret Lawrence Livermore Laboratory. While at the lab, he assists in the "Royal Tourist" investigation of Lawrence Livermore scientist Peter Lee, who is suspected of having disclosed classified information about U.S. nuclear weapons to the Chinese.

**1997** ★ **Cleveland and Katrina rekindle their affair**

This fact later concerns observers, who note that 1997 was a critical year in the Royal Tourist investigation, and that Katrina is later found to have an unauthorized document relating to Royal Tourist in her possession.

Cleveland and Katrina's affair also picks up again in 1999.

November 2000 ★ **J.J. retires from the FBI**

Having reached the mandatory retirement age, J.J. leaves the FBI. Katrina attends J.J.'s retirement party, held the same month, and makes a video recording of the party, which is attended by FBI and CIA agents.

January 2001 ★ **Katrina and J.J. attend Bush inauguration**

By chance, a *Washington Post* photographer takes a snapshot (left) of the pair together at the inauguration.

December 2001 ★ **FBI begins surveillance of Katrina**

The FBI's surveillance, which is authorized by the Foreign Intelligence Surveillance Court (FISC), includes covert physical searches, interceptions of Katrina's phone, fax, and e-mail communications, and physical surveillances.

April 2002 ★ **FBI begins surveillance of J.J.**

J.J.'s surveillance, also authorized by the FISC, includes covert physical searches, interceptions of his phone, fax, and e-mail communications, and physical surveillances.

Nov. 5, 2002 ★ **Surveillance detects sexual relationship**

With authorization from the FISC, the FBI monitors a hotel in the Los Angeles area. The electronic surveillance reveals a sexual relationship between Katrina and J.J.

Nov. 11, 2002 ★ **Katrina's luggage is searched**

FBI agents covertly search Katrina's bags at Los Angeles International Airport when she leaves for a trip to China. They find a fax cover sheet from J.J. Smith to Katrina and a second page, from the same fax machine, which contains photographs from a meeting of the Society of Former Special Agents for the FBI. Two active-duty FBI agents, who work community affairs, are pictured in the photographs.

When Katrina returns from China on Nov. 25, FBI agents again covertly search her bags. The photos of the FBI agents are not present.

Dec. 9-10, 2002 ★ J.J. is interviewed by the FBI

During his interview, J.J. says that he provided any information Katrina would have regarding FBI operations or sources. According to the government, he also states several times that "he had probably told Leung too much in the course of operating her as an asset." When asked specifically if he had traveled with Katrina, J.J. admits to trips to Hong Kong and London. He also acknowledges having invited Katrina to his retirement party and having let her videotape the proceedings. He tells the FBI that he has the tape "at home."

When asked if he is having a sexual relationship with Katrina, J.J. first refuses to answer the question and then denies the affair.

Dec. 9, 2002 ★ J.J.'s house searched

J.J. agrees to allow FBI agents to search his study and his home computer. According to the criminal complaint against J.J., "No relevant evidence was found in the study," and an electronic image taken of J.J.'s computer "yielded no relevant information."

Dec. 11, 2002 ★ FBI interviews Katrina

Katrina agrees to a voluntary interview with the FBI. She admits to having a sexual relationship with J.J. that began in the early 1980s.

Later that day, FBI agents arrive at Katrina's house where she voluntarily provides them with a five-page document from her safe. The document includes transcriptions and summaries of phone conversations that were recorded between "Luo" and "Mao." Within a few days, the FBI confirms that the document provided by Katrina is identical to a document classified "top secret."

Dec. 12, 2002 ★ Katrina's residence searched

Katrina agrees to allow the FBI to search her residence, provided that the agents conduct the search while her husband is out. She also stipulates that the agents cannot search her husband's computer or her son's room.

The agents find several documents, including:

1. A June 1997 FBI electronic communication, which had a "secret" classification marking.
2. A December 1994 FBI telephone directory, including home phone numbers, of Los Angeles FBI counterintelligence agents.
3. A March 1994 FBI Legat Directory with the names and phone numbers of the FBI's legal attaché offices abroad.
4. A document relating to the classified "[Royal Tourist](#)" investigation.

Dec. 11, 2002-Jan. 6, 2003 ★ Katrina interviewed multiple times

During her interviews with FBI agents, Katrina admits to surreptitiously taking and copying documents without J.J.'s knowledge as well as taking notes on information provided by J.J., and providing the information to the MSS. According to government documents:

Leung also admitted that Smith would leave his briefcase open and that the file-folder pockets in the briefcase often contained documents, with the text facing out. Leung stated this enabled her to see documents that she wanted, and that she would remove them and copy them without Smith's knowledge when he left his briefcase unattended.

Katrina says that J.J. would sometimes let her review classified documents, although he did not allow her to keep them.

Katrina also admits providing information to the MSS about Bill Cleveland and I.C. Smith's 1990 visit to China. And she states that she "withheld information from both the FBI and the MSS over the years, deceiving both intelligence services."

Finally, Katrina says that she received \$100,000 from China and that she was given the money because Chinese President Yang Shangkun "liked her."

Dec. 19, 2002 ★ Bill Cleveland interviewed by the FBI

The FBI interviews Cleveland three other times, on Jan. 28, Feb. 3 and Feb. 4, 2003. During the interviews, Cleveland admits to a long-term sexual affair with Katrina. He gives several dates as to when the affair took place (sometime between 1988 and 1994), but says that the relationship resumed in 1997 and 1999. Cleveland says that after the 1991 revelation of Katrina's unauthorized disclosure of his trip to China, he relied on J.J. to address the problem and that J.J. assured him that he had taken care of it.

April 9, 2003 ★ Katrina and J.J. are arrested

J.J. is charged with mishandling classified documents. He pleads not guilty and is released the next day on \$250,000 bail. According to J.J.'s friends, he maintains that he and Katrina were always working for the U.S. and that their only crime was to fall in love.

Katrina is charged with possessing and copying classified documents. She also pleads not guilty, but a judge denies her release, charging that she is a flight risk. In June, she is released on \$2 million bail. Katrina's defense argues that she is innocent and she is being punished for actions the FBI once condoned and encouraged. [Read [Katrina's on-camera statement](#) to FRONTLINE.]

A few days after the news of Katrina and J.J.'s arrests, Bill Cleveland resigns from his job at Lawrence Livermore. He has been cooperating with the FBI and has not been charged in the case.

July 2004 ★ J.J.'s case is scheduled for trial.

Fall 2004 ★ Katrina's case is scheduled for trial.

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FROM CHINA WITH LOVE

HOME "PARLOR MAID" CHINA SPYING COUNTERINTELLIGENCE



J.J. Smith, FBI-Chinese double agent; Katrina Leung, Chinese-FBI double agent; William ("Bill") V. Cleveland, Jr., FBI-Chinese double agent. **The "Parlor Maid" Case**

The story of Katrina Leung and her two FBI lovers -- and analysis of the potential damage. Plus, J.J. and Katrina's defense.

CHRONOLOGY

A chronological outline of the "Parlor Maid" story, drawn from the government's court filings in the cases against Katrina Leung and J.J. Smith.

ASSESSING THE DAMAGE

Information provided by Katrina Leung made its way to the desks of four U.S. presidents. But since the Parlor Maid investigation began, the FBI has been forced to reexamine each piece of intelligence provided by Leung -- and every investigation that J.J. Smith and Bill Cleveland worked on -- to evaluate if any of its Chinese counterintelligence cases had been compromised. Here, former FBI Special Agents Edward Appel, Jack Keller and T. Van Magers, author Dan Stober, and J.J. Smith's defense attorney, Brian Sun, assess the extent to which the Parlor Maid debacle may have affected U.S. national security.

KATRINA'S DEFENSE

Here are her lawyer's arguments, plus Katrina's statement to FRONTLINE.

INTERVIEW: BRIAN SUN

As J.J. Smith's attorney, he argues that the case against J.J. does not warrant criminal charges and should have instead been handled administratively by the FBI -- which he feels is trying to clean up its image by making an example of Smith and Leung.

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Join the Discussion

WHAT ARE YOUR VIEWS ON THE "PARLOR MAID" CASE AND THE FBI'S COUNTERINTELLIGENCE EFFORTS?

Dear FRONTLINE,

After reading other respondents' comments, I think I need to remind those who angrily accused Chinese government of spying on America one fact: this so-called spy story began with two FBI agents whose clearly defined duty was to SPY ON CHINA. Don't try to play the moral superiority game on spy-related issues. To those who hold unfair and unbalanced stereotypes more than real knowledge about China, to those whose understandings about China goes no farther than his personal contacts and impressions of the nearby China Town, the following data may help them walk out of their tunnel-vision closet. There are 300 million mobile phone users (one-in-four people) in China. About 90 million Chinese people surf online everyday. There are 100,000 Chinese students studying in U.S., roughly one million in other countries, and at least 50% of them eventually will go back to China. The most studied areas are MBA and Electronic Engineering.

If Chinese people were really aggressive and warmongering as some people implied, there would have been no Great Wall in China and the world language would have been Chinese since at least one thousand years ago.

Xu Wu
Gainesville, FL

Dear FRONTLINE,

The documentary provided a very good overview of the impending case, and making the informed public understand that Chinese spying tactics bare little resemblance to Soviet and Eastern European Communist methods.

Having said that, the documentary lacked in allowing the interviewed experts to expound on the larger impact this case has on US-China relations and US counterintelligence in the post-9-11 era. US-China relations have changed since 9-11, with the cooperation on terrorism resulting in placing other issues on the back burner. This includes the prevalence of Chinese espionage against our government, businesses, and Chinese nationals. Ambassador Lilly could have provided ample insights to the impact such cases may or may not have for future US-China relations.

I would also would liked to have heard from the numerous counterintelligence experts on the show about how this case may or may not change how the United States address the growing Chinese espionage threat. This includes those within the ranks of our intelligence agencies and those threats within American society. Will the increasing emphasis on counterterrorism also lead to more renewed focus on countering Chinese espionage activities? Or will the Chinese espionage threat be dwarfed by the concern over terrorist threats to the US?

You show provided a good story, it needed to address such larger questions to engage the audience in understanding potential threats to US national security interests.

Mike Sullivan



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Dear FRONTLINE,

As someone "in out of the cold" I found this program to be very, very well done. I'm almost certain that both parties will either be acquitted or found guilty of something less than spying. The missing pictures are not enough. In the wake of the Wen Ho Lee mess, I don't see this one rising to the level of a successful prosecution.

By the way, the Chinese have been "eating our lunch" forever. In 2004 we still know very little about the Chinese world view. I find it as amusing today as I did 40 years ago when I stepped off an airplane in Taiwan and found many Chinese to be as tall as me, something my education had not prepared me for. I'm only 6 feet tall, but obviously dumb as a rock about a people I had been trained to know.

wej

Willie Jones
honolulu, hawaii

Dear FRONTLINE,

Dear Frontline,

As I read through some of your reader's opinion on "From China with love", I can't believe these opinions are chosen by PBS/Frontline to show cased on this web site.

One said US is wasting tax money on Chinese students for helping them on a pre-planned motive: stealing sensitive US technologies. Another charges that China is an enemy of the states and secretly gaining force and taking advantages to prepare for the planned confrontation.

Eventhough I can't speak for every single Chinese student nor know what Chinese government think, for every Chinese that I know, these charges are completely false. Chinese students that I know came to this country experiencing many hardships to expand knowledge, to understand another culture, and to pursuit a better way of life. Most of them are living in poverty while doing researches to further US's technical lead. They are paid because they need it to survive and, for the same wage, few US citizen willing and able to do the same study. Most importantly, they are here for the same reason as all other foreign students (Indian, French, Russian...) to lead to a better way of life.

Many of them, if not all, stayed in US and contribute to US's technical/scientific lead and economy. All of these benefits aren't possible if isn't for US government's initiative and planing in bring these outstanding people to the states.

Painting China as an enemy of the states, instead of a potentially strong ally, is especially destructive. I highly doubt that Chinese government wants to "play wargame" any more than US/Russia. Just by comparing number of wars to that US and Russia participated in, one can tell that China does not like war. Out of every chinese that I know, none can imaging nor hated more than a war between US and China. All these opinions will only fuel misunderstanding and hatred between racial groups.

Brian Lee
Redwood City, CA

Dear FRONTLINE,

This excellent Frontline report leads me to believe Ms.Leung is guilty of intelligence activity on behalf of China while profiting hugely from the U.S. government. However, I don't believe for a moment she did this out of loyalty to the PRC. She did this to benefit herself financially. Though successful prosecution may not be easy due to national security concerns. I would also like to point out to Mike Horton that Chinese students do generally get a lot of financial support from being research assistants and teaching assistants. Though their English language skills may be wanting, they are usually very well qualified particularly since it's hard to find U.S.nationals who are interested in those areas and with comparable technical abilities. Chinese students are generally quite frugal out of necessity. That's how they can afford the tuition bills! I find mike's statements to be self contradictory.

Dora Shi
Bellevue, Washington

Dear FRONTLINE,

The over riding question that kept coming back during the course of your broadcast this evening was, "How old are these people?" Your usual voice over narration could have been equally convincingly performed by an MTV announcer and the cast presented could have been enacted, stereotypes and bathos a-flying, by a cast of Dungeons and Dragons obsessed junior high schoolers. Sophomoric West meets slightly less Sophomoric East.

At least we can console ourselves with the realization that not much of value has likely been lost, for the Chinese don't really need to steal from us. At the rate things are going, they can simply buy us. And, once a subsidiary of China, Inc., we shouldn't be surprised at being made to wear dunce caps and sit in the corner for a good, long while.

Bailey Jepson
Pacific Palisades, ca

Dear FRONTLINE,

I see Chinese students allowed to study at the Graduate level each college term in sensitive areas like physics, computer engineering, cancer research, and other engineering areas. These jobs are paid for by the American taxpayer, and their families are allowed to come to the States--as almost all are married. The spouse usually immediately begins study in another sensitive study area, as well; also subsidized by the taxpayer. It is very rare to see these students ever interact with non-Chinese students, nor do they support the local businesses as they are extremely reticent to spend money. But they always have the funds for out of state tuition each term. Who funds them so well and steadily.

Do we think for a moment that these students are the children of run of the mill Chinese citizens? It is much more likely that they are the children of the decision-makers in China who gain economically with each stolen bit of technology...

Mike Horton

Dear FRONTLINE,

I found your report to be fascinating. Unquestionably, this is a most complex case. I thought the most compelling piece of evidence (assuming it is allowed in court) against Katrina Leung centered around the photographs discovered to be in her luggage on her China trip yet missing from that same luggage on her return to the United States. This is the kind of reporting that so seldom is seen on commercial television; however, veteran viewers of PBS come to expect it normally. Congratulations to all who worked on this informative and timely documentary.

Richard Gurner

Dear FRONTLINE,

If this is the FBI's number two priority, then why do so few cases come to the public's attention? Are most spies declared persona non grata and then allowed to leave the USA?

Jim McElroy

Dear FRONTLINE,

Your insightful report wonderfully detailed a threat to our national security that is often forgotten by the media: the threat from Communist China.

The People's Republic is a rising power, where generals still play wargames, forever preparing for what they consider to be an eventual military confrontation with the USA.

It is about time Americans would stop seeing the People's Republic as merely a source of cheap consumer goods. While America is busy defending itself on all fronts from an assault by radical Islam, the Communist Chinese leadership is quietly building up their military and economic potential for global leadership. They keep their currency artificially low to flood our markets with cheap products; they make sure that the labor costs in China are infinitesimally small so that our corporations re-locate to their shores; they make sure that while they invite capitalism, they do not permit their citizens an iota of political freedom -- and the USA is not rushing out there to encourage the Communist Chinese leadership to change their ways.

Unless we stop being complacent and understand who our friends and enemies are in the world, we can never guarantee safety and security for America.

It is my sincere hope that the the present administration will become ever more vigilant in this matter thanks to shows like yours.

Nazar Khodorovsky
Arlington, Virginia

Dear FRONTLINE,

Your report on "Parlor Maid" and the FBI's counter-intelligence efforts was fascinating. I understood from the start that not many facts would be revealed, due to an on-going investigation. All that put aside, you set up the scenario very well and I concluded from this scenario that "Parlor Maid's" actions seem less important than those of Agents JJ Smith and William Cleveland. These men may have jeopardized the United States national security more than any spy could ever accomplish. They were the United States homeland security and they got intimately involved with a spy. Shame on them and the FBI's failed management department. We have a lot of work to do in this day and age of terrorism.

Alec Yannoulis
Chicago, Illinois

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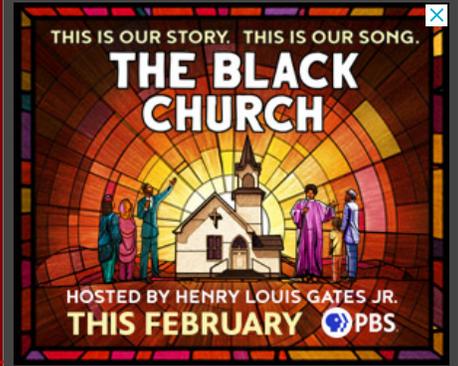
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HOME "PARLOR MAID" CHINA SPYING COUNTERINTELLIGENCE



How China Spies

What makes China's methods unique? Analysis of the China threat and details of four Chinese espionage investigations.

CHINA'S ESPIONAGE: WHAT'S AT STAKE?

The FBI ranks China as one of the greatest potential espionage threats over the next decade. What's the nature of that threat? What are China's goals? Former FBI counterintelligence experts Edward Appel and T. Van Magers, author Dan Stober, former U.S. Ambassador to China James Lilley, and criminal defense attorney Brian Sun discuss China's threat and whether the U.S. counterintelligence community can defend America's interests.

"CHINA IS DIFFERENT"

This is the standard refrain among U.S. counterintelligence specialists, some of whom believe America has never fully understood how the Chinese wage the espionage war. Chinese spies have not been caught making "dead drops" or using other clandestine techniques that Americans saw during the Cold War era. Here, author Dan Stober, former U.S. Ambassador to China James Lilley, former FBI Special Agents Edward Appel and T. Van Magers, and former Energy Department Director of Intelligence Notra Trulock describe and evaluate China's espionage tactics.

FOUR CHINESE ESPIONAGE INVESTIGATIONS

Details of four investigations into suspected Chinese espionage over the past 20 years -- only one of which was prosecuted successfully -- revealing the complexities of such cases.

"CHINESE INTELLIGENCE OPERATIONS"

Nicholas Eftimiades, author of the book *Chinese Intelligence Operations*, made this presentation before Congress's Joint Economic Committee in May 1998. He describes the information-gathering methods of China's Ministry of State Security (MSS) both at home and abroad. "Most of China's clandestine economic espionage activities are not sophisticated operations," he says, "but their numbers compensate for this weakness. In the U.S., those activities focus on the theft of American technology."

I'M NOT A SPY -- ARE YOU?

Helen Zia is an Asian-American journalist and the author of *Asian American Dreams: The Emergence of An American People*. She also co-wrote Wen Ho Lee's autobiography, *My Country Versus Me*. In this June 1999 article, published in *AsianWeek*, Zia writes, "As the 'evidence' continues to mount about the evil, inscrutable, diabolical, culturally ingrained spy behavior going all the way back 5,000 years, I am afraid that it is only a matter of time before I, too, will be accused of espionage." She also notes, "Americans like to believe that we will be treated as 'innocent until proven guilty.' Tell that to Wen Ho Lee and thousands of Asian American scientists."

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FROM CHINA WITH LOVE

HOME "PARLOR MAID" CHINA SPYING COUNTERINTELLIGENCE

Interviews

EDWARD APPEL



Appel was an FBI special agent from 1973 to 1997, where he specialized in counterintelligence. He also served as FBI liaison to the National Security Council from 1996 to 1997. In this interview, Appel explains how an FBI counterintelligence agent develops an asset and talks in detail about China's methods of espionage. He describes Bill Cleveland, who worked for him, as "one of the nation's most expert counterintelligence officers with regard to China." Appel also discusses the reasons why prosecuting espionage may not always be the most attractive option for the U.S. government, but argues that the FBI prosecutes "an awful lot of messy cases," and that procedures are in place to protect classified information.

JACK KELLER



Keller was an FBI special agent from 1969 to 1997. During the time he was based in Los Angeles, Keller got to know J.J. Smith personally, and in this interview, he describes Smith as a "maverick" who had little regard for the buttoned-up culture of the FBI. Keller speculates that Smith's relationship with Katrina Leung was "all about sex quite frankly. Free sex at the cost of the government." He also explains how the Parlor Maid case may have tainted the FBI's Chinese counterintelligence program over the years. Keller specialized in white collar crime while with the FBI, and he now runs his own private investigation company.

JAMES LILLEY



Lilley was the U.S. ambassador to China from 1989 to 1991. He also served the CIA in China from 1975 to 1978. More recently, from 1991 to 1993, he was assistant secretary of defense for international affairs. In this interview, Lilley is critical of the FBI's counterintelligence program and its failure to successfully prosecute espionage cases. He also questions whether the Katrina Leung case has any serious national security repercussions. "The idea that she was giving information that was critical to the Chinese government ... and that she was influencing U.S. government policy by what she reported, I don't think that's true," he tells FRONTLINE.

T. VAN MAGERS



Magers was a special agent in the FBI from 1969 to 2002, during which time he specialized in Chinese counterintelligence and got to know both J.J. Smith and Bill Cleveland. In this interview, he describes the evolution of Chinese espionage over this period and recounts some of the FBI's major investigations into China's espionage program, including his own role in the Larry Wu-Tai Chin case. Magers tells FRONTLINE that among the lessons learned from the Parlor Maid scandal is that counterintelligence agents need to be careful in how they handle assets and authenticate the information they've provided. "You have to evaluate how much you're willing to compromise in order to get the information you need," he warns.

I.C. SMITH



Smith was an FBI special agent from 1973 to 1998. In 1979, he was named supervisor of the Chinese intelligence squad and he worked closely on the Larry Wu-Tai Chin case. In 1990, while working diplomatic security in the State Department's Office of Counterintelligence Programs, Smith traveled with FBI agent Bill Cleveland to China, where the two were surprised to be extensively surveilled by Chinese security agents. Smith now believes that Katrina Leung tipped the Chinese off to this trip. In this interview, Smith recounts his trip to China with Cleveland and the allegations surrounding Cleveland, J.J. Smith, and Katrina Leung.

DAN STOBER

Stober is a reporter for the *San Jose Mercury News* and the co-author of *A Convenient Spy: Wen Ho Lee and the Politics of Nuclear Espionage*. In this interview, he gives a historical overview of Chinese espionage against the United States and recounts in detail the cases of Larry Wu-Tai Chin, Gwo-Bao Min, Peter Lee, and Wen Ho Lee. Stober also discusses the roles Bill Cleveland and Katrina Leung played in these investigations.

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BRIAN SUN



Sun is J.J. Smith's attorney. His argues that the case against J.J. does not warrant criminal charges and should have instead been handled administratively by the FBI, who Sun feels is trying to clean up its image by making an example of Smith and Katrina Leung. Sun served as attorney for Johnny Chung in the campaign finance scandal in the late 1990s and also represents Wen Ho Lee in his civil suit against the U.S government. He draws on his experience from these cases to evaluate how the FBI goes about prosecuting espionage.

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FROM CHINA WITH LOVE

HOME "PARLOR MAID" CHINA SPYING COUNTERINTELLIGENCE

Introduction JANUARY 15, 2004

Her code name was "Parlor Maid," and she was an FBI "asset" for 20 years. Her information about China eventually made its way to four American presidents. Then in April of 2003, Katrina Leung and her FBI "handler," Special Agent J.J. Smith, were arrested. The government alleged that Leung was an agent for China and that Smith had helped her. And, in court filings, the government also revealed in court filings that Smith and Leung had carried on a romantic relationship for more than two decades.

In "From China with Love," FRONTLINE explores a story of secrets, risk, patriotism, and perhaps a story of love.

The cases against Leung and Smith were shocking to longtime FBI observers. Essentially, Agent Smith and his prized asset Leung admitted they would meet at her upscale home in a Los Angeles suburb. After they made love, J.J. would leave the bedroom and Katrina, unbeknownst to J.J. would copy secret or classified documents from his briefcase.

Leung's possession of secret documents and Smith's alleged complicity called into question virtually every piece of counterintelligence information on China gathered by the United States over two decades.

"Very grave damage could have been done," says Ed Appel, the former head of FBI Counterintelligence in San Francisco. "And it certainly could result in a compromise of U.S. government interests and intelligence interests with regard to China."

Neither Leung nor Smith were charged with espionage. Instead, the government said Leung had copied classified documents and that Smith provided access to those documents through gross negligence. Both pled not guilty.

The government alleged that Leung regularly traveled to China where she often met with high-ranking officials, and that she was a Chinese agent with the code name "Luo."

"Katrina Leung is a loyal American citizen," her attorneys said in a statement issued to the press. "For over 20 years she has worked at the direction and behest of the Federal Bureau of Investigation."

J.J. Smith's attorney, Brian Sun, questioned the motives of the government in charging his client. "We think the bureau is ... reacting and perhaps overreacting to external political pressures, to public relations nightmares, and [Smith and Leung] are being unduly and harshly sanctioned and punished for conduct which arguably could have been dealt with administratively or some other means short of criminal prosecution."

In the San Francisco FBI office, one of the bureau's top Chinese counterintelligence agents, William Cleveland, provided the first inkling that "Parlor Maid" may also have been giving the Chinese information without the FBI's knowledge.

In 1991, the FBI assigned Cleveland to travel to China. While there, he was followed by Chinese security agents and apparently confronted by a former espionage suspect under suspicious circumstances. When Cleveland returned to the United States, he was given a wiretap audio recording made before his trip to China on which a woman with the code name "Luo" talks to an agent code named "Mao" and gives the details of Cleveland's upcoming trip. The woman's voice was well known to Cleveland. It was one of the FBI's prized assets -- "Parlor Maid."

[Editor's Note: An Update On Jan. 5, 2005 a federal judge dismissed all five criminal charges against Katrina Leung on grounds of prosecutorial misconduct. Leung had been charged with unauthorized possession and copying of classified material. The U.S. attorney in the case said an appeal was being considered.]

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But Cleveland had a problem: for three years he and Katrina Leung *also* had been lovers. Cleveland would have to turn Leung in to headquarters but hope they never discovered his personal relationship.

Headquarters didn't discover Cleveland's or Smith's relationship with Leung -- and in what would later be criticized as a profound failure of management, they actually returned "Parlor Maid" to the field and allowed Smith to continue supervising her.

Subsequently it was revealed that even after learning that Leung was working with the Chinese, both Agent Smith and Agent Cleveland continued to share information about [important Chinese counterintelligence investigations](#) with Parlor Maid.

"Cleveland is deeply involved with Gwo-Bao Min, he's deeply involved in Wen Ho Lee. He is deeply involved in the Peter Lee Case," says [Dan Stober](#), author of *A Convenient Spy*. "If Cleveland is talking to Katrina about these things, that she's telling the Chinese, the Chinese theoretically could be telling their sources at the labs, 'Look out, look out.'"

Former agent Cleveland has not been charged by the federal government and is said to be cooperating with the investigation.

