

Locals held in Chinese gun ring

Crime & Criminals - 1990-1993
Staff and wire reports

SOQUEL — Owners of the Golden Buddha restaurant in downtown Soquel are among the seven Northern California residents arrested by federal agents Wednesday in connection with the smuggling of 2,000 automatic assault guns from China.

Richard Y.M. and Ching Hua "Jean" Chen are accused of taking part in a plan to bring the illegal weapons into the country in boxes marked "hand tools." The weapons were sold for \$700,000 to what turned out to be undercover customs agents.

Prosecutors are considering agreeing to bail for Richard Chen, 65, who is expected to return to federal court in San Francisco today.

His wife, Ching Hua Chen, 68, was released on

\$100,000 bail after appearing in court Thursday. According to neighbors in the Chens' Via Novella neighborhood in Aptos Seascapes, she was taken by federal agents late Wednesday afternoon.

It's unclear where Richard Chen was arrested. He's accused of negotiating at various times with Hammond Ku, 49, a former Soquel resident who is suspected of organizing the weapons smuggling.

Ku is one of seven additional people tied into the plot by the government who still had not been arrested Thursday. But prosecutors said Ku, a Taiwanese-born legal resident of the United States, is expected to appear in court soon, possibly as early as today.

The federal probe began in June 1994, when a confi-

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Agents relate details of sting

By DAVID E. SANGER

The New York Times

Posing as arms dealers with ties to the mob, two federal agents at the center of a sting operation spent the last 16 months infiltrating an arms ring that was funneling automatic weapons produced by China's two main state-controlled arms exporters to the streets of the United States, federal officials said Thursday.

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In court papers unsealed Thursday, federal agents described secret meetings with arms dealers in Silicon Valley, and faxes — apparently intercepted by wiretaps — between those dealers and Chinese arms manufacturers in Dalian, a Chinese industrial center near the North Korean border.

The officials of the state-con-

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trolled companies, from descriptions given in the court papers, were clearly excited about the prospect of arming American gangs in need of heavy weapons to wipe out rivals.

The papers said the undercover agents spent months negotiating with the Chinese middlemen, who wanted to hide the true origin of the shipments by running them through little-policed ports in Cambodia, the Philippines and Thailand, accompanied by misleading papers.

The payments went through an account in the giant Hong Kong office of the Bank of China, Beijing's state-run bank.

The investigation came to a halt Wednesday night in San Francisco with the arrest of seven people — but not the Chinese arms officials whom the U.S. Customs Service and the Bureau of Alcohol, Tobacco and Firearms had hoped to lure out of China. About 2,000 AK-47 assault rifles were seized in the raids.

Local man involved

At the center of the deal, feder-

al officials said, was Hammond Ku, a 49-year-old Taiwanese, who lived in Soquel, and was described by federal officials as having deep ties to the two companies, which in turn are closely linked to China's top leadership. Ku has yet to appear in court.

By the time he was arrested Wednesday, federal officials said they had moved beyond the AK-47s and were discussing with him another, far larger purchase, including anti-tank rockets and shoulder-fired anti-aircraft systems, capable of knocking airliners out of the sky from miles away.

The court filings asserted that at one point last year Ku boasted that he could bring 300,000 AK-47s into the United States.

As the details of the sting poured out Thursday, State Department officials began pressing the Chinese government here and in Beijing to explain why two of its largest state-run companies were attempting to put guns on the streets of America.

"We've told the Chinese that we are just at the beginning of figuring out if there is going to be a political component to our response to this," one senior State Department official said

Thursday. "We have a lot of questions to ask them, and the first is, 'What are your state companies up to?'"

'Wild West feel'

But no one in Washington would say whether they thought Chinese government officials either participated in or knew of the smuggling operations or whether the deals were cut by rogue elements in the government arms companies. One said that the whole operation "had a Wild West feel to it that makes you think it was mostly run the work of corruption, not government policy."

But whatever China's answers, several members of Congress said they were rethinking their support for the renewal of China's "most favored nation" trade status.

Both President Clinton and Sen. Bob Dole, the presumed Republican presidential nominee, have both come out in favor of renewal, saying any other choice would essentially cut off U.S. economic interchange with the world's most populous country.

Still, China's nuclear exports and its piracy of U.S. intellectual properties were already fueling a movement for any kind of protest vote against China.

Gun ring

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dential informant told a Customs Service undercover agent that several thousand suspected firearms were being stored at a warehouse owned by Ku in Soquel, according to prosecutors.

Neighbors who witnessed Mrs. Chen's arrest said they didn't know what was going on at the time, and were stunned to learn the couple had been swept up in the 16-month sting operation.

"We knew nothing about it," said neighbor William Heffernan. "Everyone is surprised. ... They kept to themselves, but they were real hard-working. Real quiet."

Neighbor Norman Baldwin said he took Richard Chen to vote for the first time four years ago, shortly after the Chinese-born Chen earned his American citizenship papers.

"They were very nice people, very pleasant," said Baldwin. "I know he takes a lot of trips, and now I know why. ... This is the damndest thing."

According to prosecutors, Richard Chen was a representative of Norinco, a state-controlled company of the Peoples Republic of China that made the guns.

They said Ku's sister, Linda Wei Lin Huang, 55, of Atherton used her travel agency to arrange tickets for Ku and Chen to travel to China for negotiations and to receive and send faxes.

Ching Hua Chen received faxes from her husband while he was abroad negotiating a gun deal, and called Ku and received calls from him, they said.

Outside of court Thursday, San Francisco defense attorney Michael Stepanian said Richard Chen was "a very respected restaurateur and businessman, a decent family man."

A waitress at the Golden Buddha, who didn't want to give her name, said she suspected something was amiss Thursday when neither the Chens nor their daughter, Tina Chen-Chardonnet, showed up at the restaurant. Chen-Chardonnet helps manage the res-



Dan Coyro/Sentinel file

A celebration at the Golden Buddha in 1994.

taurant.

"I cannot believe that," said the waitress. "He's a nice man, friendly and very kind. It's scary, you know. I didn't know he had any other kind of business."

A man who answered the telephone at Chen-Chardonnet's Capitola condominium said she had no comment on her parents' arrest.

No one answered the telephone at the Chens' \$400,000 four-bedroom home in Aptos. They bought the house in 1988, and neighbors said the couple "kept to themselves," other than taking regular morning walks.

Neighbor Jack Rosen said he saw the agents at the Chens' home on Wednesday, but paid little attention to the commotion until another neighbor told him what had happened.

"They used to come at odd hours of the night, and I thought, 'Well, they're working in their restaurant,'" said Rosen. "He didn't speak English much. ... They looked like a normal couple. They walked a lot. I never noticed any-

thing strange going on."

Rosen said the news has gotten the quiet neighborhood talking.

"I've been around for 68 years and had lots of surprises, but this one was *quite* a surprise," said Rosen. "You never know what's going on next door, do you?"

San Francisco U.S. Attorney Michael Yamaguchi said investigators are working on whether the Chinese government was involved with the smugglers, who were told by undercover agents that the guns were going to gang members. Officials estimated the street value of the guns at \$4 million.

Along with automatic rifles, the Chinese arms dealers had proposed shipping far more sophisticated weapons to the United States, according to Wayne Yamashita of the U.S. Customs Service.

"Weapons such as hand-held rocket launchers, anti-aircraft missiles, silenced machine guns and even tanks," he said.

Sentinel Staff Writer Karen Clark contributed to this report.