"'From China With Love' details the human drama behind the profound troubles that have plagued the FBI for more than a decade," says FRONTLINE producer Michael Kirk. "This [film](#) illustrates the lack of management controls, the failure of safeguards, the 'old boy network' and [the complexities of the relationship between sources and agents](#) that is at the heart of what the FBI does."

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[Greg Krikorian et al. (Apr. 12, 2003). Nuclear Lab Official Quits in Spy Probe [William Cleveland Jr.] *Los Angeles Times*.]

Nuclear Lab Official Quits in Spy Probe

By GREG KRİKORIAN, TIM REITERMAN, LEE ROMNEY, DAVID ROSENZWEIG, RICK SCHMITT, REBECCA TROUNSON AND HENRY WEINSTEIN

APRIL 12, 2003 | 12 AM

The onetime head of the FBI's Chinese counterintelligence unit in San Francisco has resigned a sensitive post at the Lawrence Livermore National Laboratory after authorities said he acknowledged a longtime affair with an alleged Chinese double agent.

The resignation of ex-FBI supervisor William Cleveland Jr. came one day after federal agents in Los Angeles arrested a retired colleague, James J. Smith, and businesswoman Katrina Leung in an espionage-related case Wednesday.

While Cleveland has not been charged with any wrongdoing, court documents and interviews assert that the former FBI agent, like Smith, carried on a romance with Leung that spanned years. During that time, Cleveland has acknowledged to FBI

investigators, he had suspicions that Leung, a prized FBI informant, was passing classified information to China's intelligence service.

Cleveland raised his concerns with Smith, who he knew had recruited Leung, but took no other action, according to court documents. And both he and Smith continued their romantic involvement with Leung, who FBI investigators allege not only passed on information to China but was found with classified FBI documents at her home in San Marino.

Those documents included a secret memorandum about Chinese fugitives, a telephone list of the FBI's National Security Division squad in Los Angeles and a directory of the FBI's legal attaches overseas.

Smith, free on \$250,000 bail, has not commented about the case. Cleveland did not return phone calls or e-mails seeking comment Friday.

Leung, who has been jailed at the federal Metropolitan Detention Center in Los Angeles since her arrest, attended a brief court session Friday in which U.S. Magistrate Victor Kenton discussed procedural matters with prosecutors and defense lawyers in preparation for the defendant's bail hearing Tuesday.

Afterward, defense lawyer Janet I. Levine told reporters that Leung had been “abused” and “manipulated” by the FBI, not the opposite, as claimed by federal prosecutors.

“When the facts are revealed, we are confident that Ms. Leung will be shown to be a patriot of this country who did what she was told to do, and she will be exonerated,” Levine said.

Levine said the government’s complaint distorts Leung’s role as an FBI asset. Referring to Leung’s FBI handlers, the defense lawyer said that her client “was used by them to do what they wanted done.... She did what they wanted her to do.” Levine declined to be more specific.

Throughout the FBI, details of the investigation remained closely held, with even veteran agents voicing surprise at the secrecy of the inquiry. One indication of the case’s sensitivity was the fact that agents recruited for the investigation were given polygraph tests before, during and after their work on the case.

At Lawrence Livermore, spokeswoman Susan Houghton said, “It’s very important to reiterate that the FBI has not provided us with any information that would make us think that lab security in any way has been compromised. That’s why we’re really treating this as a personnel matter.”

The case is a further embarrassment for the University of California, which manages Livermore and its sister nuclear weapons facility, Los Alamos, on a long-standing contract for the Energy Department.

In recent months, with strong evidence of financial fraud, theft and other problems at Los Alamos, UC’s management and business practices at the labs have come under intense federal scrutiny. The Energy Department has said it will decide by April 30 whether to break the contract.

On Friday, UC spokesman Michael Reese said the university, in conjunction with lab officials, had acted as quickly as it could to limit possible damage.

“As soon as we heard about it, his personal and computer access to the lab was immediately suspended and we requested that the [Energy Department] revoke his security clearance,” Reese said. “What we’ve also undertaken, here and at the lab, is a thorough review of his work, to make sure there have been no compromises of security.”

In Cleveland’s Monterey neighborhood of single-family homes, residents expressed shock. Cleveland and his wife, a schoolteacher, were described as extremely friendly. “We exchanged cookies at Christmas,” said one neighbor. “They’re run-of-the-mill people, just like we are.”

Just as with Smith’s arrest on charges of gross negligence in handling U.S. secrets, former colleagues of Cleveland said Friday that they were stunned by disclosures that he was romantically involved with an informant now charged with illegally obtaining classified documents for China.

“Bill was probably as well respected an agent and supervisor as I worked with in San Francisco,” said retired FBI Agent Rick Smith, who served as supervisor of the office’s Soviet counterintelligence squad. “He had the utmost respect from field agents as well as the hierarchy ... excellent knowledge of the work and was just a good man.”

While Cleveland's relationship with Leung showed "poor judgment," Rick Smith said, "I don't think there is anything he has done that is related to espionage. And from what I understand, he has not -- and never has been -- the focus of the investigation."

That statement was echoed by San Francisco FBI Agent LaRae K. Quy. "I do not have any information that he is going to be indicted or anything like that," said Quy, a veteran counterintelligence agent who now serves as the office's spokeswoman.

In court papers, the FBI has said that Cleveland is cooperating with investigators.

"I found him to be one of the more competent agents I have ever dealt with in the FBI," said another retired FBI official. "The only reason he did not advance further is that he did not want to leave San Francisco."

The retired official recalled that Cleveland attended the Army's language school in Monterey.

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“I had always known Bill to be very straightforward, very competent,” the retired official said.

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FBI affidavits stated that Cleveland’s affair with Leung stopped when the agent retired, but resumed in 1997 and 1999 -- a period when Cleveland was employed at the lab.

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It appears that the Clevelands moved from Dublin, which is not far from the Livermore laboratory, where they sold their home for \$335,000 in 1999.

*

This article was reported by Times staff writers Greg Krikorian, Tim Reiterman, Lee Romney, David Rosenzweig, Rick Schmitt, Rebecca Trounson and Henry Weinstein.



Lee Romney

Former staff writer Lee Romney covered the Bay Area and Northern California news for the Los Angeles Times from the San Francisco bureau. Romney grew up in Canada and then Arizona before moving to the Bay Area. She started with the L.A. Times in 1992 and after many years in the Southland returned to San Francisco in 2003. She left the newsroom in 2015.



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Lee Romney

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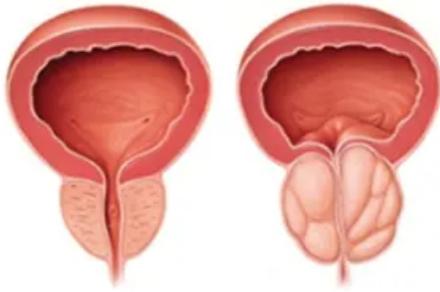
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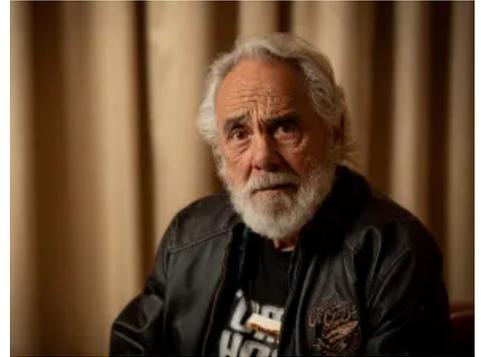


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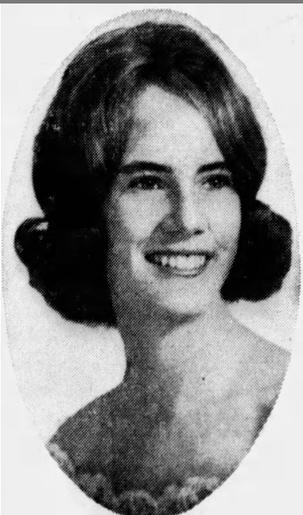
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(Von Dube! Studio)
PATRICIA ELLEN DAVIS

Davis-Cleveland

Mr. and Mrs. Harvey A. Edge of Alexandria announce the engagement of Mrs. Edge's daughter, Miss Patricia Ellen Davis, to William V. Cleveland Jr., son of Mr. and Mrs. William V. Cleveland of Arlington.

Miss Davis is the daughter of the late Walter Haden Davis. She was graduated from Mt. Vernon High School, Alexandria, and is a senior at the College of William and Mary. She is majoring in government and plans to teach high school upon graduation. She is a member of Pi Beta Phi Social Sorority.

Mr. Cleveland was graduated from Wakefield High School, Arlington, and the College of William and Mary. He is attending the Marshall-Wythe School of Law, College of William and Mary.

A summer wedding is planned.

Marriage of Davis / Cleveland Patricia Ellen Davis married William V. Cleveland Jr.

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CRS Report for Congress

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China: Suspected Acquisition of U.S. Nuclear Weapon Secrets

Updated February 1, 2006

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China: Suspected Acquisition of U.S. Nuclear Weapon Secrets

Summary

This CRS Report discusses China's suspected acquisition of U.S. nuclear weapon secrets, including that on the W88, the newest U.S. nuclear warhead. This serious controversy became public in early 1999 and raised policy issues about whether U.S. security was further threatened by China's suspected use of U.S. nuclear weapon secrets in its development of nuclear forces, as well as whether the Administration's response to the security problems was effective or mishandled and whether it fairly used or abused its investigative and prosecuting authority. The Clinton Administration acknowledged that improved security was needed at the weapons labs but said that it took actions in response to indications in 1995 that China may have obtained U.S. nuclear weapon secrets. Critics in Congress and elsewhere argued that the Administration was slow to respond to security concerns, mishandled the too narrow investigation, downplayed information potentially unfavorable to China and the labs, and failed to notify Congress fully.

On April 7, 1999, President Clinton gave his assurance that partly "because of our engagement, China has, at best, only marginally increased its deployed nuclear threat in the last 15 years" and that the strategic balance with China "remains overwhelmingly in our favor." On April 21, 1999, Director of Central Intelligence (DCI) George Tenet, reported the Intelligence Community's damage assessment. It confirmed that "China obtained by espionage classified U.S. nuclear weapons information that probably accelerated its program to develop future nuclear weapons." It also revealed that China obtained information on "several" U.S. nuclear reentry vehicles, including the Trident II submarine-launched missile that delivers the W88 nuclear warhead as well as "a variety of" design concepts and weaponization features, including those of the neutron bomb.

On May 25, 1999, the House's Cox Committee reported that China stole classified information on the W88 and six other U.S. nuclear warheads. On June 15, 1999, the President's Foreign Intelligence Advisory Board (PFIAB) called the Department of Energy a "dysfunctional bureaucracy" and urged the creation of a semi-autonomous or independent agency to oversee nuclear weapons. In September 1999, Congress passed the FY2000 National Defense Authorization Act to create a National Nuclear Security Administration (NNSA) within DOE on March 1, 2000.

As one result of the W-88 case, the FBI investigated a Taiwan-born U.S. scientist at the Los Alamos lab, Wen Ho Lee. He was never charged with espionage. In December 1999, the Justice Department indicted Lee on 59 felony counts for mishandling nuclear weapons information (not classified at the time). Lee was jailed without bail until a plea agreement on September 13, 2000, when he pleaded guilty to one count of mishandling national defense information (for making copies of his computer files). The judge apologized to Lee. Meanwhile, in April 1999, the FBI expanded its counterintelligence investigation beyond the focus on Los Alamos, and in 2000, the probe shifted to missile secrets and to the Defense Department. In April 2003, an ex-FBI agent, James Smith, and his informant, Katrina Leung, were arrested for allegedly mishandling national defense information related to China.

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China: Suspected Acquisition of U.S. Nuclear Weapon Secrets

Challenges to U.S. Security

Congressional Concerns and Policy Issues

In early 1999, Congress heightened concerns about security over nuclear weapon data at the U.S. nuclear weapon laboratories (Lawrence Livermore, Los Alamos, and Sandia) after public news reports said that the People's Republic of China (PRC) may have acquired the design of the W88 nuclear warhead in the 1980s. This case was the third publicly reported case involving China's suspected compromise of U.S. nuclear weapon secrets.

In April 1999, President Clinton stated that the PRC had fewer than two dozen long-range nuclear weapons, compared to 6,000 in the U.S. arsenal. Nevertheless, some were concerned that China was developing a new DF-31 solid-fuel, mobile intercontinental ballistic missile (ICBM), with a range of about 5,000 miles, reportedly with a smaller warhead (700 kg; 1,500 lb.) than the current DF-5A ICBMs. In addition, China reportedly had programs to develop a next-generation JL-2 submarine-launched ballistic missile (SLBM) and a longer-range ICBM.¹

This controversy about the W-88 warhead raised policy issues about whether U.S. security was further threatened by the PRC's suspected use of U.S. nuclear weapon secrets in its development of smaller nuclear warheads and new ICBMs, as well as whether the Administration's response to the security problem was effective or mishandled and whether it fairly used or abused its investigative and prosecuting authority. The case also raised questions about the roles of the media and Congress.

Public Cases of Alleged Security Compromises

Suspicious about PRC attempts to acquire secrets from U.S. nuclear weapon labs were longstanding, including congressional concerns discussed below. A 1994 book on PRC intelligence cited the head of counterintelligence at the Federal Bureau of Intelligence (FBI) in Los Angeles as saying that the PRC had tried to recruit people at Los Alamos and Lawrence Livermore labs.² In the three publicly reported cases that occurred in the late 1970s to 1980s, China may have conducted clandestine

¹ See CRS Report 97-391, *China: Ballistic and Cruise Missiles*, by Shirley A. Kan; and CRS Report 97-1022, *Chinese Nuclear Testing and Warhead Development*, by Jonathan Medalia.

² Eftimiades, Nicholas. *Chinese Intelligence Operations* (Annapolis: Naval Institute Press, 1994), p. 6.

operations at the labs or benefitted from voluntary disclosures or lapses in security. However, in these cases, the reported suspects were U.S. scientists working at the labs who were born in Taiwan. A fourth case, reported by the media in April 1999, suggested that China sought more neutron bomb data in 1995. However, it was uncertain whether this reported incident involved any of the Department of Energy (DOE)'s nuclear weapon labs. In April 2003, a retired FBI agent and former head of the FBI's counter-China efforts in Los Angeles, James Smith, and his informant and reported lover, Katrina Leung, were arrested in connection with allegedly passing secrets to China.

“Tiger Trap”. In the first public case, the press reported in 1990 that China had stolen data on the neutron bomb from the Lawrence Livermore lab sometime in the late 1970s to early 1980s, and the FBI began an investigation perhaps in 1986. This case, code-named “Tiger Trap,” reportedly remained open as of 2000³ and became tied to later cases. The PRC allegedly used U.S. secrets about the W70 neutron warhead to make an experimental neutron bomb that was tested in 1988 and also passed the information to Pakistan. The U.S. scientist involved was fired after being investigated for two years, but, because of insufficient evidence, was never charged with a crime.⁴ In late 2000, the suspect's name was publicly reported to be Gwo-Bao Min.⁵ Saying he was unaware of the FBI's investigation at the time, the suspect in the third case, Wen Ho Lee, made a call to this person in 1982.

“Royal Tourist”. The second case came to light when a U.S. scientist, Peter H. Lee, admitted on December 8, 1997, in a plea bargain that, during a trip to China in January 1985, he gave PRC nuclear scientists classified information about his work at Los Alamos on using lasers to simulate thermonuclear explosions and problems in U.S. simulations of nuclear weapon testing. He also admitted failure to disclose his lectures in China in May 1997 on his work on sensitive satellite radar imaging to track submarines at TRW, Inc. (developed at Lawrence Livermore lab). Lee disclosed the information on anti-submarine warfare at the Institute of Applied Physics and Computational Mathematics (IAPCM), a PRC nuclear weapon facility. Lee was not charged with espionage, in part because the information on the laser device was declassified by Energy Secretary Hazel O'Leary in 1993 and the Navy did not want open discussion of the sensitive radar technology. Lee's attorney, James Henderson, said that Lee was not a spy but did make mistakes. He reportedly explained that he was trying to help PRC scientists and boost his own reputation in China. After a seven-year investigation by the FBI that began in 1990 (code-named “Royal Tourist”), Lee was sentenced in March 1998 to one year at a halfway house. This case was briefed to National Security Advisor Sandy Berger by DOE intelligence officials in July 1997 and included in a classified counterintelligence

³ Pincus, Walter and Vernon Loeb, “Other Spy Probes Run More Quietly Than Lee's,” *Washington Post*, November 6, 2000.

⁴ *San Jose Mercury-News* and *New York Times*, November 22, 1990; *Wall Street Journal*, January 7, 1999; *Washington Post*, February 17, 1999; CRS Report 96-767, *Chinese Proliferation of Weapons of Mass Destruction: Background and Analysis*, September 13, 1996, by Shirley A. Kan.

⁵ Gertz, Bill, “China Whistleblower Says FBI Harassment was Payback,” *Washington Times*, November 14, 2000.

report completed in November 1998 that reportedly was sent to the White House.⁶ At hearings in 2000, Senator Specter criticized the prosecution of this case.

“Kindred Spirit”/“Fall Out”. The third case became public as a result of a comprehensive investigation into technology transfers to China conducted in 1998 by the bipartisan House Select Committee on U.S. National Security and Military/Commercial Concerns with China (led by Representative Chris Cox and commonly called the “Cox Committee”). The press first reported in January 1999 that U.S. intelligence discovered in 1995 that secrets about the W88, the most advanced miniature nuclear warhead (deployed on the Trident II SLBM), may have leaked from Los Alamos National Laboratory to China between 1984 and 1988. U.S. intelligence reportedly was handed a secret PRC document from 1988 containing designs similar to that of the W88. The discovery prompted an FBI investigation (code-named “Kindred Spirit”) that began in September 1995.⁷

Suspicious that China may have acquired W88 data also led analysts to reexamine a series of nuclear explosions detonated by China prior to its announcement of a moratorium on nuclear testing (in July 1996) and new willingness to sign the Comprehensive Test Ban Treaty (CTBT) (in September 1996). After China became the last of the five declared nuclear weapon states to begin a moratorium, there were suspicions that China took the step, not just because of arms control, but because it had reached its goals in nuclear weapon modernization or achieved the capability to simulate nuclear explosions. Some speculated that China received test data from Russia or France.⁸

Separate from the W88 case, however, the investigation resulted in the criminal investigation and indictment in 1999 of Los Alamos scientist Wen Ho Lee⁹ for mishandling defense information and questions about whether Taiwan was involved.

⁶ *Reuters*, December 9, 1997 and March 26, 1998; *Washington Post*, December 12, 1997; testimony of FBI Director Louis Freeh before the House Appropriations Subcommittee on Commerce, Justice, State, and Judiciary, March 17, 1999; Walter Pincus and Vernon Loeb, “For Chinese Scientists, a Subtle System of Espionage,” *Washington Post*, May 9, 1999; Jeff Gerth and James Risen, “Reports Show Scientist Gave U.S. Radar Secrets to Chinese,” *New York Times*, May 10, 1999.

⁷ Gerth, Jeff and Eric Schmitt, “Bipartisan Report Finds Theft of Nuclear Technology That Hurt National Security,” *New York Times*, December 31, 1998; Carla Anne Robbins, “China Got Secret Data On U.S. Warhead,” *Wall Street Journal*, January 7, 1999; Walter Pincus, “U.S. Cracking Down On Chinese Designs On Nuclear Data” and “Spy Suspect Fired At Los Alamos Lab,” *Washington Post*, February 17 and March 9, 1999; James Risen and Jeff Gerth, “China Stole Nuclear Secrets From Los Alamos, U.S. Officials Say,” *New York Times*, March 6, 1999; testimony of FBI Director Louis Freeh before the House Appropriations Subcommittee on Commerce, Justice, State, and Judiciary, March 17, 1999.

⁸ Lim, Benjamin Kang, “China Nuclear Halt May Stem From Deal,” *Reuters*, July 30, 1996; Robert Karniol, “Nuclear Blast Heralds A Chinese Moratorium,” *Jane’s Defense Weekly*, August 7, 1996.

⁹ Risen, James, “U.S. Fires Nuclear Scientist Suspected of Spying for China,” *New York Times*, March 9, 1999, quoting Secretary of Energy Bill Richardson in naming Lee.

Meanwhile, apparently reassessing “Kindred Spirit” and finding it to have been too narrowly focused on one lab (Los Alamos) and one suspect (Lee), the FBI in April 1999 reportedly started an expanded investigation (code-named “Fall-out”). In October 2000, it was reported that the investigation had shifted significantly to examine the Pentagon and its facilities and contractors, after intelligence agencies concluded that PRC espionage acquired more classified U.S. missile technology, including that on the heat shield, than nuclear weapon secrets.¹⁰

Neutron Bomb Data in 1990s. In a fourth case reported in April 1999, there were allegations that PRC espionage directed at U.S. nuclear weapon designs continued into the 1990s. U.S. intelligence reportedly learned in early 1996 from one of its spies that China sought in 1995 to acquire more U.S. information on the neutron bomb design that it obtained sometime in the late 1970s to 1980s from Livermore. Some speculated that China may have sought more data, because its 1988 test of a neutron bomb was not successful. Intelligence concerns reportedly led to: a criminal investigation by the FBI and a report from the FBI to DOE on March 27, 1996; a briefing in April 1996 for Sandy Berger (then Deputy National Security Advisor) on concerns about PRC acquisition of neutron bomb and W88 data; and an analysis of the neutron bomb case completed at DOE in July 1996 (that raised the possible involvement of Wen Ho Lee, the suspect in the W88 case). However, the government reportedly had no evidence that China was able to improve its neutron bomb nor that any of the nuclear weapon labs was involved in this case.¹¹

Katrina Leung, James Smith, and William Cleveland. In a publicly known fifth case, on April 9, 2003, in Los Angeles, authorities arrested a retired FBI agent who directed the FBI’s counter-China efforts in Los Angeles until 2000, James J. Smith, and his informant and mistress, a Chinese-American businesswoman named Katrina M. Leung, for involvement in allegedly mishandling national defense information — some classified — related to China. Justice officials reportedly found in Leung’s house: a 1994 telephone directory for the FBI’s Los Angeles office; a telephone list related to the “Royal Tourist” case on Peter Lee; a Secret FBI memorandum dated June 12, 1997, on fugitives from China; and a 1994 directory of FBI legal attaches. Their case involved a complicated, 20-year history that reportedly included: their affair; Leung’s role as a source for the FBI (given the code-name “Parlor Maid” and paid \$1.7 million in total for information about China); and the role of another FBI agent who was based in San Francisco, had his own relationship with Leung until 1999, and warned Smith in 1991 about Leung’s alleged contacts with China’s Ministry of State Security (MSS).¹²

¹⁰ Pincus, Walter and Vernon Loeb, “China Spy Probe Shifts to Missiles,” *Washington Post*, October 19, 2000; “Pentagon to Add 450 Experts to Protect Defense Secrets,” *Washington Post*, October 27, 2000.

¹¹ Gerth, Jeff and James Risen, “Intelligence Report Points to Second China Nuclear Leak,” *New York Times*, April 8, 1999.

¹² FBI, “Statement by FBI Director Robert S. Mueller,” April 9, 2003; Katrina Leung Affidavit; James J. Smith Affidavit; Eric Lichtblau and Barbara Whitaker, “Ex-FBI Agent is Accused of Passing Secrets to Lover,” *New York Times*, April 10, 2003; Dan Eggen and Kimberly Edds, “Ex-FBI Agent, Chinese ‘Asset’ Arrested in Spy Case,” *Washington Post*, (continued...)

On April 11, 2003, the press reported that the ex-FBI agent in San Francisco was named William Cleveland Jr. and that he was a counter-intelligence official at the Lawrence Livermore National Laboratory after retiring from the FBI in 1993 until he resigned from the lab on April 10.¹³ Lawrence Livermore stated that it had no information from the FBI indicating that any classified information from the lab was “compromised.” Nevertheless, the lab had placed its employee on “investigatory leave;” denied him all access to the lab; took possession of his equipment; and suspended his security clearance.¹⁴ In addition to Cleveland’s purported warnings to Smith about Leung, FBI officials in charge of counter-intelligence met in Washington in 1991 on the alleged double roles played by Leung.¹⁵ As a result of the criminal investigation of Leung and Smith, the FBI launched a damage assessment of any compromises in the FBI’s counter-intelligence cases on China since 1991 (including “Tiger Trap,” “Royal Tourist,” and “Kindred Spirit”). Meanwhile, Lawrence Livermore, the FBI, and DOE’s National Nuclear Security Administration began an investigation into any security problems because of Cleveland’s relationship with Leung and his position as the lead FBI agent in the “Tiger Trap” case in the 1980s (which Leung allegedly revealed to China in 1990).¹⁶ Still, Larry Albert, an FBI counter-intelligence agent in Los Angeles said in May 2003 that there was no evidence of security compromises beyond the charges against Leung and Smith.¹⁷

On May 7, 2003, Smith, Leung’s handler, was charged with concealing their romantic relationship and knowledge of her separate contacts with PRC intelligence (as a possible “double agent”) as well as gross negligence in handling documents relating to national defense. He was not charged with espionage. The next day, Leung was indicted on charges of unauthorized copying and possession of national security documents, and not charged with espionage or passing those documents to PRC intelligence. The documents allegedly included transcripts of intercepted conversations in 1990-1991 between Leung (code-named “Luo”) and a PRC intelligence agent (code-named “Mao”).¹⁸

¹² (...continued)
April 10, 2003.

¹³ Eggen, Dan and Susan Schmidt, “Ex-FBI Agent Resigns Post at Nuclear Weapons Lab,” *Washington Post*, April 11, 2003.

¹⁴ Lawrence Livermore National Laboratory, “LLNL Statement on FBI Investigation on Smith/Leung,” news release, April 11, 2003.

¹⁵ Lichtblau, Eric, “FBI was Told Years Ago of Possible Double Agent,” *New York Times*, April 12, 2003.

¹⁶ Schmidt, Susan and Dan Eggen, “FBI Assesses Potential Spy Damage,” *Washington Post*, April 12, 2003; Eric Lichtblau, “Prosecutors Say Spy Suspect Revealed Details of Inquiry,” *New York Times*, April 16, 2003; Dan Eggen, “’90 Trip to China a Turning Point for Ex-FBI Agent,” *Washington Post*, April 28, 2003.

¹⁷ Krikorian, Greg, “FBI Says Spy Case Harm is Isolated,” *Los Angeles Times*, May 10, 2003.

¹⁸ David Rosenzweig and Greg Krikorian, “Ex-FBI Agent is Indicted in China Spy Case” and “Indictment Stops Short of Espionage,” *Los Angeles Times*, May 8 and 9, 2003.

On May 12, 2004, Smith pleaded guilty to concealing his affair with Leung and agreed to cooperate with the investigation of Leung. Other charges were dropped, and Smith was allowed to keep his FBI pension.¹⁹ However, the plea agreement included a stipulation to keep Smith from sharing information with Leung and her attorneys, which a federal judge criticized as obstructing the defendant's access to witnesses when she dismissed the criminal charges against Leung in January 2005.²⁰ However, federal authorities continued investigating Leung until December 16, 2005, when she pleaded guilty to two lesser felonies of making false statements to the FBI and violating tax laws in her 2000 income tax return. With no jail sentence, she agreed to three years of probation, 100 hours of community service, a \$10,000 fine, and FBI debriefings for 18 months.²¹

Damage Assessments on the W88

Concerning the serious case of China's suspected acquisition of the W88 data that became public in early 1999, there were concerns about China's modernization of its nuclear-armed ballistic missile force and implications for U.S. national security. This modernization for the military, the People's Liberation Army (PLA), reportedly has included efforts to develop a miniaturized nuclear warhead and more reliable and mobile missiles, possibly with multiple independently targetable reentry vehicles (MIRVs). China reportedly deployed over 100 nuclear warheads, with more warheads in storage and a stockpile of fissile material.²² Of particular concern were about 20 DF-5A strategic, long-range ICBMs (13,000 km.; 8,000+ mi.) that could reach the United States. China has developed a new DF-31 solid-fuel, mobile ICBM, with a range of about 5,000 miles, reportedly with a smaller warhead (700 kg; 1,500 lb.) than the DF-5A ICBMs. In addition, China has pursued programs to develop a next-generation JL-2 SLBM and a longer-range ICBM.²³

President on U.S. Superiority

On April 7, 1999, President Clinton presented a public assessment that in the U.S.-China strategic balance, U.S. nuclear forces still maintained decisive superiority over China's relatively limited strategic nuclear forces. He declared,

Now, we have known since the early 1980s that China has nuclear armed missiles capable of reaching the United States. Our defense posture has and will continue to take account of that reality. In part, because of our engagement, China has, at best, only marginally increased its deployed nuclear threat in the

¹⁹ Susan Schmidt and Kimberly Edds, "Ex-Handler of Alleged FBI Spy Cuts Deal," *Washington Post*, May 13, 2004.

²⁰ David Rosenzweig, "Spying Case Tossed Out," *Los Angeles Times*, January 7, 2005.

²¹ "Accused Double Agent Pleads to Tax Charge," *CNN*, December 20, 2005.

²² Secretary of Defense, *Proliferation: Threat and Response*, 1997 and 2001.

²³ See CRS Report 97-391, *China: Ballistic and Cruise Missiles*, by Shirley A. Kan; and CRS Report 97-1022, *Chinese Nuclear Testing and Warhead Development*, by Jonathan Medalia.

last 15 years. By signing the Comprehensive Test Ban Treaty, China has accepted constraints on its ability to modernize its arsenal at a time when the nuclear balance remains overwhelmingly in our favor. China has fewer than two dozen long-range nuclear weapons today; we have over 6,000.²⁴

Intelligence Community's Damage Assessment

At the end of 1998, the House Select Committee on China chaired by Congressman Cox approved a report that urged, among other recommendations, that “the appropriate Executive departments and agencies should conduct a comprehensive damage assessment of the strategic implications of the security breaches that have taken place” by China at the nuclear weapon labs.²⁵ The Intelligence Community assessed the difficult question of how much PRC nuclear weapon designs might have benefitted if China obtained the W88 data. On this question, National Security Advisor Berger acknowledged in March 1999, soon after the news reports, that “there’s no question they benefitted from this.”²⁶

Director of Central Intelligence (DCI) George Tenet further announced on March 15, 1999, that after an interagency team completed a damage assessment by the end of March, an independent panel led by retired Admiral David Jeremiah would review the findings. The damage assessment of the Intelligence Community was completed by the end of March, and the panel reviewed that assessment and made recommendations for changes by early April. Some said that an independent review was needed to give the assessment greater credibility against any charges of politicization intended to protect the policy of engagement toward China and other policies. Some reports suggested that, in August 1997 (as the White house prepared for President Clinton’s first summit with China), NSC official Gary Samore had requested an alternative assessment from the CIA that downplayed DOE’s conclusion that successful PRC espionage was primarily responsible for the leaks at Los Alamos.²⁷

The DCI briefed the final assessment to the appropriate congressional committees and the White House on April 21, 1999. Robert Walpole, the National Intelligence Officer for Strategic and Nuclear Programs, led the damage assessment, which was prepared by the CIA, DOE, Department of Defense, the Defense Intelligence Agency, the National Security Agency, the State Department’s Bureau of Intelligence and Research, the FBI, the National Counterintelligence Center, and

²⁴ President William Jefferson Clinton, speech sponsored by the U.S. Institute for Peace at the Mayflower Hotel, Washington, D.C., April 7, 1999.

²⁵ National Security Council’s response (unclassified version) to the House Select Committee’s recommendations, February 1, 1999. The Cox Committee’s report dated January 3, 1999, was classified at the time the NSC released its response. The Cox Committee issued declassified report on May 25, 1999. Also see CRS Report RL30220, *China’s Technology Acquisitions: Cox Committee’s Report — Findings, Issues, and Recommendations*, June 8, 1999, by Shirley Kan.

²⁶ Sandy Berger’s interview on NBC’s “Meet the Press,” March 14, 1999.

²⁷ Risen, James and James Gerth, “China Stole Nuclear Secrets From Los Alamos, U.S. Officials Say,” *New York Times*, March 6, 1999.

nuclear weapon experts from Los Alamos, Livermore, and Sandia labs.²⁸ After being briefed on the Intelligence Community's damage assessment on April 21, 1999, President Clinton said that he asked the National Counterintelligence Policy Board to assess potential vulnerabilities at nuclear weapon institutions other than the national labs.²⁹

According to the unclassified key findings released by the DCI, the Intelligence Community's damage assessment, with concurrence by the independent panel, confirmed that "China obtained by espionage classified U.S. nuclear weapons information that probably accelerated its program to develop future nuclear weapons." That successful PRC espionage effort, which dated back to at least the late 1970s, benefitted PRC nuclear weapon design program by allowing China to "focus successfully down critical paths and avoid less promising approaches to nuclear weapon designs." Furthermore, the assessment found that China obtained "basic design information on several modern U.S. nuclear reentry vehicles, including the Trident II" that delivers the W88 warhead as well as "a variety of U.S. weapon design concepts and weaponization features, including those of the neutron bomb." The information on U.S. nuclear weapons made an "important contribution" to PRC efforts to maintain a second strike capability and develop future nuclear weapon designs. However, it was uncertain whether China obtained documentation or blueprints, and China also benefitted from information obtained from a wide variety of sources, including open sources (unclassified information) and China's own efforts. The assessment also stated that the PRC has not demonstrated any "apparent modernization" of the deployed strategic force or any new nuclear weapons deployment. (China has not conducted nuclear tests since July 1996.) The assessment also confirmed that China has had the "technical capability" to develop a MIRV system for the currently deployed ICBM, but has not deployed a MIRV system. Nonetheless, U.S. intelligence reported that "U.S. information acquired by the Chinese could help them develop a MIRV for a future mobile missile."

On the continuing need for effective counterintelligence and intelligence, the assessment confirmed that the PRC currently was using "aggressive collection efforts" directed at U.S. nuclear weapon secrets in order to fill significant gaps in China's programs. Adding further to questions about possible politicization and erosion of expertise in the Intelligence Community, the independent review panel warned that the Intelligence Community had "too little depth." The panel also added that multiple countries "have gained access to classified U.S. information on a variety of subjects for decades, through espionage, leaks, or other venues," and such losses were "much more significant" in the current context of diminished U.S. research efforts intended to ensure a "protective edge" over those countries using U.S. information.

²⁸ CIA, "The Intelligence Community Damage Assessment On the Implications of China's Acquisition of U.S. Nuclear Weapons Information On the Development of Future Chinese Weapons," (unclassified release), April 21, 1999.

²⁹ Statement by the President, April 21, 1999.

Cox Committee's Report

Findings. According to its declassified report released in May 1999,³⁰ the Cox Committee reported that, since the late 1970s and “almost certainly” continuing to the present, the PRC has pursued intelligence collection that included not only espionage, but also reviews of unclassified publications and interaction with U.S. scientists at the DOE’s national laboratories, including Los Alamos, Lawrence Livermore, Oak Ridge, and Sandia. China has “stolen” classified information on the most advanced U.S. thermonuclear weapons, giving the PRC design information on thermonuclear weapons “on a par with our own.” The information included classified information on seven warheads, including “every currently deployed thermonuclear warhead in the U.S. ballistic missile arsenal;” on the neutron bomb; and on “a number of” reentry vehicles of U.S. missiles. The PRC acquired information on seven U.S. nuclear warheads, including the W88, the most advanced, miniature U.S. nuclear warhead deployed on the Trident D-5 submarine-launched ballistic missile (SLBM):

- W88: deployed on the Trident D-5 SLBM
- W87: deployed on the Peacekeeper ICBM
- W78: deployed on the Minuteman III ICBM
- W76: deployed on the Trident C-4 SLBM
- W70: previously deployed on the Lance short-range ballistic missile (SRBM)
- W62: deployed on the Minuteman III ICBM
- W56: previously deployed on the Minuteman II ICBM.

The committee focused on potential implications for U.S. national security, judging “that the PRC will exploit elements of the U.S. design information on the PRC’s next generation of thermonuclear weapons.” China successfully tested smaller thermonuclear warheads in 1992 to 1996,³¹ prior to its July 1996 announcement of a nuclear testing moratorium and its September 1996 signing of the Comprehensive Test Ban Treaty (CTBT). The committee reported that information lost from the DOE labs accelerated PRC nuclear weapon modernization and “helped the PRC in its efforts to fabricate and successfully test its next generation of nuclear weapons designs. These warheads give the PRC small, modern thermonuclear warheads roughly equivalent to current U.S. warhead yields.” The PRC “could begin serial production” of such weapons during the next decade in connection with the development of its next generation of solid-fuel mobile ICBMs, including the DF-31 that “may be tested in 1999” and “could be deployed as soon as 2002.” Although the PRC already has deployed nuclear-armed ICBMs, “with stolen U.S. technology, the PRC has leaped, in a handful of years, from 1950s-era strategic nuclear capabilities to the more modern thermonuclear weapons designs.” Regarding whether the PRC’s

³⁰ Select Committee, U.S. House of Representatives, H.Rept. 105-851, *U.S. National Security and Military/Commercial Concerns with the People’s Republic of China*, (classified report issued on January 3, 1999; declassified version issued on May 25, 1999); See also: CRS Report RL30220, *China’s Technology Acquisitions: Cox Committee’s Report — Findings, Issues, and Recommendations*, June 8, 1999, by Shirley A. Kan.

³¹ For information, see CRS Report 97-1022, *Chinese Nuclear Testing and Warhead Development*, by Jonathan Medalia.

nuclear program continued to require testing, the committee judged that if the PRC successfully steals U.S. nuclear test codes, computer models, and data, and uses them with the U.S. high performance computers, or supercomputers, already imported, the PRC “could diminish its need for further nuclear testing to evaluate weapons and proposed design changes.”

As for the strategic balance, the report noted that “the United States retains an overwhelming qualitative and quantitative advantage in deployed strategic nuclear forces” over the PRC’s up to two dozen CSS-4 ICBMs. Nonetheless, the report stated that “in a crisis in which the United States confronts the PRC’s conventional and nuclear forces at the regional level, a modernized PRC strategic nuclear ballistic missile force would pose a credible direct threat against the United States.”

On the question of whether having smaller nuclear warheads would facilitate PRC development of multiple independently targetable reentry vehicles (MIRVs) for its nuclear missile force, the committee reported that it had “no information on whether the PRC currently intends to develop and deploy” MIRVs.

A complicating factor was that, as the committee revealed, the CIA obtained, in 1995 someplace outside of the PRC, a secret PRC document containing “design information” on the W88 and “technical information” on another five U.S. thermonuclear warheads from a “walk-in” directed by PRC intelligence. The “walk-in” volunteered various materials to the CIA and to Taiwan, according to Representative Cox.³² There were questions about the credibility and motivation of the “walk-in” who provided documents showing PRC possession of U.S. nuclear weapon secrets. As the Cox report noted, “there is speculation as to the PRC’s motives for advertising to the United States the state of its nuclear weapons development.” PRC intelligence could have sought to raise the credibility of the “walk-in;” increase the credibility of China’s nuclear arsenal as a deterrent to U.S. intervention in a regional crisis; trigger a disruptive “spy hunt” in the United States; or raise suspicions of PRC students working in the United States to bring them back to China.³³ Also, China could have made a major blunder or had another unknown objective. In addition, a rival of the PRC could have planted the documents in Taiwan,³⁴ or the “walk-in” could have sold them in self-interest. In any case, as the Cox Committee’s report said, PRC nuclear tests conducted from 1992 to 1996 had already raised suspicions in U.S. intelligence that China had stolen U.S. nuclear weapon information, and the information provided by the “walk-in” in 1995 “definitely confirmed” those suspicions.

Prather Report. A report by a nuclear physicist Gordon Prather, released by Jack Kemp on July 8, 1999, questioned the Cox Report’s findings about PRC espionage, but criticized the Clinton Administration (particularly former Energy

³² Pincus, Walter, “Prescriptions for Keeping Secrets,” *Washington Post*, May 27, 1999.

³³ Loeb, Vernon and Walter Pincus, “Planted Document Sows Seeds of Doubt,” *Washington Post*, May 28, 1999.

³⁴ Weiner, Tim, “Nuclear Thriller With Ending As Yet Unwritten,” *New York Times*, May 25, 1999.

Secretary Hazel O’Leary) for its policies. Prather cited three policies as responsible for security problems at the labs: support for the CTBT; a “reckless policy” of unprecedented “openness” that declassified much nuclear weapon information, so that spying was unnecessary; and engaging the PRC nuclear weapon establishment with the DOE’s lab-to-lab exchanges.³⁵

China Confirmed Its Neutron Bomb. On July 15, 1999, the PRC government issued a response denying the Cox Committee’s charges that China stole U.S. secrets. In the report was a short paragraph acknowledging that China had the neutron bomb. The statement said China mastered “in succession the neutron bomb technology and nuclear weapon miniaturization technology.” In addition, “since China has already possessed atom bomb and H-bomb technologies, it is quite logical and natural for it to master the neutron bomb technology through its own efforts over a reasonable period of time.”³⁶

PFIAB (Rudman) Report

For a parallel review, on March 18, 1999, President Clinton appointed former Senator Warren Rudman, head of the President’s Foreign Intelligence Advisory Board (PFIAB), to undertake a review of how the government handled security challenges at the labs over the last 20 years. The PFIAB’s special investigative panel, with four members, reviewed over 700 documents and interviewed over 100 witnesses — who apparently had concerns about reprisals and asked that they not be named. On June 15, 1999, the PFIAB issued an unprecedented unclassified report, with findings and recommendations for both the Executive and Legislative Branches.³⁷ These findings and recommendations are summarized below.

Findings.

- Twenty years after the creation of DOE, most of its security problems “still exist today.”
- The national labs “have been and will continue to be a major target of foreign intelligence services, friendly as well as hostile.”
- “Organizational disarray, managerial neglect, and a culture of arrogance — both at DOE headquarters and the labs themselves — conspired to create an espionage scandal waiting to happen.”

³⁵ Prather, James Gordon, “A Technical Reassessment of the Conclusions and Implications of the Cox Committee’s Report,” July 8, 1999. See also: Jack Kemp’s press release, July 8, 1999, and Robert D. Novak, “Republican China-Bashing,” *Washington Post*, July 12, 1999. For copies of report, contact Jack Kemp’s office or Home Page of Polyconomics, Inc.

³⁶ PRC, Information Office of the State Council, “Facts Speak Louder Than Words and Lies Will Collapse by Themselves — Further Refutation of the Cox Report,” July 15, 1999.

³⁷ President’s Foreign Intelligence Advisory Board, Special Investigative Panel, *Science at its Best, Security at its Worst: A Report on Security Problems at the U.S. Department of Energy*, unclassified, June 1999.

- “Increasingly nimble, discreet, and transparent in their spying methods, the Chinese services have become very proficient in the art of seemingly innocuous elicitations of information. This modus operandi has proved very effective against unwitting and ill-prepared DOE personnel.”
- “Both Congressional and Executive Branch leaders have resorted to simplification and hyperbole in the past few months. The panel found neither the dramatic damage assessments nor the categorical reassurances of the Department’s advocates to be wholly substantiated.”
- “We concur with and encourage many of Secretary Richardson’s recent initiatives to address the security problems...”
- Energy Secretary Richardson “overstated the case when he asserts, as he did several weeks ago, that ‘Americans can be reassured: our nation’s nuclear secrets are, today, safe and secure’.”
- While intelligence officials at DOE and the Cox Committee “made substantial and constructive contributions to understanding and resolving security problems at DOE,” . . . “we concur on balance with the damage assessment of the espionage losses conducted by the Director of Central Intelligence. We also concur with the findings of the independent review of that assessment by Admiral David Jeremiah and his panel.”
- “On one end of the spectrum is the view that the Chinese have acquired very little classified information and can do little with it. On the other end is the view that the Chinese have nearly duplicated the W88 warhead. . . . None of these extreme views holds water. . . The most accurate assessment . . . is presented in the April 1999 Intelligence Community Damage Assessment.”
- “Despite widely publicized assertions of wholesale losses of nuclear weapons technology from specific laboratories to particular nations, the factual record in the majority of cases regarding the DOE weapons laboratories supports plausible inferences — but not irrefutable proof — about the source and scope of espionage and the channels through which recipient nations received information.”
- “Particularly egregious have been the failures to enforce cyber-security measures. . .”
- “Never before has the panel found an agency with the bureaucratic insolence to dispute, delay, and resist implementation of a Presidential directive on security, as DOE’s bureaucracy tried to do” to PDD-61 in February 1998.
- DOE is a “dysfunctional bureaucracy that has proven it is incapable of reforming itself.”

Recommendations.

- “Reorganization is clearly warranted.” Two alternative solutions for a new Agency for Nuclear Stewardship (ANS) to be established by statute:
 1. A new semi-autonomous agency with DOE (similar to the National Security Agency (NSA), Defense Advanced Research Projects Agency (DARPA) or the National Oceanographic and Atmospheric Administration (NOAA)) reporting directly to the Secretary of Energy.
 2. An independent agency (similar to the National Aeronautics and Space Administration (NASA)) reporting directly to the President.
- “The labs should never be subordinated to the Department of Defense.”
- “DOE cannot be fixed with a single legislative act. . . Congress and the executive branch . . . should be prepared to monitor the progress of the Department’s reforms for years to come.”
- “The Foreign Visitors’ and Assignments Program has been and should continue to be a valuable contribution to the scientific and technological progress of the nation.”
- “Abolish the Office of Energy Intelligence.”
- “Congress should abolish its current oversight system for national weapons labs” with about 15 competing committees. The report recommended a new Joint Committee for Congressional Oversight of ANS/Labs.

Stanford’s Critique

In December 1999, four scholars at Stanford University’s Center for International Security and Cooperation issued their critique of the Cox Committee’s unclassified report.³⁸ In the section on nuclear weapons, W. K. H. Panofsky found that the Cox Committee’s report “makes largely unsupported allegations about theft of nuclear weapons information, but the impact of losses is either greatly overstated or not stated at all.” Further, the author wrote that “there is no way to judge the extent, should China field a new generation of thermonuclear weapons, of the benefit derived from publicly available knowledge, indigenous design efforts, and clandestinely obtained information.” Panofsky also doubted the Cox Committee’s

³⁸ Johnston, Alastair Iain, W. K. H. Panofsky, Marco Di Capua, and Lewis R. Franklin, (edited by M. M. May), “The Cox Committee Report: An Assessment,” December 1999.

assertion that stolen U.S. nuclear secrets gave the PRC design information on thermonuclear weapons on par with our own.

The Senate Intelligence Committee's staff director, Nicholas Rostow, (formerly the deputy staff director of and counsel to the Cox Committee) issued a response to the critique by the group at Stanford.³⁹ He maintained that the Cox Committee report "is valuable" and "factually accurate." He explained that "the important findings of the Select Committee are almost all based on classified information." He assessed the critique as "an attempt to foster debate and to reiterate the authors' views on U.S. relations with the People's Republic of China."

Stillman's Unpublished Book

In May 2001, the press began to report on an unpublished book by Danny Stillman, a former scientist at Los Alamos, who decided to sue the government to allow him to publish a manuscript about his experience in exchanges between U.S. and PRC nuclear weapons scientists in the 1990s.⁴⁰ Stillman argued that China's nuclear weapons program accomplished important advances on its own, without resorting to espionage. According to Stillman, PRC scientists argued that, contrary to the Cox Committee's report, China started research on miniaturized warheads in the 1970s, but development failed because of the lack of supercomputers, until a nuclear weapon test on September 25, 1992. Stillman and others reportedly alleged that the government was blocking the publication of his book, *Inside China's Nuclear Weapons Program*, because of political reasons, rather than security concerns, because Stillman offered information contrary to charges against China. Although Stillman submitted his writings for government review in January 2000, as of June 2003, his attorney, Mark Zaid, told CRS that the lawsuit was continuing.

Congressional Action

Congress has voiced long-standing concerns about security at the nuclear weapon labs. Some attention focused on the foreign visitor program, which was reportedly not the primary concern in the public cases involving alleged leaks by U.S. scientists to China. In 1988, Senator John Glenn, chairman of the Senate Governmental Affairs Committee, held a hearing, and the General Accounting Office (GAO) presented a report on the extent to which foreign nationals work at the nuclear weapon labs and the effectiveness of security checks there. Senator Glenn also said

³⁹ Rostow, Nicholas, "The 'Panofsky' Critique and the Cox Committee Report: 50 Factual Errors in the Four Essays," December 1999.

⁴⁰ Coll, Steve, "The Man Inside China's Bomb Labs," *Washington Post*, May 16, 2001; William Broad, "Author to Sue U.S. Over Book On China's Nuclear Advances," *New York Times*, June 18, 2001; Mark Hibbs, "U.S. Due to Respond Next Week to Ex-LANL Expert's China Suit," *Nucleonics Week*, June 21, 2001.

that back in October 1979, his committee began to examine access by foreign visitors to mistakenly declassified documents at the public library at the Los Alamos lab.⁴¹

Later, the House National Security Committee requested in May 1996 that the GAO again study controls over foreign visitors at the labs.⁴² In October 1998, Congressman Hunter held a hearing on DOE's foreign visitor program.⁴³

The National Defense Authorization Act for FY1997 (P.L. 104-201) prohibited DOE from using funds for cooperative activities with China related to nuclear weapons or nuclear weapons technology, including stockpile stewardship, safety, and use control. (Stockpile stewardship relates to the evaluation of nuclear weapons without testing.) The National Defense Authorization Act for FY1998 (P.L. 105-85) banned the DOE's use of funds for activities with China in cooperative stockpile stewardship, and similar legislation for FY1999 (P.L. 105-261) made the ban permanent.

Investigations

Prompted by reports that missile technology was transferred to China in connection with satellite exports, the Senate Intelligence Committee, in 1998, carried out an investigation and issued its unclassified report on May 7, 1999.⁴⁴ On March 25, 1999, Senator Shelby, the committee's chair, announced that it voted unanimously to begin an investigation into whether China obtained U.S. nuclear weapon secrets and how the Administration dealt with counter-intelligence at the labs.⁴⁵ On January 27, 2000, the committee's staff director, Nicholas Rostow, said that the committee would independently confirm that the DOE improved security at the labs.⁴⁶

In the House, the Cox Committee, in the last half of 1998, examined broader technology transfers to China, including possible leaks of missile and nuclear weapon-related know-how. The bipartisan committee unanimously approved a classified report, with 38 recommendations, on December 30, 1998 and, after

⁴¹ Senate Governmental Affairs Committee hearing, "Security Weaknesses at the Nuclear Weapons Laboratories," October 11, 1988; *Nuclear Nonproliferation: Major Weaknesses in Foreign Visitor Controls at Weapons Laboratories* (GAO/RCED-89-31), October 1988.

⁴² GAO/RCED-97-229, *DOE Needs To Improve Controls Over Foreign Visitors to Weapons Laboratories*, September 1997.

⁴³ Hearing of the House National Security Subcommittee on Military Procurement, "Department of Energy's Foreign Visitor Program," October 6, 1998.

⁴⁴ Senate Select Committee on Intelligence, "Report On Impacts To U.S. National Security Of Advanced Satellite Technology Exports to the People's Republic of China (PRC), and Report on the PRC's Efforts to Influence U.S. Policy," May 1999.

⁴⁵ "Senate Intelligence Committee Votes Unanimously to Begin Formal Investigation into Chinese Espionage at Nuclear Research Labs," news release, March 25, 1999.

⁴⁶ "Senate Panel Wants Independent Energy Dept. Security Check," *CQ Weekly*, January 29, 2000.

working with the Clinton Administration, issued a declassified version on May 25, 1999. (See section on Damage Assessment below.)

The Senate Governmental Affairs Committee conducted 13 hours of closed hearings to review the investigatory steps of the Departments of Energy and Justice, and the FBI. It issued a bipartisan report on August 5, 1999, under the names of both Chairman Fred Thompson and Ranking Minority Member Joseph Lieberman. The committee did not take a position on whether the W88 or other nuclear weapons were compromised, but concluded that the federal government's handling of the investigation since 1995 consisted of "investigatory missteps, institutional and personal miscommunications, and ... legal and policy misunderstandings and mistakes at all levels of government." The Senators said that "the DOE, FBI, and DOJ must all share the blame for our government's poor performance in handling this matter."⁴⁷

On October 26, 1999, Senator Specter, under the jurisdiction of the Senate Judiciary Subcommittee on Administrative Oversight and the Courts, held the first hearing in his investigation into the Justice Department's handling of the PRC nuclear espionage investigation, satellite exports, campaign finance, Waco, and other issues. (See also Hearings below.) Senator Specter criticized the Department's prosecution of Peter H. Lee in 1997, which resulted in a plea bargain. Defenders argued that the information involved was declassified, and the defendant was not a spy and did not pass nuclear weapon secrets.⁴⁸ On March 8, 2000, Senator Specter issued a report critical of the investigation of Wen Ho Lee.⁴⁹

Hearings

In the 106th Congress, open and closed hearings on the question of suspected PRC acquisition of U.S. nuclear weapon secrets, first reported by news media in January 1999, included these 53 hearings held by the following panels:

Senate Armed Services, and Energy and Natural Resources, March 16, 1999;
 House Appropriations Subcom. on Commerce, Justice, State, and Judiciary, March 17, 1999;
 Senate Select Intelligence, March 17, 1999;
 Senate Armed Services, March 25, 1999;
 Senate Armed Services, April 12, 1999;

⁴⁷ Senate Governmental Affairs Committee, "Department of Energy, FBI, and Department of Justice Handling of the Espionage Investigation into the Compromise of Design Information on the W88 Warhead," August 5, 1999; Walter Pincus, "China Spy Probe Bungled, Panel Finds," *Washington Post*, August 6, 1999.

⁴⁸ Vernon Loeb, "Justice Accused of Laxity in Spy Case," *Washington Post*, October 27, 1999; "Questions About Another Chinese Spy Case," *Washington Post*, April 4, 2000; Bill Gertz, "Specter Berates Justice's Spy Case Handling," *Washington Times*, April 6, 2000; John Solomon, "U.S. Gave Spy A Plea Bargain Prior to Damage Report," *Philadelphia Inquirer*, May 21, 2000.

⁴⁹ Senator Arlen Specter, "Report on the Investigation of Espionage Allegations Against Dr. Wen Ho Lee," March 8, 2000.

Senate Energy and Natural Resources (closed), April 14, 1999;
 House Armed Services Subcom. on Military Procurement, April 15, 1999;
 House Commerce Subcom. on Oversight and Investigations, April 20, 1999;
 Senate Energy and Natural Resources, April 28, 1999;
 Senate Intelligence (closed), April 29, 1999;
 Senate Energy and Natural Resources, May 5, 1999;
 Senate Judiciary, May 5, 1999;
 House Commerce, May 5, 1999;
 Senate Energy and Natural Resources, May 12, 1999;
 Senate Intelligence (closed), May 12, 1999;
 Senate Intelligence (closed), May 19, 1999;
 Senate Energy and Natural Resources, May 20, 1999;
 Senate Energy (closed), May 20, 1999;
 Senate Government Affairs (closed), May 20, 1999;
 House Science, May 20, 1999;
 House International Relations Subcom. on Asia and Pacific, May 26, 1999;
 Senate Governmental Affairs Subcom. on International Security, Proliferation, and
 Federal Services, May 26, 1999;
 House Intelligence (closed), June 8, 1999;
 Senate Judiciary (closed), June 8, 1999;⁵⁰
 Senate Governmental Affairs (closed), June 9, 1999;
 Senate Intelligence, June 9, 1999;
 Senate Governmental Affairs, June 10, 1999;
 Senate Banking, Housing, and Urban Affairs, June 10, 1999;
 Senate Armed Services, Energy, Governmental Affairs, and Intelligence, June 22,
 1999;
 House Commerce, June 22, 1999;
 Senate Armed Services, June 23, 1999;
 House Armed Services, June 24, 1999;
 House Government Reform, June 24, 1999;
 House Science, June 29, 1999;
 Senate Intelligence (closed), June 30, 1999;
 House Commerce, July 13, 1999;
 House Armed Services, July 14, 1999;
 Senate Energy and Natural Resources, July 16, 1999;
 House Commerce, July 20, 1999;
 Congressional Asian Pacific American Caucus (briefing), on October 5, 1999;
 Senate Governmental Affairs and Energy, October 19, 1999;
 House Armed Services Subcom. on Military Procurement, October 20, 1999;
 Senate Judiciary Subcom. on Administrative Oversight and the Courts, October 26,
 1999;
 House Commerce Subcom. on Oversight and Investigations, October 26, 1999;
 House Armed Services Subcom. on Military Procurement, November 10, 1999;
 Senate Judiciary Subcom. on Administrative Oversight and the Courts (closed),
 December 16, 1999;
 Senate Judiciary Subcom. on Administrative Oversight and the Courts, March 29,

⁵⁰ On December 21, 1999, the Senate Judiciary Committee released an unclassified transcript of its closed hearing with Attorney General Janet Reno on June 8, 1999.

2000;
 Senate Judiciary Subcom. on Administrative Oversight and the Courts, April 5, 2000;
 Senate Judiciary Subcom. on Administrative Oversight and the Courts, April 12,
 2000;
 Senate Judiciary and Select Intelligence, September 26, 2000;
 Senate Intelligence (closed), September 26, 2000;
 Senate Judiciary Subcom. on Administration Oversight and the Courts, September
 27, 2000;
 Senate Judiciary Subcom. on Administration Oversight and the Courts, October 3,
 2000.

Major Legislation

Moratorium on Foreign Visits. Some Members expressed concerns about foreign visitors to the national labs, but the Administration said that foreign visitors did not compromise U.S. nuclear weapon secrets. Representative Ryun introduced H.R. 1348 on March 25, 1999, to prohibit foreign nationals from countries on the DOE's Sensitive Countries List⁵¹ from visiting the nuclear weapon labs, unless the Secretary of Energy notifies Congress ten days before waiving the prohibition. Senator Shelby introduced similar legislation (S. 887) on April 27, 1999.

On May 27, 1999, the Senate agreed by voice vote to Senator Lott's amendment to the National Defense Authorization Act for FY2000 (S. 1059). The amendment sought to improve the monitoring of satellite exports and strengthen safeguards, security, and counterintelligence at DOE facilities.⁵² On June 9, 1999, Representative Cox introduced an amendment⁵³ to the House's version (H.R. 1401). The amendment consisted of 27 sections, with 25 sections requiring reports or other actions, or amending the law; a section simply providing a short title; and a section providing a definition of "national laboratory." The sections or subsections of the Cox amendment addressed fully or partially 21 of the 38 recommendations of the Cox Committee. The House agreed to the Cox amendment by 428-0 on that day and passed H.R. 1401 on June 10, 1999. Meanwhile, Representative Ryun's amendment (to impose a two-year moratorium on foreign visitors from sensitive countries to the national labs) failed by 159-266 on June 9, 1999. Section 3146 of the FY2000 National Defense Authorization Act (P.L. 106-65), enacted on October 5, 1999, required background checks on foreign visitors and imposed a moratorium on visits to the national labs by foreign nationals of countries on the Sensitive Countries List, until DOE's Director of Counterintelligence, the Director of the FBI, and the DCI issue certifications about security measures for the foreign visitors program. The Secretary of Energy, though, may waive the ban on a case-by-case basis. Secretary

⁵¹ DOE, "Sensitive Countries List," May 1999. Because of reasons of national security, terrorism, or nuclear proliferation, the following are included: Algeria, Armenia, Azerbaijan, Belarus, PRC, Cuba, Georgia, India, Iran, Iraq, Israel, Kazakhstan, Kyrgyzstan, Libya, Moldova, North Korea, Pakistan, Russia, Sudan, Syria, Taiwan, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

⁵² For language of amendment, see *Congressional Record*, May 26, 1999, p. S6073-6074.

⁵³ *Congressional Record*, June 8, 1999, p. H3862-3866.

Richardson said on December 2, 1999, that he would begin to issue such waivers for foreign scientists, in order to “restore the proper balance between security and science.”⁵⁴

National Nuclear Security Administration (NNSA).⁵⁵ In May 1999, Senators Kyl, Murkowski, and Domenici drafted an amendment to the Defense Authorization bill (S. 1059) to create a new agency within DOE, but Senate leaders removed the language on May 27 after Secretary Richardson threatened to recommend a Presidential veto.⁵⁶ The Administration, represented by Richardson, opposed the Senators’ proposal, saying it would undermine his authority and create a new “fiefdom.”⁵⁷ A critic of the proposal wrote that “DOE is indeed a dysfunctional bureaucracy, but the labs are not better. Making the labs more autonomous is the wrong way to go.”⁵⁸ Other opponents said that the labs needed to retain openness in order to advance scientific research important to national security.

On the other side, the President’s Foreign Intelligence Advisory Board (PFIAB), chaired by former Senate Warren Rudman, recommended, on June 15, 1999, a new Agency for Nuclear Stewardship (ANS) and argued that semi-autonomous or independent “organizations like NASA [National Aeronautics and Space Administration] and DARPA [Defense Advanced Research Projects Agency] have advanced scientific and technological progress while maintaining a respectable record of security.”⁵⁹ Secretary Richardson agreed with the PFIAB that DOE’s organizational structure required serious change but expressed “strong reservations” about the recommendation for a semi-independent or independent agency.⁶⁰

On June 7, 1999, Representative Thornberry introduced H.R. 2032 to establish a Nuclear Security Administration in the Department of Energy. Some Members also looked at introducing language to reorganize DOE in the Senate Intelligence Authorization bill for FY2000 (S. 1009).

On July 7, 1999, however, Secretary Richardson agreed to the proposal to set up a new ANS, as long as it would be a semi-autonomous agency within DOE, under

⁵⁴ Pincus, Walter, “Energy Chief to Allow Foreign Scientists to Visit Labs,” *Washington Post*, December 3, 1999.

⁵⁵ For later consideration by the 108th Congress of improvements in counterintelligence, see CRS Report RL31883, *Counterintelligence Reform at the Department of Energy: Policy Issues and Organizational Alternatives*, by Alfred Cumming.

⁵⁶ *Congressional Quarterly*, June 19, 1999, p. 1475-76.

⁵⁷ *Congressional Quarterly*, June 26, 1999, p. 1559-60.

⁵⁸ Eldredge, Maureen (director of the Alliance for Nuclear Accountability, a watchdog group on DOE), “Don’t Trust Our Nuclear Labs,” *Washington Post*, June 28, 1999.

⁵⁹ President’s Foreign Intelligence Advisory Board, Special Investigative Panel, *Science at its Best, Security at its Worst: A Report on Security Problems at the U.S. Department of Energy*, unclassified, June 1999. Also called the Rudman Report.

⁶⁰ DOE, “Statement by Secretary of Energy Richardson on the President’s Foreign Intelligence Advisory Board Report,” June 15, 1999.

his control, and not a fully autonomous agency.⁶¹ By a vote of 96-1, the Senate on July 21, 1999, approved an amendment (S.Amdt. 1258, Kyl) to the Senate-passed FY2000 Intelligence Authorization Act (H.R. 1555) to create the ANS. Richardson praised the bill, saying it was “a good start” in codifying reforms at DOE.⁶² The ANS would be a separately organized agency within the DOE, under the direction of the Energy Secretary, to be headed by the Under Secretary for Nuclear Stewardship who shall also serve as director of the ANS. Democratic Senators Bingaman and Levin sought changes to the amendment, including explicit authority for the Energy Secretary to continue to use the field offices⁶³ and to control counterintelligence and security operations. The House’s options included agreeing to the Senate’s plan or opting for another option, including leaving the organization of DOE unchanged, creating an independent agency outside of DOE, and changing the contractual arrangements for running the labs (under the University of California (UC), for example). Some asserted that UC, whose contract had not been subject to competitive bidding since 1943, provided “marginal” oversight of and “political protection” for some DOE labs.⁶⁴ (UC has operated the Lawrence Livermore and Los Alamos labs, while Lockheed Martin Corporation has run Sandia.)

Then, the House Armed Services Committee argued that it had jurisdiction over nuclear weapons and that the FY2000 National Defense Authorization Act (S. 1059; P.L. 106-65) ought to legislate organizational changes at DOE.⁶⁵ Conferees adopted H.Rept. 106-301 on August 6, 1999, to create a National Nuclear Security Administration (NNSA) within DOE, effective March 1, 2000.

However, the Administration and some Democrats on the Senate Armed Services Committee objected to what they argued would undermine the Energy Secretary’s authority. Senator Levin said that “the final product on DOE reorganization appears to go beyond creation of a new, separately organized entity within DOE, which I support.” He said that the Energy Secretary would have direct control over the administrator of NNSA, but not its employees. Representative

⁶¹ Pincus, Walter, “Richardson Accepts Nuclear Agency Plan,” *Washington Post*, July 8, 1999.

⁶² DOE, news release, “Statement of Secretary of Energy Bill Richardson on the Senate Bill to Reorganize the Department of Energy,” July 21, 1999.

⁶³ The Rudman Report called for streamlining DOE’s system of 11 field offices, with 6,000 employees, in addition to 5,000 at headquarters, that resulted in a “convoluted and bloated management structure.”

⁶⁴ Trujillo, Manuel and Chuck Montano (Los Alamos employees), “Compromised: The Los Alamos Lab,” letter to the editor, *Washington Post*, July 7, 1999. UC runs Los Alamos and Lawrence Livermore. Lockheed Martin Corp. runs Sandia.

⁶⁵ Also see CRS Report RL30569, *Department of Energy: Status of Legislated Security and Counterintelligence Measures*, by Jonathan Medalia; CRS Issue Brief IB10036, *Restructuring DOE and its Laboratories: Issues in the 106th Congress*, by William Boesman.

Thornberry contended that the secretary would have no restraints on his authority over the new administrator.⁶⁶

Richardson initially wanted to recommend that President Clinton veto the bill, as its provision on DOE reorganization differed from the Senate-passed intelligence authorization act he supported in July 1999. Richardson objected to the conference report because, he says, it would undermine his authority; blur the lines of responsibility in security, counterintelligence, environment, safety and health; and direct budgetary proposals be made directly to Congress.⁶⁷ In addition to some Democrats in Congress, 46 state attorneys general also urged a Presidential veto.⁶⁸

After the House and Senate passed S. 1059 in September 1999, Richardson announced on September 26, 1999, that he would not oppose the bill. He said, "I believe we can interpret the provisions so there are clear lines of responsibility and the secretary is in charge and we protect our national security."⁶⁹

Concerns about Compliance with the Law. Upon signing the FY2000 National Defense Authorization Act into law (P.L. 106-65) on October 5, 1999, President Clinton raised concerns in Congress when he criticized the DOE reorganization (Title 32) as "the most troubling" part of the act and said that legislative action to "remedy the deficiencies" would help in the process of nominating the new Under Secretary for Nuclear Security to head the NNSA. "Until further notice," the President directed the Secretary of Energy to act as the Under Secretary for Nuclear Security and to direct all personnel of the NNSA.⁷⁰

At a Senate Armed Services Committee hearing two days later, Senator Domenici charged that the Administration was trying to circumvent the new law.⁷¹ Representative Spence, chairman of the House Armed Services Committee, wrote to the President that his order would undermine congressional intent.⁷² On October 19, 1999, the Senate Government Affairs, and Energy and Natural Resources Committees held a joint hearing to warn Secretary Richardson against failure to implement the law to establish the NNSA. Richardson assured Members that he would comply with the law but urged Congress to use the Intelligence Authorization

⁶⁶ McCutcheon, Chuck and Pat Towell, "Defense Bill Negotiators Fail to Placate Administration on Nuclear Security Proposal," *Congressional Quarterly Weekly*, August 7, 1999.

⁶⁷ Pincus, Walter, "Richardson May Urge Veto of Nuclear Agency," *Washington Post*, August 7, 1999; "Richardson Likely to Urge Authorization Bill Veto Over DOE Language," *Inside the Pentagon*, August 12, 1999.

⁶⁸ Pincus, Walter and Vernon Loeb, "Veto Urged for Energy Revamp," *Washington Post*, September 9, 1999.

⁶⁹ "Energy to Clinton: Sign Defense Bill," *Associated Press*, September 27, 1999; "Richardson Relents," *CQ Weekly*, October 2, 1999.

⁷⁰ White House, "Statement by the President," October 5, 1999.

⁷¹ Towell, Pat, "Nuclear Agency Eruption," *CQ Weekly*, October 9, 1999.

⁷² Pincus, Walter, "DOE Plan Riles Senate GOP," *Washington Post*, October 19, 1999.

Act (H.R. 1555) to correct what he saw as deficiencies in the Defense Authorization Act. Some Members said it was premature to allege noncompliance, since the effective date was specified as March 1, 2000. In November 1999, the House and Senate passed H.R. 1555 without provisions on security at the DOE labs.

A CRS legal memorandum for Representative Thornberry (that was made public) agreed that President Clinton's statement and directions raised legal and constitutional issues on the question of the Administration's compliance with the law creating the NNSA.⁷³

On January 7, 2000, Secretary Richardson submitted DOE's plan for implementation of legislation to establish the NNSA on March 1, 2000 and named a committee to search for the first Under Secretary for Nuclear Security to serve as the head of NNSA.⁷⁴

However, Richardson's plan raised questions about the semi-autonomous status of the NNSA, calling for some DOE officials to "serve concurrently" in some functions, including nuclear security and counter-intelligence. He cited reasons such as "program continuity," "shortness of time for implementation," and the "scheduled change in executive branch administration next January." Field managers at some field operations would also "serve concurrently in dual positions."

Indeed, a special panel of the House Armed Services Committee, with Representatives Thornberry, Tauscher, Hunter, Graham, Ryun, Gibbons, Sisisky, and Spratt, reviewed DOE's implementation plan and cited some "serious flaws."⁷⁵ While the panel was encouraged by DOE's responses, it criticized the plan for "dual-hatting" DOE and NNSA officials; continuing the confused and inadequate lines of authority (e.g., with no changes in the field office structure); emphasizing DOE authority; lacking improvements to NNSA programming and budgeting; lacking specificity and comprehensiveness; and reflecting little outside consultation. The panel's report concluded that the implementation plan, if carried out, would "violate key provisions of the law." However, Representative Spratt offered his dissenting views. While he agreed that the implementation plan fell short of the legal requirements, he objected that the panel's report was too conclusive and lacked a critical review of the law that created NNSA and whether it is workable.

⁷³ CRS Memorandum, "Assessment of Legal Issues Raised by the President's Directions to the Secretary of Energy With Respect to the Implementation of the National Nuclear Security Administration Act in His Signing Statement of October 5, 1999," November 1, 1999, by Morton Rosenberg. The congressional office has released the memo.

⁷⁴ DOE, "Implementation Plan: National Nuclear Security Administration," January 1, 2000; "Energy Department Proceeds with Implementation of National Nuclear Security Administration," news release, January 7, 2000.

⁷⁵ House Armed Services Committee, Special Panel on Department of Energy Reorganization, "Department of Energy National Nuclear Security Administration Implementation Plan: An Assessment," February 11, 2000.

Concerns About Racial Profiling. In other action, Members of Congress expressed concerns about possible racial profiling used in the investigation of Wen Ho Lee and ramifications of this case on Americans of Asian Pacific heritage. The House, on November 2, 1999, passed H.Con.Res. 124, introduced by Representative Wu to express the sense of Congress that the Attorney General, Secretary of Energy, and the Commissioner of the Equal Employment Opportunity Commission should enforce security at the labs and investigate allegations of discrimination. On August 5, 1999, Senator Feinstein introduced S.Con.Res. 53, condemning prejudice against individuals of Asian and Pacific Island ancestry, which the Senate passed on July 27, 2000. (See also Racial Profiling and Selective Prosecution below.)

CTBT. The Senate, led by Republican Members, voted (51-48) to reject the Comprehensive Test Ban Treaty (CTBT) on October 13, 1999, because of reservations about the implications for U.S. national security. Some supporters of the CTBT argued that the treaty was one way to impede the PRC's nuclear weapon modernization, even if it acquired U.S. secrets, because Beijing needed to test, while blueprints and computer codes were not enough. Democratic Senator Byron Dorgan and Republican Senator Arlen Specter wrote in September 1999 that "most Americans have heard that China may have obtained secret information about U.S. nuclear weapon designs. What they haven't heard is that China may not be able to do much with that information — if the U.S. Senate does the right thing."⁷⁶

Administration's Actions

Response to Security Concerns

Concerns Since 1995. The Clinton Administration acknowledged that improvements to security measures were required at the nuclear weapon labs and said that it took a number of corrective actions in response to indications in 1995 that China may have obtained secrets about the W88 in the 1980s. Officials said that, by mid-1996, DOE had reported to the FBI, National Security Council (NSC), and Intelligence Committees in Congress that there were serious concerns about China. Prompted by information from DOE and the CIA, the FBI had begun an investigation in September 1995. On April 7, 1997, the FBI completed an assessment of "great vulnerability" due to inadequate counterintelligence at the labs and reported those findings and 16 recommendations to DOE as well as the Senate Intelligence Committee.⁷⁷

Presidential Decision Directive-61. Former Energy Secretary Federico Pena defended DOE policies during his tenure from March 1997 to June 1998, saying that the department took a number of actions to strengthen security, including briefing the FBI, CIA, the Departments of Justice and Defense, and the NSC. In July

⁷⁶ Dorgan, Byron and Arlen Specter, "U.S. Wants, Needs Nuclear Test Ban Pact," *USA Today*, September 13, 1999.

⁷⁷ Testimony of FBI Director Louis Freeh before the House Appropriations Subcommittee on Commerce, Justice, State, and Judiciary, March 17, 1999.

1997, DOE officials briefed the White House on its review of two decades of PRC efforts to acquire U.S. nuclear weapon secrets. A special working group of the National Counterintelligence Policy Board recommended ways to tighten lab security in September 1997, and, in February 1998, the White House issued Presidential Decision Directive (PDD-61)⁷⁸ to strengthen counterintelligence at the labs. In October 1997, FBI Director Louis Freeh and DCI George Tenet briefed Pena. In March 1998, Freeh and Tenet briefed lab directors on weaknesses in counterintelligence efforts. DOE established an Office of Counterintelligence, headed by a former FBI counterintelligence official, Edward Curran, on April 1, 1998. Curran, on July 1, 1998, submitted a report to the Secretary of Energy, with 46 recommendations for strengthening counterintelligence in response to PDD-61. The Secretary had 30 days to respond to the National Security Advisor, but Richardson did not become Secretary until September 1998. He issued an action plan on November 13, 1998.⁷⁹

Energy Secretary Richardson testified on March 16, 1999, that after he took over DOE in September 1998, he ordered some corrective measures. He said those steps included a requirement for employees with access to classified information to take polygraphs, making DOE the only agency besides the CIA to have the requirement; the hiring of counterintelligence professionals at the nuclear weapon labs; repeated doubling of DOE's counterintelligence budget (\$7.6 million in FY1998, \$15.6 million in FY1999, and a request for \$31.2 million in FY2000); and a requirement for background checks on foreign visitors to the labs. Richardson also reported that DOE implemented about 80 percent of the measures directed by PDD-61 and expected to achieve full implementation by the end of March 1999.⁸⁰

Wen Ho Lee as Sole Suspect. For 20 years, Wen Ho Lee worked at the Los Alamos National Laboratory in the Applied Physics Division (also called the X Division) as a physicist specializing in hydrodynamics to develop the computer codes that simulate the detonation of thermonuclear explosions. Lee wrote in his 2001 book that DOE gave him a polygraph test on December 23, 1998, the day he returned from a trip to Taiwan because of a family emergency.⁸¹ During the polygraph, Lee recalled an incident in June 1988 during a lab-approved visit to a nuclear weapons facility in China (the Institute of Applied Physics and Computational Mathematics), when two of China's nuclear weapons scientists (Zheng Shaotong and Hu Side) visited Lee in his hotel room and asked him a question about explosive detonation points in a nuclear warhead. Lee wrote that he responded that he did not know the

⁷⁸ For an unclassified summary of PDD-61, see Appendix to the President's Foreign Intelligence Advisory Board's June 1999 report, *Science at its Best, Security at its Worst: A Report on Security Problems at the U.S. Department of Energy*.

⁷⁹ Pena, Federico, "Alert At The Energy Department," *Washington Post*, March 16, 1999; Richardson, Bill (Secretary of Energy), "Guarding Our Nuclear Security," *Washington Post*, March 15, 1999; Energy Secretary Bill Richardson, testimony on March 16, 1999; Gary Samore (NSC), briefing at Carnegie Endowment, March 17, 1999; Senate Armed Services Committee Hearing, April 12, 1999.

⁸⁰ Joint Hearing, Senate Armed Services and Energy Committees, March 16, 1999.

⁸¹ Lee, Wen Ho, *My Country Versus Me* (New York: Hyperion, 2001).

answer and was not interested in discussing the subject. Lee acknowledged during the polygraph that he was giving a full account at that time and had not reported the incident in his earlier trip report, because of fear of getting into trouble. After the test, the examiners told Lee that he passed the polygraph.

Nevertheless, DOE suspended Lee's access to the X Division and transferred him to the Theoretical Division (T Division) that was responsible for unclassified research. Lee wrote in his book that he still tried to access his office in the X Division to continue work on a scientific paper for publication, including an attempt on Christmas eve. Then, on January 10, 1999, the FBI interrogated Lee at his home.

As was later reported, the FBI's field office in Albuquerque, New Mexico, wrote a memo, dated November 19, 1998, to headquarters, recommending that investigators look into 10 other people who had been named as potential suspects in DOE's administrative probe. The field office wrote another memo to headquarters on January 22, 1999, questioning whether Lee was the prime suspect in the W88 case, in part because he passed the December 1998 polygraph test.⁸² Lee wrote in his book that the local office recommended that the FBI close the investigation on him and the acting director of the T Division, Dan Butler, informed Lee on February 4, 1999, that he could go back to the X Division.

But on February 8, 1999, an FBI agent, Carol Covert, asked to question Lee. Then, the FBI gave Lee another polygraph test on February 10, 1999, and told him he failed the test, according to Lee's account.

In his book, Lee wrote that the FBI searched his office in the T Division on March 5 and found that he had copied some files from the X Division onto a directory on the green, open computer system. Lee noted that he protected his files under three levels of passwords and that the files were not classified, but were categorized as "Protected As Restricted Data" (PARD). According to Lee, he downloaded the files as backup files to protect them in case the lab changed the computer operating system again or the system crashed again. He did not hide the files, gave them obvious filenames, and recorded the files in a notebook he clearly labeled "How to Download Files." Lee acknowledged that "it was a security violation for me to make classified tapes outside the fence and to leave the PARD files on the green, open system." But he added that he left the files there "as another backup, for my convenience, not for any espionage purpose."⁸³ Lee maintained that *after* he was fired, the files were classified Secret or Confidential, and he did not steal them.

Some Administration officials reportedly said that none of the legacy codes that Lee had transferred to an unclassified computer appeared to have been accessed by

⁸² Loeb, Vernon, "Spy Probe Raised Doubts," *Washington Post*, March 7, 2000.

⁸³ Lee, p. 122.

unauthorized people. Some said that lab employees wanted to transfer codes to unclassified computers with a better editing program.⁸⁴

Later, there were allegations that on numerous times in 1994, someone at the University of California at Los Angeles (UCLA) used Wen Ho Lee's password to access Los Alamos' computer system via the Internet. Lee's daughter, Alberta, who was majoring in mathematics at UCLA, testified that she accessed the more powerful computer systems at Los Alamos and also at the Massachusetts Institute of Technology to play a computer game called "Dungeons and Dragons."⁸⁵

On March 5, 1999, the FBI interrogated Lee again. On March 7, FBI agents told Lee that the FBI "reinterpreted" the polygraph that DOE gave him on December 23, 1998, and determined he had failed, rather than passed, as he was told at the time.

Lee's case was further complicated by the FBI's reportedly aggressive tactics. A later report said that Lee initially did not comprehend the severity of the government's investigation of him and that he was wholly naive and unprepared for the FBI's intensified interrogation that began on March 5, 1999. Robert Vrooman, then head of counterintelligence at Los Alamos, was listening in another room. He said that he and the agents came away convinced Lee was not a spy. However, someone at the FBI then ordered two agents, Carol Covert and John Podenko, to conduct the "hostile interview" of Lee on March 7, telling him falsely that he had failed the polygraph in December 1998 (when Lee had actually scored highly for honesty), threatened him with arrest, "electrocution," and never seeing his children again, and demanded that he sign a confession of "espionage" with a potential death penalty, all without the counsel of a lawyer. According to Vrooman, Covert was "distracted" after that aggressive interview, because she did not believe Lee was guilty, took three months sick leave, and transferred out of the Sante Fe office.⁸⁶

Lee maintained his innocence throughout the interrogation. Some said that the FBI was unfair and biased in misleading Lee, but others said the aggressive tactics were accepted practice in law-enforcement in trying to elicit confessions. At a hearing in late December 1999, the prosecution conceded that Lee did pass the DOE's polygraph but said that he failed the polygraph given by the FBI in February 1999.⁸⁷ Moreover, according to a report, the FBI changed the results of Lee's DOE polygraph, which showed a high degree of truthfulness. Weeks after Lee had passed that test, DOE changed the finding to "incomplete" instead, and the FBI later said that Lee failed the test.⁸⁸

⁸⁴ Loeb, Vernon, "Spy Suspect Cooperated with FBI in '82," *Washington Post*, May 2, 1999.

⁸⁵ Pincus, Walter, "U.S. Probes Remote Accessing of Los Alamos Computer," *Washington Post*, January 24, 2000.

⁸⁶ Bob Drogin, "How FBI's Flawed Case Against Lee Unraveled," *Los Angeles Times*, September 13, 2000.

⁸⁷ Loeb, Vernon and Walter Pincus, "FBI Mised Wen Ho Lee Into Believing He Failed Polygraphy," *Washington Post*, January 8, 2000.

⁸⁸ CBS Evening News, "Wen Ho Lee's Polygraph Results Questioned," February 5, 2000.

On March 8, Los Alamos fired Wen Ho Lee for “a pattern of disregard for security policies, procedures, and applicable DOE Orders” and “inability to maintain classified information securely.”⁸⁹ (DOE later changed Lee’s status to retired and began to pay him a pension.⁹⁰) After Lee was fired, the FBI also searched his home with a warrant on April 10, 1999.

Around this time in early 1999, the *New York Times*, *Wall Street Journal*, and *Washington Post* reported on alleged spying by China at the Los Alamos lab. Congress was concerned about the investigation.⁹¹

When he was fired from Los Alamos on March 8, 1999, the government’s only suspect was identified publicly as Wen Ho Lee. Secretary Richardson said he fired Lee, because the W88 case became public and Lee allegedly failed a polygraph test in February 1999.⁹² Richardson also alleged that Lee failed to notify officials about certain contacts with people in the PRC, to properly safeguard classified material, and to cooperate on security matters.

However, FBI Director Louis Freeh said on March 17, 1999, that this case was “an active investigation. We’ve not made charges against anybody, so nobody should be accused of anything.” The Cox Committee’s unclassified report released in May 1999 was careful not to name any suspects.

Answering to Congress. On March 17, 1999, appearing before the Senate Intelligence Committee, Secretary Richardson announced seven initiatives to strengthen counterintelligence at DOE, in addition to PDD-61. Those steps were to

- improve security of cyber-information systems, including electronic mail;
- improve security of documents containing weapon design data;
- review the foreign visitors’ program (to be led by former DCI John Deutch);
- direct the deputy secretary and undersecretary to monitor the program to strengthen counterintelligence;
- review all investigative files in the Office of Counterintelligence;

⁸⁹ Lee, P. 84.

⁹⁰ “Lee Agrees to Answer Additional Questions,” *Washington Post*, November 19, 2000.

⁹¹ Gerth, Jeff and Eric Schmitt, “Bipartisan Report Finds Theft of Nuclear Technology That Hurt National Security,” *New York Times*, December 31, 1998; Carla Anne Robbins, “China Got Secret Data On U.S. Warhead,” *Wall Street Journal*, January 7, 1999; Walter Pincus, “U.S. Cracking Down On Chinese Designs On Nuclear Data” and “Spy Suspect Fired At Los Alamos Lab,” *Washington Post*, February 17 and March 9, 1999; James Risen and Jeff Gerth, “China Stole Nuclear Secrets From Los Alamos, U.S. Officials Say,” *New York Times*, March 6, 1999; testimony of FBI Director Louis Freeh before the House Appropriations Subcommittee on Commerce, Justice, State, and Judiciary, March 17, 1999.

⁹² Risen, James, “U.S. Fires Nuclear Scientist Suspected of Spying for China,” *New York Times*, March 9, 1999; Pincus, Walter, “Spy Suspect Fired At Los Alamos Lab,” *Washington Post*, March 9, 1999.

- report annually to Congress on the counterintelligence and foreign visitors' programs;
- begin an internal review to examine allegations that a top official blocked notification to Congress.⁹³

Furthermore, on April 2, 1999, Secretary Richardson ordered the nuclear weapon labs to suspend scientific work on computers that contain nuclear weapon secrets. This step was taken to prevent the possibility that sensitive data would be copied from secure computers and sent electronically through unclassified computers. Richardson acknowledged potential problems, saying that "our computer security has been lax, and I want to strengthen it, and the only way to do that is to stand down." The suspension was ordered in part because Lee was an expert in the computer systems, and an internal review showed that security measures at Los Alamos and Livermore labs were "marginal," while Sandia received a "satisfactory" rating.⁹⁴ In September 1999, Richardson reported that Los Alamos improved its security and received a "satisfactory" rating, while Livermore and Sandia got "marginal" ratings.⁹⁵

On May 11, 1999, Energy Secretary Richardson announced further reforms of DOE to increase control over the nuclear weapon labs, including the appointment of a "security czar" who would report directly to the Secretary. One month later, Richardson named retired Air Force General Eugene Habiger, former Commander in Chief of the U.S. Strategic Command, as the Director of a new Office of Security and Emergency Operations.⁹⁶ Richardson also planned to consolidate security funds in DOE under one \$800 million budget and an additional \$50 million over two years to improve computer-related security. Also, there would be greater controls over floppy disk drives that could transfer files out of the classified computer systems, and DOE would require electronic "banners" on government computers warning users that their computers were subject to monitoring.⁹⁷ DOE originally requested \$2 million for computer security but increased the request to \$35 million after the PRC espionage case came to light. However, Congress in September 1999 did not approve the additional request in a conference committee on energy appropriations, and an unnamed Member said the committee wanted to see management reform before approving a large funding increase.⁹⁸ In December 1999, Habiger complained that Congress did not provide all the funds he needs to improve security at the labs,

⁹³ Department of Energy release, March 17, 1999.

⁹⁴ Risen, James, "Energy Department Halts Computer Work at Three Nuclear Weapon Labs," *New York Times*, April 7, 1999.

⁹⁵ DOE, news release, "Energy Secretary Richardson Releases Results of Independent Security Reviews at National Labs," September 20, 1999.

⁹⁶ DOE, news release, "Richardson Selects Security 'Czar'," June 16, 1999.

⁹⁷ Risen, James, "Energy Secretary Announces Program to Strengthen Lab Security," *New York Times*, May 12, 1999.

⁹⁸ Pincus, Walter and Vernon Loeb, "DOE Loses \$35 Million for Cyber Security," *Washington Post*, September 29, 1999.

but Representative Cox countered that Habiger had not provided Congress with a detailed plan for how the additional millions would be used.⁹⁹

The first official to lose his job as a result of the Los Alamos controversy was Victor Reis, the Assistant Energy Secretary in charge of defense programs since 1993, who resigned on June 25, 1999.¹⁰⁰ Testifying before the House Armed Services Committee on July 14, 1999, Reis acknowledged that he had “some responsibility” for the security problems and he “could have pressed harder” to strengthen security, but asserted that many other officials at DOE and FBI share the blame.¹⁰¹

In July 1999, DOE instituted a new policy to require DOE employees with security clearances to report any “close and continuing contacts” with foreigners from the sensitive countries on DOE’s list.¹⁰² Also in July, Richardson issued revised procedures to more closely monitor visits and assignments of foreign nationals to DOE’s facilities, as part of implementing PDD-61. Lab directors no longer had authority to grant waivers of DOE security requirements, and only the Secretary had authority to approve waivers. Richardson also derided discrimination against Americans of Asian Pacific heritage, saying that the new order only affected foreign citizens, not Americans.¹⁰³

On August 12, 1999, Richardson announced the results of an internal DOE inquiry by the inspector general and ordered that three individuals be disciplined. (See Law Enforcement vs. Security below.)

In October 1999, Richardson decided to narrow the scope of controversial polygraph tests, originally considered for over 5,000 lab employees, so that about 1,000 people working in the most sensitive areas, primarily at the three nuclear weapon laboratories, would be tested. They included nuclear weapon designers, security and counterintelligence officials, employees at nuclear weapon production plants, and political appointees at DOE headquarters.¹⁰⁴ In December 1999, Richardson narrowed the number to about 800 employees who would have to take the lie-detector test.¹⁰⁵

⁹⁹ Suro, Roberto, “Energy’s Security Initiative Lacks Fuel,” *Washington Post*, December 2, 1999.

¹⁰⁰ Pincus, Walter, “Nuclear Officials’ Future Uncertain,” *Washington Post*, June 25, 1999.

¹⁰¹ Pincus, Walter, “Plenty of Blame to Go Around on Spying, DOE’s Ex-Arms Chief Says,” *Washington Post*, July 15, 1999.

¹⁰² Pincus, Walter and Vernon Loeb, “Isn’t It Romantic: Security Rules Exempt One-Night Stands,” *Washington Post*, September 2, 1999.

¹⁰³ DOE, news release, “Richardson Toughens Requirements for Unclassified Foreign Visits and Assignments,” July 14, 1999.

¹⁰⁴ Pincus, Walter, “Richardson Cuts Lab Lie Tests Sharply,” *Washington Post*, October 16, 1999.

¹⁰⁵ DOE, “DOE Polygraph Implementation Plan Announced,” press release, December 13, (continued...)

On December 10, 1999, as directed by Attorney General Reno, the Justice Department arrested and indicted Lee for mishandling classified information — but not for passing secrets to any foreign government. (See Indictment of Wen Ho Lee.)

On January 7, 2000, Secretary Richardson presented his plan to establish the new NNSA. (See section on the NNSA above.)

Richardson, on January 19, 2000, received the report and recommendations from the Task Force Against Racial Profiling that he had established in June 1999. (See Racial Profiling and Selective Prosecution below.)

On January 25, 2000, Secretary Richardson said that security and counter-intelligence had been dramatically improved, including training for 700 computer systems administrators in cyber-security. DOE security czar, Eugene Habiger, said that it was now almost impossible for lab employees to transfer nuclear secrets from classified to unclassified computer systems.¹⁰⁶ With the tightening of security, however, there were concerns that the tense environment at the labs hurt their scientific mission.¹⁰⁷

The NNSA began operations as of March 1, 2000. Secretary Richardson directed that about 2,000 DOE employees be realigned to be employees of NNSA.¹⁰⁸

On May 3, 2000, President Clinton nominated U.S. Air Force General John A. Gordon, Deputy Director of Central Intelligence since November 1997, to be the first Under Secretary for Nuclear Security and administrator of NNSA, a decision announced by Secretary Richardson on March 2, 2000.¹⁰⁹ The Senate confirmed the nomination (by 97-0) on June 14, 2000. Richardson swore in Gordon on June 28, 2000.

Issues about the Response

Timeliness and Responsiveness. Critics argued that the Clinton Administration was slow to respond to concerns about China and the labs and that DOE officials resisted reforms for years. They said that in November 1996, Charles Curtis (Undersecretary and then Deputy Secretary of Energy from February 1994 to

¹⁰⁵ (...continued)
1999.

¹⁰⁶ Loeb, Vernon, “Energy Chief Touts Security Upgrades at Nuclear Labs,” *Washington Post*, January 26, 2000.

¹⁰⁷ Loeb, Vernon, “From Coast to Coast, Fallout From a Probe at California Lab, Tightened Security Too Much for Some,” *Washington Post*, December 21, 1999.

¹⁰⁸ Secretary of Energy Richardson, “Memorandum for All Department Employees,” March 1, 2000.

¹⁰⁹ DOE, “General John A. Gordon Selected to Head National Nuclear Security Administration,” March 2, 2000.

April 1997) ordered new security measures (called the Curtis Plan)¹¹⁰, but those steps — including requiring background checks again for all foreign visitors — were not carried out by the labs nor followed up by DOE officials. They also voiced concerns about related developments reported in the press, specifically that in April 1997, the FBI recommended changes at the labs, including reinstating background checks on foreign visitors, but the DOE did not implement improvements in counterintelligence until after Bill Richardson became Secretary of Energy (in August 1998). In the spring of 1997, DOE had selected the suspect to head a program to update the computer programming used in the stockpile stewardship program that evaluates the performance of nuclear weapons without testing, and he hired a PRC citizen to assist him.¹¹¹ Moreover, some critics questioned why the President did not issue PDD-61 until February 1998, although the suspicions that China obtained W88 data arose in 1995 and the FBI made recommendations to tighten counterintelligence measures in April 1997.¹¹²

The President’s Foreign Intelligence Advisory Board (PFIAB), led by former Senator Rudman, reported in June 1999 that “the speed and sweep of the [Clinton] Administration’s ongoing response does not absolve it of its responsibility in years past,” and “there is some evidence to raise questions about whether its actions came later than they should have.” The PFIAB also noted that “the track record of previous administrations’ responses to DOE’s problems is mixed.”¹¹³

The PFIAB noted that PDD-61 was issued on February 11, 1998, and after Secretary Richardson was sworn in on August 18, he submitted the action plan to the NSC on November 13. However, the DOE’s completed implementation plan was delivered to Secretary Richardson on February 3, 1999 and issued to the labs on March 4. The board said that “we find unacceptable the more than four months that elapsed before DOE advised the National Security Advisor on the actions taken and specific remedies developed to implement the Presidential directive, particularly one so crucial.” PFIAB further declared that “the fact that the Secretary’s implementation plan was not issued to the labs until more than a year after the PDD was issued tells us **DOE is still unconvinced of Presidential authority** [PFIAB’s emphasis].”

On July 2, 1999, House Commerce Committee chairman Tom Bliley and Representative Fred Upton, chairman of the Oversight and Investigations Subcommittee, issued a joint statement one day after receiving a classified briefing

¹¹⁰ Hearing of the Senate Armed Services Committee, April 12, 1999.

¹¹¹ Risen, James, “Suspect Scientist Led Key Los Alamos Program,” *New York Times*, March 24, 1999.

¹¹² Risen, James and Jeff Gerth, “China Stole Nuclear Secrets From Los Alamos, U.S. Officials Say,” *New York Times*, March 6, 1999; David E. Sanger, “Clinton Aides Admit Lapses On Espionage by Chinese,” *New York Times*, March 7, 1999; Jeff Gerth, “Nuclear Lapses Known in ‘96, Aides Now Say,” *New York Times*, March 17, 1999; Vernon Loeb and Juliet Eilperin, “GOP Attacks’ Impact on China Ties Concerns White House,” *Washington Post*, March 17, 1999.

¹¹³ President’s Foreign Intelligence Advisory Board (PFIAB), Special Investigative Panel, *Science at its Best, Security at its Worst: A Report on Security Problems at the U.S. Department of Energy*, unclassified, June 1999.

on DOE's May 1999 inspection of security measures at Lawrence Livermore. They said that the briefing had been "delayed repeatedly by Secretary Richardson without any legitimate basis." They stated that the inspection found "serious deficiencies" in the areas of computer security, foreign visitor controls and clearances, and protection of nuclear materials. They also questioned why DOE managers failed to detect deficiencies on their own.¹¹⁴

Law Enforcement vs. Security. Some critics had additional concerns that the Administration did not act promptly enough or investigated aggressively enough to protect national security, since the prime suspect identified by DOE and the FBI in the W88 case, though not charged with any crime, remained employed at Los Alamos until March 8, 1999. The PFIAB's report stated in June 1999 that "there does not exist today a systematic process to ensure that the competing interests of law enforcement and national security are appropriately balanced."

Although criminal investigations usually require leaving the suspects in place to obtain evidence and assess damage, the suspect was only required to take polygraph tests in December 1998 (conducted by DOE) and in February 1999 (given by the FBI). DOE did not remove him from access to highly sensitive information in the X Division until December 1998¹¹⁵ and did not dismiss him until March 8, 1999¹¹⁶, even though the Director of the FBI had informed DOE officials in a meeting on August 12, 1997, that there was not sufficient evidence to warrant keeping the investigation a secret and that denying the suspect continued access to sensitive information may be more important than the FBI's stalled case.¹¹⁷ In congressional testimony on March 16, 1999, Energy Secretary Richardson confirmed that the FBI began its investigation in 1995, and he asserted that DOE and the FBI worked "extremely cooperatively." Yet, Secretary Richardson acknowledged concerns when he decided to begin an investigation at DOE to determine how the prime suspect retained his access to classified information and his job.¹¹⁸

On August 12, 1999, Richardson announced the results of the internal DOE inquiry by the Inspector General into the espionage investigation. Richardson declared, "there was a total breakdown in the system and there's plenty of blame to go around."¹¹⁹ He said that "the espionage suspect should have had his job

¹¹⁴ "Bliley, Upton React to Briefing on Livermore Security Inspection," press release, July 2, 1999.

¹¹⁵ Cox Committee's unclassified report, May 1999, Vol. 1, p. 90.

¹¹⁶ Pincus, Walter, "Spy Suspect Fired At Los Alamos Lab," *Washington Post*, March 9, 1999.

¹¹⁷ Risen, James and Jeff Gerth, "China Stole Nuclear Secrets from Los Alamos, U.S. Officials Say," *New York Times*, March 6, 1999; Testimony of Louis Freeh, Director of the FBI, before the House Appropriations Subcommittee on Commerce, Justice, State, and Judiciary, March 17, 1999.

¹¹⁸ Risen, James, "U.S. Inquires Why Suspect At Atom Lab Kept Access," *New York Times*, April 23, 1999.

¹¹⁹ DOE press release, "Richardson Announces Results of Inquiries Related to Espionage (continued...)"

assignment changed to limit his access to classified information much sooner than it was, and cooperation with the FBI should have been stronger.” He also announced that of the 19 DOE officials identified by the Inspector General as bearing some responsibility for counterintelligence and security, three employees would be disciplined. News reports identified those three individuals as Sig Hecker, former director of Los Alamos from 1986 to 1997 who was still employed as a scientist; Robert Vrooman, former head of counterintelligence at Los Alamos serving as a consultant; and Terry Craig, a former counterintelligence team leader working at a different part of the lab. In addition, former secretary Federico Pena, former deputy secretary Elizabeth Moler, and former deputy secretary Victor Reis reportedly would have been subject to disciplinary action if still employed by DOE.¹²⁰

Wiretaps and Computer Monitoring. Some critics also raised questions about the FBI’s case, since it had not conducted electronic surveillance of the suspect or searched his office and home computers earlier in the investigation. Although the government already considered Lee its only suspect, FBI agents did not begin to intensively interrogate him until March 5, 1999¹²¹ and look at his government computers in his office that day. They did not search his home until later in April 1999.¹²² Some questioned the Department of Justice’s role in not supporting the FBI’s requests to electronically monitor him through wiretaps. The FBI said that the Justice Department’s Office of Intelligence Policy and Review (OIPR) denied the FBI’s applications for electronic surveillance, or wiretaps, of the suspect in August 1997 and in December 1998, because there was insufficient evidence that the suspected espionage activity was current. Because the OIPR did not approve the applications, they did not reach the court established under the authority of the Foreign Intelligence Surveillance Act (FISA).

On May 24, 1999, Reno said that the Justice Department did not authorize intrusions in the lives of American citizens “when, as in this case, the standards of the Constitution and the Foreign Intelligence Surveillance Act (FISA) have not been met.” She further explained that “although I was not apprised of the details of the case at the time the decision was made, I have reviewed the decision of the OIPR and fully support it.” Also, contrary to some reports, the 1997 request for FISA coverage “did not contain a request to search any computer.”¹²³ At a closed hearing of the Senate Judiciary Committee on June 8, 1999, Attorney General Janet Reno explained

¹¹⁹ (...continued)

Investigation,” August 12, 1999.

¹²⁰ Loeb, Vernon, “Discipline Urged Against Los Alamos Employees,” *Washington Post*, August 13, 1999.

¹²¹ Risen, James, “U.S. Fires Nuclear Scientist Suspected of Spying for China,” *New York Times*, March 9, 1999.

¹²² Vernon Loeb and Walter Pincus, “FBI Searches Home Of Scientist Suspected Of Spying For China,” *Washington Post*, April 11, 1999.

¹²³ Department of Justice, “Statement by Attorney General Janet Reno on the Los Alamos Laboratory Matter,” May 24, 1999.

that “the FISA application was legally insufficient to establish probable cause.”¹²⁴ Among the reasons, she said the request focused on the Lees, while “the elimination of other logical suspects, having the same access and opportunity, did not occur.”

The PFIAB said that “the Department of Justice may be applying the FISA in a manner that is too restrictive, particularly in light of the evolution of a very sophisticated counterintelligence threat and the ongoing revolution in information systems.” The board also questioned “why the FBI’s FISA request did not include a request to monitor or search the subject’s workplace computer systems.”

However, there were competing concerns about protection of civil liberties. As the *Washington Post* stated, “the Lee case, for example, has been cited as evidence of the need to relax civil liberties protections to make surveillance easier in national security cases. This is a dreadful idea.” The *Post* also cautioned that Lee was “entitled to a presumption of innocence that he has not typically received in public discussions of the matter.”¹²⁵

Some expressed concerns that the lack of monitoring over the prime suspect’s computer use had grave consequences for securing secrets of U.S. nuclear weapons. Additional reports revealed that Secretary Richardson shut down the lab computers on April 2, 1999, because investigators discovered after obtaining permission to check his computer in March 1999 that he had carried out a possibly significant compromise of computer security affecting nuclear weapons. Critics were concerned that the FBI discovered that the suspect had transferred enormous volumes of files containing millions of lines of highly secret computer codes on nuclear weapon designs (called “legacy codes”) from a classified computer to an unclassified computer at Los Alamos. Moreover, they cited as a problem that someone who improperly used a password may have subsequently accessed the files in the unclassified computer.¹²⁶ They thought it suspicious that Lee tried to delete some of the classified files.¹²⁷ The FBI said that it was not able to obtain a search warrant to search the computer at Los Alamos earlier, because the labs did not place “banners” warning employees that the computers were outside the protection of privacy rights and subject to government monitoring. However, in May 1999, a report said that Lee, in 1995, had indeed signed a routine waiver giving Los Alamos the right to audit his computer use.¹²⁸

¹²⁴ On December 21, 1999, the Judiciary Committee released an unclassified transcript of the hearing.

¹²⁵ “The Espionage Scandal,” *Washington Post*, August 19, 1999.

¹²⁶ Risen, James and Jeff Gerth, “U.S. Says Suspect Put Data on Bombs in Unsecure Files,” *New York Times*, April 28, 1999.

¹²⁷ Loeb, Vernon and Walter Pincus, “Los Alamos Security Breach Confirmed,” *Washington Post*, April 29, 1999; James Risen and Jeff Gerth, “China Spy Suspect Reportedly Tried to Hide Evidence,” *New York Times*, April 30, 1999.

¹²⁸ Risen, James, “Energy Secretary Announces Program to Strengthen Lab Security,” *New York Times*, May 12, 1999.

Speaking publicly for the first time in his own defense, Wen Ho Lee declared in a television interview on August 1, 1999, that he was innocent of wrongdoing, that he did not disclose nuclear secrets to China or any unauthorized person, and that he transferred the files on weapon data to an unclassified computer to protect the information, which was “common practice” at the labs. Lee also said that he had been made a “scapegoat” in the investigation even though he devoted “the best time of my life to this country,” because he was the only Asian American working in the X Division, the group in charge of weapon design at Los Alamos.¹²⁹ Others at the lab also described the transfer of computer files between classified and unclassified computers at the labs to have been common practice, particularly after the computer network at Los Alamos split into two networks in December 1994.¹³⁰

On August 5, 1999, Senators Thompson and Lieberman of the Governmental Affairs Committee reported on a bipartisan basis how DOE, FBI, and DOJ may have mishandled the investigation, particularly in communications among them.¹³¹

In announcing the results of an inquiry by DOE’s Inspector General, Richardson confirmed on August 12, 1999, that Lee had signed a computer privacy waiver in April 1995, but a counterintelligence official failed to adequately search lab records and missed the waiver. Thus, the FBI did not know about the waiver until May 1999. Richardson recommended disciplinary action against the official.¹³²

On March 8, 2000, Senator Specter, as part of his investigation under the jurisdiction of the Senate Judiciary Subcommittee on Administrative Oversight and the Courts, issued a report critical of the investigation of Wen Ho Lee. The report criticized the FBI’s and DOE’s investigations as “inept.” It also criticized the Department of Justice and Attorney General Janet Reno for not forwarding the FBI’s request for a warrant to the FISA court, despite “ample, if not overwhelming, information to justify the warrant.”¹³³

However, Senator Charles Grassley, chairman of the subcommittee, criticized the FBI for not telling Congress through most of 1999 that the bureau had found that Lee was not the prime suspect in the espionage case at Los Alamos. Senator Grassley said that he, along with Senators Specter and Torricelli, had asked the General Accounting Office to examine whether a senior FBI official (believed to be

¹²⁹ CBS, “60 Minutes,” August 1, 1999; Robert Pear, “Suspect in Atom Secrets Case Publicly Denies Aiding China,” *New York Times*, August 2, 1999.

¹³⁰ Carey, Pete, “Intricate System Adds Complexity to Spying Probe; Inner Workings of Weapons Lab May Slow Search for Evidence,” *San Jose Mercury News*, June 10, 1999.

¹³¹ Senate Governmental Affairs Committee, “Department of Energy, FBI, and Department of Justice Handling of the Espionage Investigation into the Compromise of Design Information on the W88 Warhead,” August 5, 1999; Walter Pincus, “China Spy Probe Bungled, Panel Finds,” *Washington Post*, August 6, 1999.

¹³² DOE, news release, “Richardson Announces Results of Inquiries Related to Espionage Investigation,” August 12, 1999.

¹³³ Senator Arlen Specter, “Report on the Investigation of Espionage Allegations Against Dr. Wen Ho Lee,” March 8, 2000.

Neil Gallagher, head of the National Security Division) had withheld documents from Congress in 1999. (The FBI then asked that the investigation be suspended after Wen Ho Lee's indictment.) Senator Grassley sent a letter to Senator Specter that disputed his report, saying that the evidence against Lee was weak.¹³⁴

Scope of Investigation. The scope of the investigation was another issue. Reports said that the investigation in the W88 espionage case (originally code-named "Kindred Spirit") prematurely narrowed in on one lab (Los Alamos) and one suspect (Wen Ho Lee). In June 1999, the PFIAB's report criticized the Administration's investigation as focusing too narrowly "on only one warhead, the W88, only one category of potential sources — bomb designers at the national labs — and on only a four-year window of opportunity." The investigation, the PFIAB said, "should have been pursued in a more comprehensive manner."¹³⁵ The FBI reportedly had just one or two agents assigned to the case in 1996, increased the number of agents to three or four in 1997, and assigned 40 agents by mid-1999.¹³⁶

Acknowledging concerns about how the W88 case was handled, Attorney General Reno said on May 6, 1999, that the Justice Department would establish a panel of FBI agents and federal prosecutors to conduct an internal review of the investigation of Wen Ho Lee.¹³⁷ Then, on September 23, 1999, Attorney General Janet Reno and FBI Director Louis Freeh announced that the government had expanded its investigation to conduct a more thorough examination of evidence and possible alternative sources of information, including military facilities and defense contractors.¹³⁸ The FBI reportedly began this expanded espionage investigation in April 1999 and gave it the code-name "Fall-out."¹³⁹

Significantly, a report said that as early as January 1999, two months before Wen Ho Lee's arrest, the FBI doubted that he was the source of the PRC's information on the W88 nuclear warhead. The FBI's field office in Albuquerque, NM, wrote a memo to headquarters on January 22, 1999, questioning whether Lee was the prime suspect in the W88 case (code-named "Kindred Spirit"), in part because he passed the December 1998 polygraph test. An earlier memo, written on November 19, 1998, from the Albuquerque office to FBI headquarters had stated that investigators would look into 10 other people who had been named as potential suspects in DOE's administrative probe. However, Senator Arlen Specter, at whose

¹³⁴ Loeb, Vernon, "GAO Probing Senior FBI Official," *Washington Post*, March 9, 2000.

¹³⁵ PFIAB.

¹³⁶ Risen James and Jeff Gerth, "U.S. Is Said To Have Known Of China Spy Link in 1995," *New York Times*, June 27, 1999.

¹³⁷ Walsh, Edward, "Reno Sets Review of 'Process' on China Spying Concerns," *Washington Post*, May 7, 1999.

¹³⁸ Risen, James and David Johnston, "U.S. Will Broaden Investigation of China Nuclear Secrets Case," *New York Times*, September 23, 1999.

¹³⁹ Loeb, Vernon, "Spy Probe Raised Doubts," *Washington Post*, March 7, 2000.

hearing the documents emerged, dismissed those doubts about Lee being the prime suspect, saying that FBI agents were “thrown off” course by the 1998 polygraph.¹⁴⁰

By November 1999, the FBI reportedly obtained new evidence that China acquired information about U.S. nuclear weapons from a facility that assembles those weapons. The evidence apparently stemmed from errors in the PRC intelligence document said to contain a description of the W88 warhead. The errors were then traced to one of the “integrators” of the weapons, possibly including Sandia National Lab, Lockheed Martin Corporation (which runs Sandia), and the Navy.¹⁴¹

On May 16, 2000, Attorney General Janet Reno reportedly was briefed on the classified, four-volume report of the Justice Department’s internal review of its handling of the original investigation. The review by federal prosecutor Randy Bellows reportedly said that the FBI mishandled the espionage probe, in part because of internal turf wars, by not acting sooner, not committing enough resources sooner, and prematurely focusing on Wen Ho Lee as the only prime suspect. The report was said to state that the government could have discovered Lee’s downloading of computer files years earlier, since he had signed a privacy waiver and a court order was not required.¹⁴² FBI agents acknowledged multiple mistakes in the investigation of Wen Ho Lee.¹⁴³ New details about Bellows’ report emerged in August 2001, when the *Washington Post* said that the report contained extensive criticisms of the FBI, its field office in Albuquerque, DOE, and the Justice Department’s OIPR. Bellows found that DOE made “misleading representations” about Wen Ho Lee in a 1995 report that prompted the FBI’s investigation and that the FBI spent “years investigating the wrong crime.”¹⁴⁴

In October 2000, it was reported that the investigation had shifted significantly to examine the Pentagon and its facilities and contractors, after intelligence agencies concluded that PRC espionage acquired more classified U.S. missile technology, including that on the heat shield, than nuclear weapon secrets. Difficulties in translating 13,000 pages of secret PRC documents resulted in this delayed finding. The Pentagon then decided to hire 450 counter-intelligence experts.¹⁴⁵

¹⁴⁰ Loeb, Vernon, “Spy Probe Raised Doubts,” *Washington Post*, March 7, 2000.

¹⁴¹ Loeb, Vernon and Walter Pincus, “FBI Widens Chinese Espionage Probe,” *Washington Post*, November 19, 1999.

¹⁴² Vise, David A. and Vernon Loeb, “Justice Study Faults FBI in Spy Case,” *Washington Post*, May 19, 2000.

¹⁴³ Cohen P. Laurie and David S. Cloud, “How Federal Agents Bungled the Spy Case Against Lee,” *Wall Street Journal*, December 8, 2000.

¹⁴⁴ Eggen, Dan and Ellen Nakashima, “U.S. Probe of Nuclear Scientist Assailed,” *Washington Post*, August 14, 2001; Dan Eggen, “Report Details More FBI Blunders in Wen Ho Lee Probe,” *Washington Post*, August 27, 2001.

¹⁴⁵ Pincus, Walter and Vernon Loeb, “China Spy Probe Shifts to Missiles,” *Washington Post*, October 19, 2000; “Pentagon to Add 450 Experts to Protect Defense Secrets,” October 27, 2000.

Indictment of Wen Ho Lee. Former Los Alamos scientist Wen Ho Lee's criminal case was a result of, but did not solve, the government's investigation of whether the PRC obtained W88 secrets by espionage (the original probe called "Kindred Spirit" and the expanded investigation called "Fall-out"). By November 1999, the Justice Department reportedly was not planning to charge Lee with espionage, because there was no evidence that he passed nuclear weapon secrets to China or another country.¹⁴⁶ On December 4, 1999, the top law-enforcement, security, and DOE officials held a meeting at the White House on whether to indict the prime suspect. Attorney General Janet Reno, National Security Advisor Sandy Berger, Energy Secretary Bill Richardson, FBI Director Louis Freeh, DCI George Tenet, and U.S. Attorney John Kelly attended.¹⁴⁷

By December 1999, the FBI completed the specific investigation that focused on Lee's transfers of computer files, which were discovered just before he was fired in March 1999, after which, FBI agents later searched his home in April 1999. The case was presented to a federal grand jury in Albuquerque, N.M. On December 10, 1999, as directed by Attorney General Reno, the Justice Department arrested and indicted Lee for allegedly "mishandling classified information" — but not for passing secrets to any foreign government(s).¹⁴⁸ Lee was charged with violations of the Atomic Energy Act, including unlawful acquisition and removal of Restricted Data,¹⁴⁹ that carry a maximum penalty of life imprisonment.¹⁵⁰ The charges included the "intent to injure the United States" or "to secure an advantage to any foreign nation." Furthermore, Lee was charged with violations of the Federal Espionage Act, including unlawful gathering and retention of national defense information, that carry a maximum penalty of imprisonment for ten years.¹⁵¹

Specifically, the 59-count indictment alleged that Lee knowingly downloaded and removed from Los Alamos extensive "classified files" relating to the design, manufacture, and testing of nuclear weapons. The investigation, which included holding over 1,000 interviews and searching more than 1,000,000 computer files, found that Lee transferred files to 10 portable computer tapes and that seven of the tapes were unaccounted for. The government charged that Lee, in 1993 and 1994, transferred Restricted Data on nuclear weapon research, design, construction, and testing from the classified computer system to an unsecure computer at Los Alamos, and then later downloaded the files to nine tapes. As recently as 1997, Lee allegedly

¹⁴⁶ Pincus, Walter, "U.S. Near Decision on Indicting Lee in Los Alamos Case," *Washington Post*, November 5, 1999.

¹⁴⁷ Risen, James and David Johnston, "Decision Nears on the Fate of Ex-Los Alamos Scientist," *New York Times*, December 8, 1999.

¹⁴⁸ Department of Justice, U.S. Attorney John J. Kelly, District of New Mexico, news release, "Wen Ho Lee Indicted for Violating the Atomic Energy Act of 1954 and for Unlawful Gathering and Retention of National Defense Information," December 10, 1999.

¹⁴⁹ Restricted Data means data concerning: 1) the design, manufacture, or utilization of atomic weapons; 2) production of special nuclear material; or 3) the use of special nuclear material in the production of energy.

¹⁵⁰ 42 USCS § 2275 and § 2276.

¹⁵¹ 18 USCS § 793 (c) and § 793(e).

downloaded current nuclear weapon design codes and other data directly to a 10th tape. These simulation codes are used to compare computer calculations with actual nuclear test data.

Four hours before the indictment, Lee's lawyer faxed a letter to the U.S. Attorney, saying that Lee wanted to take another polygraph and to provide "credible and verifiable" information to show that "at no time did he mishandle those tapes in question and to confirm that he did not provide those tapes to any third party."¹⁵²

At a hearing in Albuquerque, N.M., on December 13, 1999, Wen Ho Lee pleaded not guilty to the charges. Without elaboration, his defense attorneys maintained that the seven tapes had been destroyed and that there was no evidence that Lee had the tapes or had disclosed or attempted to disclose the tapes. Lee was ordered to be held in jail without bail, until his trial, despite his attorneys' offer to post \$100,000 bond and place Lee on electronic surveillance at his home.¹⁵³ Lee was then held in solitary confinement, placed in shackles for a significant time period, and denied outdoor exercise. Lee's trial was set to begin on November 6, 2000.

Meanwhile, on December 20, 1999, Wen Ho Lee and his wife filed a lawsuit against the Departments of Energy and Justice and the FBI for alleged violations of the Privacy Act of 1974. The Lees charged that, since at least early 1999, the government made numerous intentional, unauthorized disclosures about them, causing them to be unfairly and inaccurately portrayed in the media as PRC "spies."¹⁵⁴ (After being freed under a plea agreement in September 2000, Lee's lawyers indicated that he intended to continue the civil lawsuit.¹⁵⁵)

In April 2000, Lee's attorney revealed that, in 1999, only *after* Lee was fired, the government re-assigned a higher security classification to the computer files that Lee was charged with downloading. At the time that Lee downloaded the files, they were not classified information, but considered "Protect As Restricted Data (PAR)," a category of security assigned to voluminous and changing scientific data, not a security classification of Secret or Confidential, as the indictment charged. Both sides were said to agree that the government had changed this classification after the downloading, as shown in the prosecution's evidence. While Lee's defense attorney argued that the indictment was "deceptive," the Justice Department contended that Lee took the "crown jewels" of U.S. nuclear weapon secrets. Lee's lawyers also found that PAR's security ranking was five on a scale of nine, the

¹⁵² Loeb, Vernon, "Physicist is Indicted in Nuclear Spy Probe," *Washington Post*, December 11, 1999.

¹⁵³ Berthelsen, Christian, "Nuclear-Weapons Scientist Pleads Not Guilty; Held Without Bail," *New York Times*, December 14, 1999.

¹⁵⁴ "Family of Dr. Wen Ho Lee Announces Filing of Privacy Act Lawsuit Against the Department of Justice, the FBI, and the Department of Energy," news release, December 20, 1999.

¹⁵⁵ Loeb, Vernon, "Lee Will Pursue Suit for Breach of Privacy," *Washington Post*, September 15, 2000.

highest being secret restricted data.¹⁵⁶ (In October 2001, the government set up a new category of classification for nuclear weapons design data, called Sigma 16.)¹⁵⁷

Lee's defense team requested, in May 2000, that the prosecution name the foreign nation(s) that Lee allegedly sought to help, saying that it was unfair of the government not to name the countries in charging Lee.¹⁵⁸ The federal judge in New Mexico then ordered the prosecution to disclose the foreign nation(s) by July 5, 2000.¹⁵⁹ On that date, the U.S. Attorney filed a document that named eight foreign governments that Lee may have sought to help in downloading the nuclear data. Those places named were: the PRC, Taiwan, Australia, France, Germany, Hong Kong, Singapore, and Switzerland, places (except for the PRC) where Lee allegedly had expressed an interest in applying for work in 1993, when he supposedly feared losing his job at Los Alamos.¹⁶⁰ In his 2001 book, however, Lee wrote that he did not download backup copies of his files onto tapes because he might have to find a new job. He made the tapes to protect his files with backup copies, particularly by keeping his codes safe in a version that could be reconstructed if necessary.¹⁶¹

Another issue for the Administration and the prosecution was how much of the classified information to release publicly as evidence. Secretary Richardson was responsible for part of the decision, based on recommendations from his new security czar.¹⁶² On August 1, 2000, U.S. District Judge James Parker ruled in favor of Lee's defense, requiring that the government publicly explain to a jury the nuclear secrets Lee allegedly downloaded, including any flaws in the tapes (which would not help any possible recipients of the information).¹⁶³

In August 2000, a dramatic turn of public events began, favoring Lee's defense and his release. At a hearing to secure release for Lee on August 16-18, 2000, a top nuclear weapons expert, John Richter, countered the prosecution's case, testifying that 99 percent of the information that Lee downloaded were publicly available. Also according to Richter, even if a foreign government obtained the information, there would be no "deleterious effect" on U.S. national security, because other

¹⁵⁶ Broad, William J., "Files in Question in Los Alamos Case Were Reclassified," *New York Times*, April 15, 2000.

¹⁵⁷ Pincus, Walter, "Nuclear Arms Data Get New Classification," *Washington Post*, August 31, 2001.

¹⁵⁸ Benke, Richard, "Defense Challenges Government's Refusal to Name Foreign Country," *Associated Press*, May 30, 2000.

¹⁵⁹ Pincus, Walter and Vernon Loeb, "U.S. Told to Name Nations That Lee Would Have Aided," *Washington Post*, June 27, 2000.

¹⁶⁰ Loeb, Vernon and Walter Pincus, "Lee May Have Shared Copied Data with 8 Nations, U.S. Says," *Washington Post*, July 7, 2000.

¹⁶¹ Lee, p. 323-324.

¹⁶² Risen, James, "Security of Los Alamos Data Could Delay Trial U.S. Says," *New York Times*, August 7, 1999.

¹⁶³ Pincus, Walter, "U.S. Judge Rules for Lee On Nuclear Data Issue," *Washington Post*, August 3, 2000.

governments cannot build the sophisticated U.S. nuclear warheads based on computer simulation codes downloaded by Lee. Richter testified that the “crown jewels” of U.S. nuclear weapons secrets were not the simulation codes that Lee downloaded, but the data from over 1,000 nuclear tests. Richter also said that he wanted Lee acquitted and that a foreign power could use the codes to help design nuclear weapons but not a complete design. At the same hearing, Lee’s defense attorneys also argued that FBI Special Agent Robert Messemer gave false testimony about Lee’s alleged deception at the first hearing on his bail in December 1999. Messemer admitted that he gave inaccurate testimony (as an “honest mistake”) and that Lee did not lie to a colleague (Kuok-Mee Ling) about writing a “resume,” but Messemer argued that the error was not meant to mislead the court.¹⁶⁴

The hearing produced a major victory for Lee’s defense on August 24, 2000, when U.S. District Judge James Parker reversed his decision from eight months earlier and ruled that Lee may be released on bail to be kept under strict supervision at home. Judge Parker’s ruled that the government’s argument to keep Lee in jail “no longer has the requisite clarity and persuasive character.”¹⁶⁵ Family, neighbors, and friends planned a reception for Lee but had to repeatedly postpone it.

After a hearing on August 29, 2000, on the conditions of Lee’s release, the judge ruled that Lee can be released on \$1 million bail and with tight restrictions at home, with a three-day stay for the prosecution to search his house, consult with the Justice Department, and prepare for a possible appeal. The restraints would include electronic monitoring of Lee, surveillance of his phone calls and mail, and restrictions on visitors, including his daughter and son. However, the government argued, unsuccessfully, that restrictions should also cover Lee’s communications with his wife, Sylvia.¹⁶⁶ Lee’s family and friends offered over \$2 million in their own assets for Lee’s bail.

In an opinion dated August 31, 2000, Judge Parker discussed at length new revelations in the case that warranted his granting of release on bail after over eight months. He said, “while the nature of the offenses is still serious and of grave concern, new light has been cast on the circumstances under which Dr. Lee took the information, making them seem somewhat less troubling than they appeared to be in December.” He noted, among many points, that top weapons designers testified that the information Lee downloaded was less sensitive than previously described; that FBI Agent Robert Messemer “testified falsely or inaccurately” in December 1999 about Lee; that the government had an alternative, less sinister theory that Lee sought to enhance prospects for employment abroad; that the government never presented direct evidence that Lee intended to harm the United States; that family, friends, and colleagues supported Lee’s character; and that what the government had described

¹⁶⁴ Loeb, Vernon, “Nuclear Weapons Expert Urges Bail for Lee,” *Washington Post*, August 17, 2000; Vernon Loeb and Walter Pincus, “Judge: Lee Can Be Freed on Bail,” *Washington Post*, August 25, 2000.

¹⁶⁵ Loeb, Vernon and Walter Pincus, “Judge: Lee Can Be Freed on Bail,” *Washington Post*, August 25, 2000; Order of U.S. District Judge, August 24, 2000.

¹⁶⁶ Vernon Loeb and Walter Pincus, “Lee Could be Freed on Bail Friday,” *Washington Post*, August 30, 2000.

as the “crown jewels” of the U.S. nuclear weapons program “no longer is so clearly deserving of that label.”¹⁶⁷

Meanwhile, several groups of scientists wrote to express concerns about what they considered unfair treatment of Lee. For example, on August 31, 2000, the National Academy of Sciences, National Academy of Engineering, and the Institute of Medicine wrote to Attorney General Janet Reno expressing concerns that Lee “appears to be a victim of unjust treatment” and “the handling of his case reflects poorly on the U.S. justice system.”¹⁶⁸

Then, very shortly before Lee’s scheduled release on bail on September 1, 2000, the 10th U.S. Circuit Court of Appeals ordered a temporary stay of Lee’s release, pending a hearing. Soon after, the U.S. Attorney filed a formal request, saying that Lee’s release would pose “an unprecedented risk of danger to national security.”¹⁶⁹

Lee’s Plea Agreement. Then, on September 10, 2000, the prosecution and defense revealed that they had negotiated a plea agreement, under which Lee would plead guilty to one felony count of unlawful retention of national defense information, help the government to verify that he destroyed the seven tapes (as he maintained), and the government would drop the other 58 counts and free Lee (with sentencing to the nine months he already served in jail). U.S. Attorney General Janet Reno and FBI Director Louis Freeh reportedly approved the plea agreement, which had been negotiated over the previous several weeks.¹⁷⁰ At times citing the Judge’s rulings, Lee’s defense, some reporters, and critics said that the prosecution’s case had crumbled and represented a gross injustice that threatened the rights of all Americans because of politics. However, the prosecution and Clinton Administration officials argued that Lee’s downloading of files was unlawful and finding out what happened to the computer tapes was more important than proceeding to trial.

After three days of delays, the prosecution and defense reached final agreement on the plea. On September 13, 2000, Wen Ho Lee pleaded guilty to one felony count of unauthorized possession of defense information (downloading files to tapes using an unsecure computer). The judge sentenced Lee to 278 days in jail (the nine months Lee already endured) and freed him. Lee agreed to answer questions for 10 days over three weeks starting on September 26, 2000. The government retained the options of prosecuting Lee, giving him another polygraph test, and nullifying the plea

¹⁶⁷ Walter Pincus and Vernon Loeb, “Judge Questions Nuclear Case,” *Washington Post*, September 6, 2000; U.S. District Judge James Parker, Memorandum Opinion, August 31, 2000.

¹⁶⁸ National Academy of Sciences, National Academy of Engineering, and Institute of Medicine, open letter to the U.S. Attorney General, August 31, 2000.

¹⁶⁹ Vernon Loeb, “At Last Minute, U.S. Court Bars Lee’s Release on Bail,” *Washington Post*, September 2, 2000.

¹⁷⁰ Bob Drogin, “Scientist to Accept Plea Deal; Likely to Be Freed Today,” *Los Angeles Times*, September 11, 2000; James Sterngold, “U.S. to Reduce Case Against Scientist to a Single Charge,” *New York Times*, September 11, 2000.

agreement if the government suspected Lee of lying. Both sides agreed to withdraw pending motions, including that of the defense on selective prosecution.

In a dramatic conclusion to the case, Judge Parker noted “the fact that [Lee] lost valuable rights as a citizen” and apologized to Lee for the “unfair manner [he was] held in custody.” Parker said that he found it “most perplexing” that the government now “suddenly agreed” to Lee’s release, despite its earlier warnings of risks to national security. The judge blamed the Executive Branch, particularly top officials of the Departments of Energy and Justice, saying they “embarrassed our entire nation and each of us who is a citizen of it.”¹⁷¹ As a result of the Judge’s remarks, Attorney General Reno launched two internal reviews of the prosecution of Lee.¹⁷²

Moreover, President Clinton criticized the pre-trial detention of Lee, saying “I always had reservations about the claims that were being made denying him bail.”¹⁷³ (See also Role of the White House below.)

In response, U.S. Attorney Norman Bay argued that the case was about “a man who mishandled huge amounts of nuclear data and got caught doing it.” He added that justice was served because Lee must “tell us what he did with the tapes ... something he refused to do for approximately the past 18 months.”¹⁷⁴ Attorney General Reno said that the agreement was “in the best interest of our national security in that it gives us our best chance to find out what happened to the tapes.”¹⁷⁵ FBI Director Louis Freeh stated that it was four weeks before the plea agreement — even before the last bail hearings — that the plea bargaining began and that “determining what happened to the tapes has always been paramount to prosecution.”¹⁷⁶

Later, it was revealed that the delay in the plea agreement resulted from Lee’s disclosure on September 11, 2000 that he had made copies of some or all of the tapes and revisions to the agreement to cover information about the copies.¹⁷⁷

¹⁷¹ Richard Benke, “Wen Ho Lee Set Free After Pleading Guilty to One Count,” *AP*, September 13, 2000; Vernon Loeb, “Physicist Lee Freed, With Apology,” *Washington Post*, September 14, 2000.

¹⁷² Vise, David A. and Ellen Nakashima, “Two Internal Reviews Launched in Lee Case,” *Washington Post*, September 23, 2000.

¹⁷³ White House, “Remarks by the President on Patients’ Bill of Rights Upon Departure,” September 14, 2000.

¹⁷⁴ Marcus Kabel, “Wen Ho Lee Freed Amid Apologies from Judge,” *Reuters*, September 13, 2000.

¹⁷⁵ Department of Justice, “Statement of Attorney General Janet Reno on Today’s Guilty Plea by Wen Ho Lee,” September 13, 2000.

¹⁷⁶ FBI, “Statement by FBI Director Louis J. Freeh Concerning Wen Ho Lee Case,” September 13, 2000.

¹⁷⁷ Pincus, Walter and Vernon Loeb, “U.S. is Probing Lee’s Multiple Copying of Data,” *Washington Post*, September 20, 2000.

As part of his plea agreement, Lee (by now considered by DOE to be retired, not fired), agreed to answer questions for up to 10 days about what happened to the tapes. The questioning began on October 17, 2000.¹⁷⁸ On November 7, Lee agreed to 13 more hours of questioning over two days, beginning on December 11, 2000.¹⁷⁹ Meanwhile, in late November and early December 2000, FBI agents searched a public landfill in New Mexico, trying to find the tapes that Lee said he threw away in January 1999, but they reportedly could not locate them.¹⁸⁰

In early 2001, the *New York Times* published an extensive review of its own reporting on Wen Ho Lee's case, in response to criticisms of its reporting of Lee. The *New York Times* concluded that its review "showed how, in constructing a narrative to fit their unnerving suspicions, investigators took fragmentary, often ambiguous evidence about Dr. Lee's behavior and Chinese atomic espionage and wove it into a grander case that eventually collapsed of its own light weight."¹⁸¹

In a speech given in May 2001, Senator Shelby, chairman of the Senate Intelligence Committee, discussed alleged "espionage against the Department of Energy and U.S. nuclear weapons programs" by China and stated that "extensive investigations into the compromise of U.S. nuclear weapons information have failed to resolve all the key questions." Still, he said, "that there was espionage, there is no doubt. ... What is not yet known is how, and from whom, the Chinese got this information." He also defended the case against Lee, saying that "while the investigation and prosecution of Wen Ho Lee that emerged from the W88 investigation have been widely criticized, we should not lose sight of the facts. Dr. Lee illegally, purposefully, downloaded and removed from Los Alamos massive amounts of classified nuclear weapons information..."¹⁸²

Sylvia Lee and Cooperation with the FBI. A number of other issues complicated the case on Wen Ho Lee. One issue was the relationship between the FBI and the suspect and his wife, Sylvia Lee. Contrary to earlier reports that a trip the Lees took to China in the 1985 was suspicious because Mrs. Lee, a secretary, was the one invited to speak, she reportedly had been informing on PRC visitors for the FBI from 1985 to 1991 and Los Alamos had encouraged her to attend the conference.¹⁸³ The press reported in July 2000 that Sylvia Lee reported on visiting

¹⁷⁸ Pincus, Walter, "FBI Agents Begin Interrogation of Scientist Lee," *Washington Post*, October 18, 2000.

¹⁷⁹ "Lee Agrees to Answer Additional Questions," *Washington Post*, November 19, 2000.

¹⁸⁰ Loeb, Vernon and Walter Pincus, "FBI Seeks Computer Tapes in Lee Case," *Washington Post*, November 29, 2000; Walter Pincus, "Lee: Tapes Went in Trash," *Washington Post*, December 1, 2000; "For Government, Wen Ho Lee Mystery Deepens," *Washington Post*, December 15, 2000.

¹⁸¹ Matthew Purdy, "The Making of a Suspect: The Case of Wen Ho Lee," *New York Times*, February 4, 2001.

¹⁸² Senator Richard Shelby, "Intelligence and Espionage in the 21st Century," Heritage Foundation lecture, May 9, 2001.

¹⁸³ Pincus, Walter, "FBI Aided By Los Alamos Scientist's Wife," *Washington Post*, April (continued...)

PRC scientists for the CIA in the 1980s, and Wen Ho Lee also met with the CIA officer who worked with his wife before the Lees visited the PRC in 1986.¹⁸⁴

In addition, Wen Ho Lee helped the FBI in the “Tiger Trap” case and passed a polygraph in 1984. Lee helped the FBI after he had made an intercepted call, in 1982, to another scientist at Lawrence Livermore lab who was under suspicion of espionage. In his book, Lee wrote that he called the scientist after reading a newspaper article about his dismissal from Livermore for trips to China and Taiwan. Because the fired scientist was also born in Taiwan, like Lee, and Lee was planning a lab-approved visit to Taiwan, he wanted to find out the nature of the troubles and avoid them.¹⁸⁵

DCI John Deutch’s Case and Pardon. Another issue complicating Lee’s case was the government’s decision not to prosecute former DCI John Deutch. There was a debate about whether Deutch’s case was analogous to Lee’s. Some said that the treatment of Lee was unfair and there was a double-standard, but others argued that the two people had different alleged intentions. The CIA investigated Deutch (DCI in 1995-1996) for repeatedly mishandling classified information and moving many classified intelligence files to his unsecured personal computers in his house, computers used to access the Internet and thus vulnerable to attacks. The files reportedly included 17,000 pages of documents, including Top Secret materials and files about presidentially-approved covert action. Further, the CIA was said to have reported that Deutch may have tampered with evidence allegedly showing his improper handling of classified files, including, on December 20, 1996, trying to delete over 1,000 classified files stored on one of four portable memory cards. Additional reports disclosed that the CIA’s inspector general’s classified report concluded that top CIA officials impeded the agency’s investigation of Deutch, possibly to allow the time limit on appointing an independent counsel to lapse, and that DCI George Tenet set up a special panel to examine those findings.

The CIA’s investigation of Deutch began in December 1996, when he was leaving office. The CIA did not notify the Justice Department until early 1998. The Senate Intelligence Committee was notified of the case in June 1998. The Justice Department decided in April 1999 not to prosecute, apparently without any FBI investigation and before the CIA inspector general issued its report. After the inspector general’s report was completed in July 1999, the current DCI, in August 1999, suspended Deutch’s security clearance indefinitely. According to the CIA’s announcement, the inspector general concluded that while no evidence was found that national security information was lost, “the potential for damage to U.S. security

¹⁸³ (...continued)
26, 1999.

¹⁸⁴ Stober, Dan, “Wen Ho Lee’s Wife Worked for CIA,” *San Jose Mercury News*, July 23, 2000.

¹⁸⁵ Lee, Wen Ho, *My Country Versus Me* (New York: Hyperion, 2001), p. 24-26.

existed.” The Senate Intelligence Committee received a copy of the inspector general’s report in late August 1999.¹⁸⁶

On February 18, 2000, the CIA’s inspector general released an unclassified report of its investigation into Deutch’s case.¹⁸⁷ The report found, among other findings, that Deutch had processed classified information on unsecure computers that were connected to the Internet and thus were “vulnerable to attacks by unauthorized persons.” Moreover the information concerned covert action, Top Secret communications intelligence, and the National Reconnaissance Program budget. The report concluded that despite Deutch’s knowledge of prohibitions against processing classified information on unclassified computers, he “processed a large volume of highly classified information on these unclassified computers, taking no steps to restrict unauthorized access to the information and thereby placing national security information at risk.” The report also criticized “anomalies” in the way senior CIA officials responded to the problem.

Reportedly concerned about the appearance of unfairness in comparisons between the cases involving Wen Ho Lee and John Deutch, Attorney General Janet Reno announced on February 24, 2000, that her department would review Deutch’s case.¹⁸⁸ Then, by May 2000, the Justice Department and the FBI began a criminal investigation of whether Deutch had mishandled classified information — in a reversal of Reno’s 1999 decision not to prosecute.¹⁸⁹ By August 2000, the former prosecutor whom Reno asked to review the case, Paul Coffey, reportedly decided to recommend that the Justice Department prosecute Deutch, but Reno was to make the final decision.¹⁹⁰ By September 2000, the Senate Intelligence Committee met in closed session with DCI Tenet on Deutch’s case, and Coffey reportedly considered a recommendation to charge a misdemeanor against Deutch for taking classified information home without authorization.¹⁹¹

¹⁸⁶ Klaidman, Daniel, “Was the Spymaster Too Sloppy,” *Newsweek*, April 19, 1999; Steven Lee Myers, “Former Chief of CIA Is Stripped of Right to Classified Information,” *New York Times*, August 21, 1999; “Double Trouble,” *Newsweek*, November 8, 1999; James Risen, “C.I.A. Inquiry of Its Ex-Director Was Stalled at Top, Report Says,” *New York Times*, February 1, 2000; Senate Intelligence Committee, “Senate Select Committee on Intelligence Chairman and Vice Chairman Comment on Deutch Allegations,” news release, February 1, 2000.

¹⁸⁷ CIA Inspector General, “Report of Investigation: Improper Handling of Classified Information by John M. Deutch (1998-0028-IG),” February 18, 2000.

¹⁸⁸ Loeb, Vernon and David A. Vise, “Reno Reviews CIA Probe of Ex-Director,” *Washington Post*, February 25, 2000; Walter Pincus and Vernon Loeb, “U.S. Inconsistent When Secrets are Loose,” *Washington Post*, March 18, 2000.

¹⁸⁹ Risen, James, “Criminal Investigation Follows Review of Agency’s Internal Handling of Deutch,” *New York Times*, May 6, 2000.

¹⁹⁰ David A. Vise and Vernon Loeb, “Reno Weighs Whether to Prosecute Former CIA Chief,” *Washington Post*, August 26, 2000; Jerry Seper, “Document-Misuse Charges Sought Against Ex-CIA Boss,” *Washington Times*, August 29, 2000.

¹⁹¹ Robert L. Jackson, “Ex-CIA Director May Face Misdemeanor for Breach,” *Los Angeles* (continued...)

At the beginning of 2001, as the Clinton Administration neared its end, John Deutch reportedly negotiated an agreement with the Justice Department to plead guilty to a misdemeanor. However, on January 20, 2001, President Clinton pardoned Deutch, preempting the plea agreement that he had signed the night before and surprising Special Prosecutor Paul Coffey and DCI George Tenet. Deutch reportedly faced a \$5,000 fine and no prison time. The chairmen of the House and Senate Intelligence Committees, Representative Porter Goss and Senator Richard Shelby, criticized the pardon for sending the wrong message. Senator Shelby also lamented that “Deutch essentially walked away from what is one of the most egregious cases of mishandling of classified information that I have ever seen short of espionage.”¹⁹²

In an August 2001 report, the Senate Intelligence Committee said that it began its own inquiry into Deutch’s case in February 2000. The report said that “the Committee confirmed that Mr. Deutch’s unclassified computers contained summaries of sensitive U.S. policy discussions, references to numerous classified intelligence relationships with foreign entities, highly classified memoranda to the President and documents imported from classified systems.” It stated that Deutch displayed a “reckless disregard for the most basic security practices required of thousands of government employees throughout the CIA and other agencies of the Intelligence Community.”¹⁹³

Notra Trulock. The resignation of Notra Trulock, DOE’s primary investigator, in August 1999 was another complication in the investigation. As the *Washington Post* wrote, “Mr. Trulock may well have stated the overall problem in terms more dramatic than the evidence clearly supported. And his single-mindedness with respect to Los Alamos and Mr. Lee in particular — which is alleged by some detractors to have been related to Mr. Lee’s ethnicity — also may have closed off significant investigative leads.”¹⁹⁴ In turn, Trulock blamed the FBI for mishandling and delaying the W88 case.¹⁹⁵

Racial Profiling and Selective Prosecution. There were concerns that, in rightfully protecting national security, racial profiling and selective prosecution were used in law-enforcement and that Lee, as an American entitled to a presumption of innocence, was unfairly targeted as the prime suspect in a narrow investigation and in media reports because of his Chinese ethnicity (even though he was born in

¹⁹¹ (...continued)

Times, September 14, 2000.

¹⁹² David Vise and Vernon Loeb, “Deutch May Plead Guilty to Misdemeanor,” *Washington Post*, January 19, 2001; David Abel, “Ex-CIA Chief Deutch Gets Presidential Pardon,” *Boston Globe*, January 21, 2001; Bill Miller and Walter Pincus, “Deutch Had Signed Plea Agreement, Sources Say,” *Washington Post*, January 24, 2001; Vernon Loeb, “Senate Committee Questions Clinton’s Pardon of Deutch,” *Washington Post*, February 16, 2001.

¹⁹³ U.S. Senate, “Special Report of the Select Committee on Intelligence, United States Senate, January 6, 1999 to December 15, 2000,” Report 107-51, August 3, 2001.

¹⁹⁴ “Mr. Trulock’s Resignation,” *Washington Post*, August 27, 1999.

¹⁹⁵ CBS, “60 Minutes,” December 17, 2000.

Taiwan).¹⁹⁶ Aside from the implications of these issues for Lee's case, these issues raised questions about the effectiveness of the government's approach in countering PRC espionage in general and in investigating the W88 case in particular.

In his public statement on "60 Minutes" on August 1, 1999, Lee said he believed he was being made a scapegoat by investigators, because he was the only Asian American working on nuclear weapon designs in the sensitive X Division at Los Alamos in the past 18 years. Ed Curran, head of counterintelligence at DOE, was quoted on the same show as expressing concern that "since Wen Ho Lee has not been proven guilty of anything and thus must be presumed innocent, the surfacing of his name has been devastating to his family and to his life."

The National Asian Pacific American Legal Consortium wrote a letter to Secretary Richardson on August 5, 1999, denouncing his accusation that Lee used the "race card" and expressing concerns about racial profiling. On August 10, 1999, the Committee of 100, an organization comprised of prominent Americans of Chinese descent, sent a letter to Attorney General Reno and Secretary of Energy Richardson expressing concerns about "selective investigation" based on Lee's ethnicity. The letter said, "Dr. Lee and the nation deserve a case made on the merits of a thorough and professional investigation, not a racist witchhunt." The Coalition of Asian Pacific American Federal Employee Organizations (CAPAFEO) presented a position paper to President Clinton on September 30, 1999, which urged the Administration "to take strong and effective measures to protect the rights and civil liberties of Americans of Asian descent by vigorously enforcing our nation's laws which prohibit discrimination based on race of national origin." The group wrote that "while law enforcement and counter-intelligence agencies must be ever vigilant, in their zeal, they must also be careful to safeguard the civil and employment rights of all Americans."¹⁹⁷

In August 1999, Robert Vrooman, former head of counterintelligence at Los Alamos, publicly said that Wen Ho Lee was targeted because he is an American of Chinese descent and that the case against "was built on thin air." Vrooman issued his comments after Secretary Richardson recommended disciplinary action against him and two other former Los Alamos officials for alleged mishandling of the counterintelligence investigation. Vrooman said that "Lee's ethnicity was a major factor" in targeting him, while "a lot of Caucasians" were not investigated. Vrooman also said that a detailed description of the W88 warhead was distributed to 548 recipients throughout the government, military, and defense companies, so the information could have leaked from many sources.¹⁹⁸ Two others who were involved

¹⁹⁶ Loeb, Vernon, "Spy Probe Worries Chinese Americans," *Washington Post*, August 14, 1999.

¹⁹⁷ Coalition of Asian Pacific American Federal Employee Organizations (CAPAFEO), "Los Alamos Position Paper," sent to President Clinton on September 30, 1999 and presented to the Congressional Asian Pacific Caucus on October 5, 1999.

¹⁹⁸ Loeb, Vernon, "Ex-Official: Bomb Lab Case Lacks Evidence," *Washington Post*, August 17, 1999; William J. Broad, "Official Asserts Spy Case Suspect Was a Bias Victim," *New York Times*, August 18, 1999.

in the investigation, Charles Washington and Michael Soukup, also said that Lee was singled out as a suspect because of his ethnicity, not because of evidence.¹⁹⁹

As published in Lee's 2001 book, Vrooman earlier had written a letter to Senator Conrad Burns on May 11, 1999. Vrooman wrote that "the single distinguishing feature of the [administration inquiry done by Mr. Trulock's staff at DOE] that identified Lee was the complete lack of evidence that he committed espionage. ... Ethnicity was a crucial component in identifying Lee as a suspect. Caucasians with the same background as Lee were ignored."²⁰⁰

A news report said that Notra Trulock, who wrote the administrative inquiry and led the investigation until the summer of 1996, had compiled a list of 70 people at Los Alamos who visited China and then narrowed the list to 12 people. He said he gave the list to the FBI, which then eliminated the other 11 suspects, leaving Wen Ho Lee as the prime suspect. The initial list of 70 people included those with no access to classified or weapons information and who traveled to China on non-work related trips. One Caucasian scientist, however, who was a specialist in the same field as Lee (hydrodynamics), worked on classified information, and went to China on a professional trip, was not among the 12. Further, Robert Vrooman said that there were 15 people who conducted nuclear weapons research and visited China, but were not on the list of 12 suspects.²⁰¹

Notra Trulock, who headed the counterintelligence investigation at DOE, insisted that "race was never a factor."²⁰² The DOE investigator who focused on Lee, Daniel Bruno, said on November 1, 2000, that Lee was the prime suspect because of his behavior, not because of his ethnicity.²⁰³

Senators Thompson and Lieberman, whose Governmental Affairs Committee reviewed the investigation, wrote on August 26, 1999, that "the evidence we have seen and heard provides no basis for the claim that the initial DOE-FBI inquiry focused upon the Lees because of their race. Only much later in the process, once Mr. Lee had already been identified as the chief suspect, did the investigation consider the Lees' ethnicity — and then only because, according to FBI counterintelligence experts, Beijing's intelligence actively tries to recruit Chinese American scientists working in sensitive U.S. facilities."²⁰⁴ One of these experts, Paul Moore, who headed the FBI's counterintelligence efforts against China from

¹⁹⁹ Loeb, Vernon and Walter Pincus, "Espionage Whistleblower Resigns," *Washington Post*, August 24, 1999.

²⁰⁰ Lee, p. 158.

²⁰¹ James Sterngold, "U.S. to Reduce Case Against Scientist to a Single Charge," *New York Times*, September 11, 2000.

²⁰² Broad, William J., "Official Denies Spy Suspect Was Victim of Bias," *New York Times*, August 19, 1999.

²⁰³ Loeb, Vernon, "Prober: Lee's Ethnicity Wasn't Factor," *Washington Post*, November 2, 2000.

²⁰⁴ Thompson, Fred and Joseph Lieberman, "On the Chinese Espionage Investigation," (letter to the editor), *Washington Post*, August 26, 1999.

1978 to 1998, wrote publicly that “Chinese Americans are subjected to oppressive ethnic intelligence profiling” by China and that “China’s espionage methodology, not a particular spy, is the main threat.” He stressed the PRC’s “unconventional” espionage by saying that “China doesn’t so much try to steal secrets as to try to induce foreign visitors to give them away by manipulating them into certain situations.”²⁰⁵

Others argued that even if the PRC targets ethnically Chinese people, the government should not target Americans of Chinese heritage as a group, nor would such targeting be effective to counter PRC espionage. The policy director of Chinese for Affirmative Action and an associate professor of law at Howard University wrote that Lee’s case “raised disturbing allegations that the government uses a racial profile when investigating espionage” and argued that “law enforcement based on racial profiling is also ineffective.”²⁰⁶ Former Ambassador to China James Lilley wrote, “the fact that China tries to recruit spies doesn’t mean that Chinese-Americans as a group should be suspect.”²⁰⁷ In his statement in support of Wen Ho Lee’s motion for discovery of materials related to selective prosecution, Charles Washington, a former Acting Director of Counterintelligence at DOE, declared that he was not aware of any “empirical data that would support a claim that Chinese-Americans are more likely to commit espionage than other Americans.”²⁰⁸

Members of Congress expressed concern about possible racial profiling used in the investigation of Wen Ho Lee and ramifications of this case on Americans of Asian Pacific heritage. In May 1999, Representative Wu introduced H.Con.Res. 124 to express the sense of Congress relating to the allegations of espionage and illegal campaign financing that brought into question the loyalty and probity of Americans of Asian ancestry. Among other provisions, the resolution called upon the Attorney General, Secretary of Energy, and the Commissioner of the Equal Employment Opportunity Commission to vigorously enforce the security of America’s national laboratories and investigate all allegations of discrimination in public or private workplaces. The House passed H.Con.Res. 124 with the bipartisan support of 75 cosponsors, on November 2, 1999. Moreover, on August 5, 1999, Senator Feinstein introduced S.Con.Res. 53 to condemn prejudice against individuals of Asian and Pacific Island ancestry in the United States. The Senate passed the resolution on July 27, 2000. The Congressional Asian Pacific Caucus held a briefing on October 5, 1999, at which Secretary Richardson and others testified. Chairman Robert Underwood said in his opening statement that “suspicions about a Chinese American

²⁰⁵ Moore, Paul D., “How China Plays the Ethnic Card,” *Los Angeles Times*, June 24, 1999; “Spies of a Different Stripe,” *Washington Post*, May 31, 1999; “China’s Subtle Spying,” *New York Times*, September 2, 1999.

²⁰⁶ Theodore Hsien Wang and Frank H. Wu, “Singled Out, Based on Race,” *Washington Post*, August 30, 2000.

²⁰⁷ James Lilley (former ambassador to China and former CIA officer), “Undoing the Damage of the Wen Ho Lee Case,” *New York Times*, September 12, 2000.

²⁰⁸ Declaration of Charles E. Washington, August 11, 2000.

connection to espionage have formed without evidence and with potential damage to innocent individuals.”²⁰⁹

Energy Secretary Richardson declared that “while U.S. national security is a top priority at the labs, I am also concerned that Asian Pacific Americans as a group are finding their loyalty and patriotism questioned in the wake of recent espionage allegations. This behavior is unacceptable and I will not tolerate it.”²¹⁰ In June 1999, Richardson established a Task Force Against Racial Profiling, and he received its report and recommendations on January 19, 2000.²¹¹ The task force included 19 government employees, contractors, and U.S. Civil Rights Commissioner Yvonne Lee. In their visits to various DOE sites, they found that “an atmosphere of distrust and suspicion was common.” Such a hostile work environment for Americans of Asian heritage resulted from the media exploitation of the espionage and related allegations, and from managers and co-workers questioning the loyalty and patriotism of some employees based on race. The task force made a number of recommendations for using leadership, building trust, improving communication, and making assessments.

In 1999, the Equal Employment Opportunity Commission (EEOC) began an investigation into whether the Livermore and Los Alamos labs discriminated against Americans of Asian Pacific heritage.²¹²

In August 2000, supporting their selective prosecution motion filed in June 2000, Lee’s defense attorneys had statements from two former senior DOE counter-intelligence officials, Robert Vrooman and Charles Washington, contending that Lee was a victim of racial profiling and selective prosecution, including in the probe led by Notra Trulock. Finding relevance to Lee’s contention that he was singled out for investigation and prosecution because of his ethnicity, Judge James Parker, on August 25, 2000, ordered the government to hand over documents, sought by the defense, to him by September 15, 2000, for his review and decision as to whether they should be given to the defense attorneys.²¹³ However, on September 13, 2000, when the government and Wen Ho Lee reached a plea agreement, they also agreed to withdraw pending motions. Responding to charges of selective prosecution after Lee’s release, U.S. Attorney Norman Bay, who is an American of Asian heritage,

²⁰⁹ Congressional Asian Pacific Caucus, briefing on the Federal Investigations at the Department of Energy National Laboratories, October 5, 1999.

²¹⁰ DOE news release, “Richardson Toughens Requirements For Unclassified Foreign Visits and Assignments,” July 14, 1999.

²¹¹ DOE, Task Force Against Racial Profiling, “Final Report,” January 2000; “Richardson Releases Task Force Against Racial Profiling Report and Announces 8 Immediate Actions,” news release, January 19, 2000.

²¹² “U.S. Nuke Lab Probed Over Possible Discrimination,” *Reuters*, August 1, 2000.

²¹³ James Sterngold, “Judge Orders U.S. to Turn Over Data in Secrets Inquiry,” *New York Times*, August 30, 2000; Vernon Loeb, “Affidavits Cite Race in Probe of Lee,” *Washington Post*, September 1, 2000; Order of U.S. District Judge James Parker, August 25, 2000; Declaration of Robert Vrooman, August 10, 2000; Declaration of Charles E. Washington, August 11, 2000.

said that “Mr. Lee was not prosecuted because of his race, he was prosecuted because of what he did. He compiled his own personal library of nuclear secrets ... This is a case about a man who mishandled huge amounts of nuclear data and got caught doing it.”²¹⁴

In May 2001, racial profiling at DOE even targeted a Member of Congress. Security at DOE prevented Representative David Wu from entering DOE headquarters to speak in commemoration of the Asian Pacific American Heritage Month, even after Wu responded to repeated questioning about his citizenship and presented his congressional identification. Representative Cox wrote a protest letter to Energy Secretary Spencer Abraham and pointed out that upon using the same entrance to the building recently, he was not asked any questions about citizenship. Cox also wrote that “particularly in light of President Bush’s initiatives to stamp out racial profiling, I urge you to take swift action to professionalize the DOE bureaucracy so that such an embarrassment to the Department never occurs again.”²¹⁵ Representative Lucille Roybal-Allard stated that Members of the House were “appalled” about this incident and noted that DOE security also denied entry to Wu’s Asian American staffer, although he, too, presented his congressional identification card.²¹⁶ On June 26, 2001, the Committee on Appropriations issued a report (H.Rept. 107-112) to accompany the FY2002 energy appropriations bill, in which the committee expressed concern about DOE using citizenship as a security screening tool. The report noted the “recent alarming incident” in which “admittance to DOE headquarters was refused to a Chinese-American Member of Congress.”

Partly released in August 2001, a review of the Justice Department’s handling of Wen Ho Lee’s case (as ordered by Attorney General Janet Reno in May 1999) concluded in May 2000 that while the investigation suffered many flaws, “racism was not one of them.” The report by federal prosecutor Randy Bellows reportedly said that “recent allegations of racial bias in the selection of Wen Ho and Sylvia Lee are without merit.” Still, the report found that “Wen Ho and Sylvia Lee should never have been the *sole* suspects” and that DOE “converted the [initial probe] from a broad identification of potential suspects to a virtual indictment of Lee” while the FBI later ignored other leads.²¹⁷ In response to that internal review, the Organization of Chinese Americans countered that “it is hard to believe the claim that discrimination based on race and national origin is not a problem at the Department of Energy” and called for an independent review.²¹⁸

Taiwan. There was a theory, that if Wen Ho Lee provided U.S. nuclear weapon information to a third-party, it was not to the PRC, but to Taiwan, where he

²¹⁴ Marcus Kabel, “Wen Ho Lee Freed Amid Apologies from Judge,” *Reuters*, September 13, 2000.

²¹⁵ Vernon Loeb, “Back Channels: the Intelligence Community,” *Washington Post*, May 29, 2001.

²¹⁶ *Congressional Record*, June 27, 2001, p. H3651.

²¹⁷ Eggen Dan and Ellen Nakashima, “Lee Probe Not Racist, Report Says” and “U.S. Probe of Nuclear Scientist Assailed,” *Washington Post*, August 8, 2001 and August 14, 2001.

²¹⁸ OCA, “OCA Raises Concerns Over Bellows Report,” press release, August 13, 2001.

was born.²¹⁹ In 1998, after having allegedly downloaded files to portable computer tapes in 1993, 1994, and 1997, Lee reportedly worked in Taiwan as a consultant to the Chung Shan Institute of Science and Technology, a vast military research and development organization. During a visit to Taiwan in December 1998, Lee was said to have dialed up the main computer at Los Alamos and used his password to access the classified nuclear files he had downloaded. Lee's trips to Taiwan were approved at Los Alamos, reported the *Washington Post* at the end of 1999.²²⁰ On July 5, 2000, as discussed above, the U.S. Attorney filed a document that named eight foreign governments that Lee may have sought to help in downloading the nuclear data. Those places named were: the PRC, Taiwan, Australia, France, Germany, Hong Kong, Singapore, and Switzerland, places (except for the PRC) where Lee allegedly had an interest in applying for work in 1993, when he supposedly feared losing his job at Los Alamos.²²¹

Despite these earlier reports, investigators told the *Washington Post* after interrogations in November and December 2000 that there were "new questions" about Lee's contacts with Taiwan, that they did not know until the questioning that Lee, in 1998, reportedly received \$5,000 from the Chung Shan Institute for consulting work over six weeks and reportedly failed to report the fee to the Los Alamos lab.²²² In his book, Lee maintained that the Los Alamos lab "knew about and approved my consulting work, which was commonly done by lab scientists." Lee also wrote that his bank account in Taiwan was set up to help his sister and never contained more than \$3,000.²²³

China's Own Research. Further complicating the case was the debate over the relative importance of the PRC's own modernization efforts as opposed to foreign technology acquisitions. Some said that the investigation overstated the importance of PRC espionage.²²⁴ Harold Agnew, former director of Los Alamos who oversaw the design of the W88 warhead decades ago, wrote a letter to the *Wall Street Journal* in May 1999. He argued that "those who are screaming the loudest in Washington have little knowledge or understanding with regard to the issues at hand. The Chinese nuclear establishment, most of whom have studied in the West, are extremely competent." He added that "being able to actually use information from any of the national laboratories' codes requires a great deal more knowledge than following a cake recipe. It's even questionable as to whether the Chinese computers are compatible with the weapon codes at our national laboratories. ... The design of the W88 ... is actually quite old. ... Having a computer printout as I remember them

²¹⁹ Taiwan has been included on the DOE's list of sensitive countries.

²²⁰ Pincus, Walter, "Lee's Links to Taiwan Scrutinized," *Washington Post*, Dec. 31, 1999.

²²¹ Loeb, Vernon and Walter Pincus, "Lee May Have Shared Copied Data with 8 Nations, U.S. Says," *Washington Post*, July 7, 2000.

²²² Pincus, Walter, "Interrogation of Lee Raises New Questions, Sources Say," *Washington Post*, February 4, 2001.

²²³ Lee, p. 321.

²²⁴ Broad, William J., "Spies Versus Sweat: The Debate Over China's Nuclear Advance," *New York Times*, September 7, 1999.

would give the general idea, but actually being able to manufacture the total system from a computer code is a different matter. No national would ever stockpile any device based on another nation's computer codes."²²⁵

As discussed above, in May 2001, the press began to report on an unpublished book by Danny Stillman, a former scientist at Los Alamos, who decided to sue the government to allow him to publish a manuscript about his experience in exchanges between U.S. and PRC nuclear weapons scientists in the 1990s.²²⁶ Stillman argued that China's nuclear weapons program accomplished important advances on its own, without resorting to espionage. He began to seek government approval to publish his book in January 2000.

Notification to Congress. The chair and ranking Democrat of the House Intelligence Committee, Representatives Goss and Dicks, said that they were not sufficiently informed of the problems at the labs and the information that was provided was "underplayed."²²⁷ In addition, the Cox Committee's bipartisan report, approved in December 1998, urged Congress to insist on notification by the Administration, citing "the fact that the heads of Executive departments and agencies of the Intelligence Community failed adequately to comply with congressional notification requirements of the National Security Act." The Clinton Administration argued that it fulfilled its responsibilities to keep appropriate committees informed.²²⁸

Representative Hunter, chairman of the House National Security Subcommittee on Military Procurement, stated that Elizabeth Moler, then Deputy Secretary of Energy, failed to testify about the W88 case in an October 6, 1998 hearing that included a closed session.²²⁹ On April 15, 1999, Representative Hunter held a hearing to examine whether Moler (by then a lawyer outside government) failed to provide accurate and complete testimony in the closed session of the October 1998 hearing and whether she instructed Notra Trulock, Acting Deputy Director of DOE's Office of Intelligence, to withhold critical information, including the W88 case, from Congress. Trulock testified that Moler edited his written testimony to remove references to "successful espionage" at the U.S. labs, even though the information was cleared by the CIA for notification to Congress, and thus did not provide the subcommittee with a full picture of the threat against the United States. Moler stated

²²⁵ Agnew, Harold M., "Looking for Spies in Nuclear Kitchen," *Wall Street Journal*, May 17, 1999.

²²⁶ Coll, Steve, "The Man Inside China's Bomb Labs," *Washington Post*, May 16, 2001; William Broad, "Author to Sue U.S. Over Book On China's Nuclear Advances," *New York Times*, June 18, 2001; Mark Hibbs, "U.S. Due to Respond Next Week to Ex-LANL Expert's China Suit," *Nucleonics Week*, June 21, 2001.

²²⁷ Risen, James and Jeff Gerth, "China Stole Nuclear Secrets From Los Alamos, U.S. Officials Say," *New York Times*, March 6, 1999; David Sanger, "'No Question,' U.S. Says, Leak Helped China," *New York Times*, March 15, 1999.

²²⁸ NSC's unclassified response to the recommendations, February 1, 1999.

²²⁹ Loeb, Vernon and Juliet Eilperin, "GOP Attacks' Impact on China Ties Concerns White House," *Washington Post*, March 17, 1999; Bill Gertz, "Senators Briefed Privately on Spy Case," *Washington Times*, March 17, 1999.

that she did not provide certain information, because the questions were directed at Trulock and he failed to fully disclose information; that the subject of the hearing was on the foreign visitors' program (which was not involved in the espionage cases); that some information was highly classified; and that damaging information about PRC espionage would "unfairly impugn" important DOE exchange programs.²³⁰

Furthermore, Trulock told the Senate Armed Services Committee on April 12, 1999, that his concerns were "ignored," "minimized," and sometimes "ridiculed" especially by lab officials and that senior DOE officials "refused to authorize intelligence" for several months before he could brief then Secretary Pena in July 1997. Trulock also charged that Moler denied him approval to respond to Congressman Goss' July 1998 request to brief the House Intelligence Committee on the W88 case. According to Trulock, DOE officials, including Moler, stated concerns about negative impacts on the credibility of the labs and lab-to-lab programs with China and Russia. In response to Senator Levin's statement that the FBI did brief the Intelligence Committees 19 times from 1996 to 1999 on alleged espionage at the labs, Trulock stated that DOE briefed the Senate Intelligence Committee in July 1996 and the House Intelligence Committee in August 1996, but did not participate in the other 17 briefings. After 1996, Trulock said, he did not return to brief Congress until his testimony to the Cox Committee in September 1998.²³¹

As pointed out by Senator Levin, the Administration said that it provided numerous briefings to the Intelligence Committees about the cases involving China and the labs. Moler denied that she prevented Trulock from briefing Representative Goss and argued that she took allegations of PRC espionage at DOE seriously. On the question of whether the Administration was trying to prevent the W88 case from interfering with the policy of engagement with China, Trulock acknowledged that Gary Samore, an NSC official in charge of nonproliferation policy, did encourage DOE to proceed with "counterintelligence efforts in order to protect sensitive information at the laboratories."²³²

The House Government Reform Committee held a hearing on June 24, 1999, on its concerns about firings, demotions, and harassment of "whistle-blowers," officials at the Energy and Defense Departments who expressed concerns to Congress about security problems. On July 2, 1999, Chairman Dan Burton wrote a letter to Defense Secretary Cohen criticizing an alleged gag order at the Defense Threat Reduction Agency (DTRA) against employees speaking to committee staff.²³³

²³⁰ Hearing of the House Armed Services Subcommittee on Military Procurement, "Counterintelligence Problems at Department of Energy Labs," April 15, 1999.

²³¹ Hearing of the Senate Armed Services Committee, "Alleged Chinese Espionage at Department of Energy Laboratories," April 12, 1999; James Risen, "White House Said to Ignore Evidence of China's Spying," *New York Times*, April 13, 1999; Hearing of the House Armed Services Subcommittee on Military Procurement, April 15, 1999.

²³² Hearing of the Senate Armed Services Committee, April 12, 1999.

²³³ Hudson, Audrey, "Congressman Asks Cohen to Lift Gag Order," *Washington Times*, July (continued...)

Energy Secretary Richardson recognized the allegation that Moler sought to deny information to Congress, when he announced an internal inquiry as one of seven initiatives announced on March 17, 1999. In August 1999, Richardson announced the results of the internal probe by DOE's Inspector General, which investigated the question of obstructing briefings to former Secretary Pena and Congress. However, the report failed to "establish with any certainty that any Departmental official, knowingly or intentionally, improperly delayed, prohibited, or interfered with briefings to Mr. Pena or to the congressional intelligence committees."²³⁴ Notra Trulock, who led the investigation at DOE, criticized the Inspector General's report as "a whitewash" and resigned as acting deputy director of intelligence to work at TRW Inc., a defense contractor. He expressed frustration that he had been removed from further involvement in the espionage investigation, called "Kindred Spirit," and that the internal DOE report failed to support his assertions of political interference.²³⁵

On March 8, 2000, Senator Specter, as part of his investigation under the jurisdiction of the Senate Judiciary Subcommittee on Administrative Oversight and the Courts, issued a report critical of the investigations of Wen Ho Lee. The report criticized the FBI's and DOE's investigations as "inept." It also criticized the Department of Justice and Attorney General Janet Reno for not forwarding the FBI's request for a warrant to the FISA court, despite "ample, if not overwhelming, information to justify the warrant."²³⁶ However, Senator Charles Grassley, chairman of the subcommittee, criticized the FBI for not telling Congress through most of 1999 that the Bureau had found that Lee was not the prime suspect in the espionage case at Los Alamos. Senator Grassley said that he, along with Senators Specter and Torricelli, asked the GAO to examine whether a senior FBI official (believed to be Neil Gallagher, head of the National Security Division) had withheld documents from Congress in 1999. Senator Grassley sent a letter to Senator Specter that disputed his report, saying that the evidence against Lee was weak.²³⁷

Role of the White House. Some raised questions about how seriously National Security Advisor Sandy Berger took concerns about PRC espionage at the labs and the timing of when he informed President Clinton about the W88 case as well as the neutron bomb case. Some Members called for Berger to resign over the suspected compromise to national security. There were reportedly discrepancies between various accounts of when the President was briefed by the NSC about the alleged espionage cases and whether the President knew about suspected PRC

²³³ (...continued)
8, 1999.

²³⁴ DOE, news release, "Richardson Announces Results of Inquiries Related to Espionage Investigation," August 12, 1999.

²³⁵ Loeb, Vernon and Walter Pincus, "Espionage Whistleblower Resigns," *Washington Post*, August 24, 1999; James Risén, "Official Who Led Inquiry Into China's Reputed Theft of Nuclear Secrets Quits," *New York Times*, August 24, 1999.

²³⁶ Senator Arlen Specter, "Report on the Investigation of Espionage Allegations Against Dr. Wen Ho Lee," March 8, 2000.

²³⁷ Loeb, Vernon, "GAO Probing Senior FBI Official," *Washington Post*, March 9, 2000.

espionage continuing into the 1990s. The President said on March 19, 1999, that “to the best of my knowledge, no one has said anything to me about any espionage which occurred by the Chinese against the labs, during my presidency.”²³⁸ After the *New York Times* reported on April 8, 1999, that China sought additional neutron bomb data in 1995, however, President Clinton explained his earlier statement as a response to a question specifically about alleged PRC espionage at the labs, which were apparently not linked to the neutron bomb case.²³⁹

In 1998, Berger reportedly told the Cox Committee that President Clinton was informed early that year. In May 1999, Berger said that he briefed the President in July 1997, after DOE briefed the NSC.²⁴⁰ The press reported that intelligence and DOE officials briefed Berger as early as April 1996 on the W88 and the neutron bomb cases. Berger said that, in 1996, the reports to him were “preliminary” and that “the FBI hadn’t even begun its investigation” and there was no suspect. Berger further argued that after a second briefing in 1997 that was “far more extensive” and suggested that “there was a potentially greater problem with respect to Chinese acquisition of sensitive information,” he did brief the President. Berger also explained that the President did not raise the issue of PRC espionage at the October 1997 summit with PRC President Jiang Zemin because of the need to protect the secrecy of an ongoing investigation.²⁴¹ Yet, FBI Director Freeh testified in March 1999 that the FBI began its case (concerning the W88 data) in September 1995 and that, in August 1997, he told DOE officials that the stalled case was not as important as the protection of information.²⁴²

The PFIAB said in June 1999 that “although the current National Security Advisor was briefed on counterintelligence concerns by DOE officials in April of 1996, we are not convinced that the briefing provided a sufficient basis to require initiation of a broad Presidential directive at that time. We are convinced, however, that the July 1997 briefing, which we are persuaded was much more comprehensive, was sufficient to warrant aggressive White House action.”

Also, the PFIAB revealed that the White House knew about PRC espionage at the nuclear weapon labs earlier than 1996. In discussing the track record of the Clinton Administration, the report noted briefly that, in 1995, after DOE officials met with the FBI on suspected PRC espionage of U.S. nuclear weapon data, an analysis group was formed at DOE to review the PRC nuclear weapon program, and senior

²³⁸ Eric Schmitt, “Clinton Says He Is Unaware Of Nuclear Spying During His Presidency,” *New York Times*, March 20, 1999.

²³⁹ Clinton, William Jefferson, remarks at joint press conference with Chinese Premier Zhu Rongji, Washington, D.C., April 8, 1999.

²⁴⁰ Cox Committee’s report, Volume I, p. 95.

²⁴¹ Risen, James and Jeff Gerth, “China Stole Nuclear Secrets From Los Alamos, U.S. Officials Say,” *New York Times*, March 6, 1999; Sandy Berger’s interview on NBC’s “Meet the Press,” March 14, 1999; Jeff Gerth and James Risen, “Intelligence Report Points to Second China Nuclear Leak,” *New York Times*, April 8, 1999.

²⁴² Hearing of the House Appropriations Subcommittee on Commerce, Justice, State, and Judiciary, March 17, 1999.

DOE, CIA, and White House officials discussed options. The PFIAB also noted in its chronology that, in July 1995, senior DOE officials discussed with senior CIA, FBI, and White House officials in several meetings that there was the possibility that China may have classified U.S. nuclear design information. Former White House Chief of Staff Leon Panetta reportedly said that he was informed by then Energy Secretary Hazel O’Leary in July 1995. Afterwards, Panetta reportedly requested DCI John Deutch to work with the NSC on the matter. Deutch briefed National Security Advisor Anthony Lake in November 1995. The senior officials reportedly did not brief President Clinton in 1995.²⁴³ Sandy Berger was the Deputy National Security Advisor at that time.

Right before the indictment of Wen Ho Lee, on December 4, 1999, top law-enforcement, security, and DOE officials held a meeting at the White House on whether to indict. Attorney General Janet Reno, National Security Advisor Sandy Berger, Energy Secretary Bill Richardson, FBI Director Louis Freeh, DCI George Tenet, and U.S. Attorney John Kelly attended.²⁴⁴

After Wen Ho Lee was freed after nine months in jail under a plea bargain in September 2000, President Clinton criticized the pre-trial detention of Lee, saying:

I always had reservations about the claims that were being made denying him bail. And let me say — I think I speak for everyone in the White House — we took those claims on good faith by the people in the government that were making them, and a couple days after they made the claim that this man could not possibly be let out of jail on bail because he would be such a danger — of flight, or such a danger to America’s security — all of a sudden they reach a plea agreement which will, if anything, make his alleged defense look modest compared to the claims that were made against him. So the whole thing was quite troubling to me, and I think it’s very difficult to reconcile the two positions, that one day he’s a terrible risk to national security, and the next day they’re making a plea agreement for an offense far more modest than what had been alleged.²⁴⁵

Export Controls. Some critics linked the controversy over lab security with the Administration’s export control policy toward China. They cited the export of high performance computers, or supercomputers, to China.²⁴⁶ The Department of Commerce reported to Congress in January 1999 that 191 such computers were exported to China in 1998, for which only three end-use checks were conducted.²⁴⁷

²⁴³ Risen James and Jeff Gerth, “U.S. Is Said To Have Known of China Spy Link in 1995,” *New York Times*, June 27, 1999.

²⁴⁴ Risen, James and David Johnston, “Decision Nears on the Fate of Ex-Los Alamos Scientist,” *New York Times*, December 8, 1999.

²⁴⁵ White House, Remarks by the President on Patients’ Bill of Rights Upon Departure, September 14, 2000.

²⁴⁶ Laris, Michael, “China Exploits U.S. Computer Advances,” *Washington Post*, March 9, 1999.

²⁴⁷ Department of Commerce, “Commerce Report: Growing Demand For U.S. High (continued...)

There were also concerns, investigated by Congress in 1998, that exports of U.S. satellites resulted in transfers of missile technology to China.²⁴⁸ Some argued that the Administration's export control policies allowed dual-use exports "of great strategic value" to China that resulted in greater damage to U.S. national security than the leaks of nuclear weapon data.²⁴⁹ President Clinton, nonetheless, said that his Administration was determined to prevent diversions of sensitive technology to China and placed controls on exports to China that are "tougher than those applied to any other major exporting country in the world."²⁵⁰

Nuclear Cooperation with China. Some questioned whether it was appropriate for the Administration to have expanded nuclear ties with China, including exchanges between the two nuclear weapon establishments, while it had suspicions about security compromises. At the 1997 U.S.-China summit, President Clinton promised to issue certifications (signed in January 1998) to implement the 1985 nuclear cooperation agreement, and during congressional review, the Administration did not discuss problems at the labs.²⁵¹ At the 1998 U.S.-PRC summit in Beijing, DOE signed a governmental agreement on peaceful nuclear cooperation, including exchanges at the labs.²⁵² The Administration argued that lab-to-lab exchanges were not the cause of the alleged security problems.

Concerns About Partisanship. Still others urged policy-makers to move beyond any partisan debates to urgently upgrade U.S. security at the labs, assess the potential damage from China's reported compromise of U.S. secrets, and take corrective action. They also cautioned against partisan attacks in this case that might damage broader and longer-term U.S.-China relations that are in U.S. interests, such as efforts on trade and weapon nonproliferation. They pointed out that, as FBI Director Freeh confirmed, "great vulnerability" to intelligence compromises of security at the nuclear weapon labs has been identified since 1988, ten years prior to PDD-61. Freeh said, "unfortunately, this situation has been well documented for over ten years." Those concerns about counterintelligence at DOE included a hearing

²⁴⁷ (...continued)

Performance Computers," press release, January 8, 1999.

²⁴⁸ See CRS Report 98-485, *China: Possible Missile Technology Transfers Under U.S. Satellite Export Policy — Background and Chronology*, by Shirley A. Kan.

²⁴⁹ Wisconsin Project on Nuclear Arms Control, "U.S. Exports to China, 1988-1998: Fueling Proliferation," April 1999.

²⁵⁰ President William Jefferson Clinton, speech to the U.S. Institute of Peace, at the Mayflower Hotel, Washington, D.C., April 7, 1999.

²⁵¹ See CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

²⁵² Agreement between the Department of Energy of the United States of America and the State Development Planning Commission of the People's Republic of China on Cooperation Concerning Peaceful Uses of Nuclear Technologies, June 29, 1998.

held by Senator John Glenn in 1988 and studies by the FBI, CIA, and GAO since then.²⁵³

Implications for U.S. Policy

Counterintelligence²⁵⁴

The Los Alamos controversy led to several reassessments and to consideration of intelligence-related legislation.²⁵⁵ As discussed above, the Intelligence Community undertook an assessment of potential damage to national security from possible leaks of nuclear weapons secrets. DCI Tenet asked a group of outside experts headed by retired Admiral David Jeremiah, former Vice Chairman of the Joint Chiefs of Staff, to review the in-house effort, and they concurred with its judgments.

Efforts to formalize the government's counterintelligence efforts began after the arrest of Aldrich Ames, the CIA official convicted of espionage. A Presidential Directive was signed in May 1994 placing the policy and coordinating machinery of counterintelligence in the hands of the NSC and created a National Counterintelligence Policy Board composed of representatives of the principal law enforcement and intelligence agencies, reporting to the National Security Advisor. The Board was subsequently given a statutory charter in the FY1995 Intelligence Authorization Act (P.L. 103-359).

A major goal in establishing the Counterintelligence Policy Board was coordination of CIA and FBI efforts with a focus on counterintelligence at intelligence agencies; concerns about DOE laboratories were not publicly discussed in 1994. It was generally agreed that coordination among law enforcement and intelligence agencies improved significantly. As a result, however, of concerns dating from at least 1995 that China may have acquired sensitive information from Los Alamos, PDD-61 was issued in February 1998, mandating a stronger counterintelligence program within DOE laboratories. According to Energy Secretary Richardson, writing in March 1999, steps taken in response to PDD-61 included new counterintelligence professionals based at the laboratories, a doubling of the budget for counterintelligence, a new screening and approval process for foreign scientists seeking access to the laboratories, and more extensive security reviews — including the use of polygraphs — for scientists working in sensitive programs.²⁵⁶

²⁵³ Testimony of FBI Director Louis Freeh before the House Appropriations Subcommittee on Commerce, Justice, State, and Judiciary, March 17, 1999.

²⁵⁴ This section on counterintelligence was written by Richard A. Best, Jr., Specialist in National Defense.

²⁵⁵ See CRS Issue Brief IB10012, *Intelligence Issues for Congress*, by Richard Best.

²⁵⁶ Bill Richardson, "Guarding Our Nuclear Security," *Washington Post*, March 15, 1999.

Nuclear Nonproliferation and Lab Exchanges

In addition to questions about counterintelligence and modernization of PRC weapon designs, there were policy implications posed by China possibly passing U.S. nuclear weapon secrets to other countries. As discussed above, in the late 1970s to 1980s, the PRC reportedly acquired U.S. data on the neutron bomb from Livermore and passed it to Pakistan. The United States and other countries have been concerned about PRC nuclear weapon proliferation, especially in Pakistan and Iran.²⁵⁷ Advanced U.S. warheads have features of value to would-be nuclear weapon states. These features might permit a nation to develop more efficient warheads, in which case it could build more bombs with its supply of uranium or plutonium. They might solve engineering problems or suggest production shortcuts. If China passed U.S. nuclear weapon information to another country, it could develop and deploy a more potent nuclear force faster.

The CIA's damage assessment, that was briefed to Congress and the Administration on April 21, 1999, cited a greater concern for nuclear proliferation. It acknowledged that China could pass U.S. nuclear weapon secrets to other countries, although it was not known whether China had done so. The assessment cautioned that, now that the PRC has more modern U.S. nuclear weapon information, it "might be less concerned about sharing [its] older technology."²⁵⁸

India or another country concerned about the advancement of PRC nuclear weapons might pursue further development of nuclear weapons and the missiles to deliver them in response to reports that China may have acquired designs for the W88. Citing security concerns about China, India conducted several nuclear tests in May 1998 and has not signed the CTBT.

Citing concerns about nuclear proliferation, Members looked at curtailing the U.S.-China lab-to-lab program that the Clinton Administration initiated in July 1994 and formalized in a June 1998 official agreement. Leading a delegation to the Los Alamos National Lab, Senator Shelby, Chairman of the Intelligence Committee, said on April 12, 1999, that a "tourniquet" was needed to be placed on the "hemorrhaging" of bomb secrets to foreign countries.²⁵⁹ If there were security gaps at the labs stemming from foreign exchanges, Congress had a role in ensuring that adequate counterintelligence measures were in place. (See Legislation above.)

The Intelligence Community's April 1999 damage assessment stated concerns, highlighted by some, about PRC "technical advances" based on contact with scientists from the United States and other countries, among a variety of sources of

²⁵⁷ See CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

²⁵⁸ CIA, "The Intelligence Community Damage Assessment On the Implications of China's Acquisition of U.S. Nuclear Weapons Information On the Development of Future Chinese Weapons," (unclassified release), April 21, 1999.

²⁵⁹ Brooke, James, "Senator Tells Nuclear Bomb Labs To End Foreign Scientists' Visits," *New York Times*, April 13, 1999.

information. (Other countries may include Russia.) The review panel's note on the damage assessment also warned of the dangers of exchanges between U.S. and PRC or Russian nuclear weapon specialists, urging that a separate net assessment be done on such formal and informal contacts. Yet, the panel also noted that "the value of these contacts to the U.S., including to address issues of concern — safety, command and control, and proliferation — should not be lost in our concern about protecting secrets."

Another report on PRC espionage included warnings about exchanges at the labs. According a 1999 report by the CIA and FBI, "PRC scientists, through mutually beneficial scientific exchange programs, gather [science and technology] information through U.S. national laboratories."²⁶⁰

China's nuclear weapon facilities have included the China Academy of Engineering Physics (CAEP), also known as the Ninth Academy, at Mianyang, Sichuan province; Institute of Applied Physics and Computational Mathematics (IAPCM), in Beijing; High Power Laser Laboratory, in Shanghai; and Northwest Institute of Nuclear Technology (NINT), near Xian.²⁶¹ China's nuclear weapon installations were reorganized as part of changes in the defense industrial sector in 1998 that included the civilianization of the Commission of Science, Technology, and Industry for National Defense (COSTIND) solely under the State Council. PRC nuclear weapon facilities then became partly subordinated to the People's Liberation Army (PLA)'s General Equipment Department that was set up in April 1998 to centralize and improve control over research and development, production, and deployment of weapons.

Placing restrictions on the foreign visitor program, however, entailed implications for U.S. policy on arms control and nonproliferation. The Administration argued that foreign exchanges have not compromised U.S. security and have not involved weapon secrets. Moreover, contacts with foreign nuclear scientists have allowed U.S. nuclear weapon labs to learn about the secretive nuclear weapon establishment in China — especially as it was undergoing changes. In October 1998, John Browne, Director of Los Alamos, testified that "access to classified information by foreign nationals is not allowed" in DOE's foreign visitor program.²⁶² The Administration said that engagement of PRC and other scientists have fostered support for arms control and nonproliferation objectives as well as advanced U.S. interests in making sure that foreign nuclear powers have sufficient

²⁶⁰ CIA and FBI, "Report to Congress on Chinese Espionage Activities Against the United States," December 1999, released March 8, 2000.

²⁶¹ Department of Commerce, "Entity List, Entities of Proliferation Concern Listed in Supplement No. 4 to Part 744 of the Export Administration Regulations," updated November 19, 1998;" Defense Intelligence Agency, Defense Intelligence Reference Document DI-1921-60A-98, "China's International Defense-Industrial Organizations," June 1998; Conference at the Monterey Institute of International Studies, November 1997.

²⁶² 105th Congress, Hearing of the House National Security Subcommittee on Military Procurement, "Department of Energy's Foreign Visitor Program," October 6, 1998.

control over nuclear materials to prevent leaks to rogue states.²⁶³ The former Director of Los Alamos argued that “any contact with China’s nuclear weapons establishment needed to be clearly focused to avoid aiding their weapons program. Hence, the Department of Energy authorized only small, restricted interactions on nuclear materials protection and verification technologies for arms control treaties. These activities were and still are clearly in our national security interest.”²⁶⁴ Testifying before the Cox Committee in October 1998, C. Paul Robinson, director of Sandia, stated that “the lab-to-lab program with China has been beneficial in several ways. It provides the United States with perhaps its only window on the Chinese nuclear weapons program. . . . Moreover, the program has helped promote the establishment of an arms control program in China.”²⁶⁵

U.S.-China Relations

The disclosures about suspected PRC espionage at the U.S. labs further complicated the Administration’s policy of engagement with China. Vice President Gore said on March 9, 1999, that “having a relationship with [China] within which we can try to affect their behavior and improve human rights, eliminate unfair trade practices, and bring about the kinds of changes that will lead to further democratization in China, these things are in our interest.”²⁶⁶ On March 11, 1999, President Clinton first defended his policy against charges of laxity in dealing with China and asserted that engagement “has paid dividends” for U.S. interests in weapon nonproliferation, Korea, and the Asian financial crisis. He also argued against an “isolated no-contact” relationship with Beijing.²⁶⁷ In a major speech on China policy on the eve of PRC Premier Zhu Rongji’s visit, President Clinton again explained that seeking to resolve differences with China cannot be achieved “by confronting China or trying to contain her,” but through a “policy of principled, purposeful engagement with China’s leaders and China’s people.”²⁶⁸

Some critics charged that the W88 case showed that engagement did not adequately protect U.S. national security interests, and a more confrontational policy — some called containment — should be pursued. They said that the credibility of the White House on China policy had been further eroded and that engagement had

²⁶³ Prindle, Nancy, “The U.S.-China Lab-to-Lab Technical Exchange Program,” *Nonproliferation Review*, Spring-Summer 1998; Wen L. Hsu, “The Impact of Government Restructuring on Chinese Nuclear Arms Control and Nonproliferation Policymaking,” *Nonproliferation Review*, Fall 1999.

²⁶⁴ Hecker, Siegfried S., “Between Science and Security,” *Washington Post*, March 21, 1999.

²⁶⁵ Statement of C. Paul Robinson, U.S. House of Representatives Select Committee on U.S. National Security and Military/Commercial Concerns with the People’s Republic of China, October 14, 1998.

²⁶⁶ Harris, John F. and Walter Pincus, “Gore Defends U.S. Stance On China, Security Issues,” *Washington Post*, March 10, 1999.

²⁶⁷ President William Jefferson Clinton, remarks at the signing ceremony and summit closing in Guatemala, March 11, 1999.

²⁶⁸ President William Jefferson Clinton, speech sponsored by the U.S. Institute of Peace, April 7, 1999.

brought more harm than benefits to U.S. interests. Senator Helms wrote on July 8, 1999, that the Cox Report presented “damning disclosures on the Clinton Administration’s ‘engagement’ policy toward Beijing” and urged a “fundamental reassessment” of U.S. policy toward China.²⁶⁹

Still other critics pointed out that PRC espionage and China’s military had and will continue to challenge U.S. interests and the question was not whether the United States needed to remain engaged with China — as the President said, but how that long-standing policy of engagement was carried out. According to them, engagement — but with a tougher approach — remained the most appropriate policy. For example, James Lilley, former ambassador and CIA station chief in China, argued that while both PRC spying and American spying will continue, exposing PRC espionage “should not derail our relationship with China.”²⁷⁰

Concerns over PRC nuclear espionage spurred even some supporters of engagement to criticize the Clinton White House’s pursuit of what it called a “constructive strategic partnership” with China.²⁷¹ Henry Kissinger, credited in part with the opening to China, wrote that “a sustainable Sino-American relationship requires something beyond presidential invocations of ‘engagement’ that imply that contact between the two societies will automatically remove all latent tensions, or of a ‘strategic partnership’ whose content is never defined.”²⁷²

Besides the immediate concerns about lab-to-lab exchanges, the W88 case also had ramifications for other aspects of the relationship with China. In March 1999, Representatives Gilman and Rohrabacher wrote letters to Defense Secretary William Cohen questioning exchanges with the PLA.²⁷³ The Pentagon has pursued military-to-military ties with the PLA as a means to deter PLA provocations, increase mutual understanding, and expand relations with important leaders in China. Some observers were also concerned that a worsened political atmosphere would affect trade relations, including assessments about China’s entry into the World Trade Organization (WTO).

²⁶⁹ Helms, Jesse, “‘Engagement’ With China Doesn’t Work. Now What?” *Wall Street Journal*, July 8, 1999.

²⁷⁰ Lilley, James R., “Blame Clinton, Not China For The Lapse At Los Alamos,” *Wall Street Journal*, March 17, 1999.

²⁷¹ Notably, the Secretary of Defense’s November 1998 East Asia Strategy Report did not use the term, “constructive strategic partnership.”

²⁷² Kissinger, Henry, “Single-Issue Diplomacy Won’t Work,” *Washington Post*, April 27, 1999.

²⁷³ Representative Rohrabacher, letter to Secretary Cohen, March 18, 1999; Bill Gertz, “General Postpones China Trip,” *Washington Times*, March 22, 1999.