



George Bush

March 13, 1990

**CONFIRMING**  
LEO EMIL WANTA

Mr. Leo E. Wanta  
Leo E. Wanta & Associates  
Lockbox 2546  
Appleton, WI 54913

Dear Mr. Wanta,

I have just been informed that at the last meeting of the membership committee of the Republican Senatorial Inner Circle your name was placed in nomination by Senator Phil Gramm and you were accepted for membership.

Last year the Inner Circle had many outstanding members including Joe Coors, Estee Lauder, Arnold Schwarzenegger, George Shultz and Sam Walton. I know you will enjoy meeting your fellow members at Inner Circle functions in Washington and in other locations around the country.

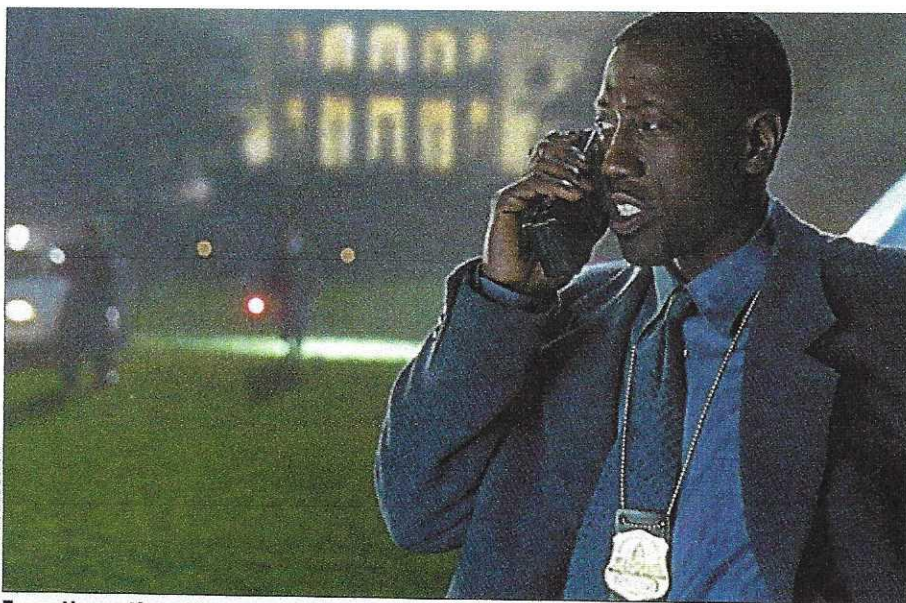
Barbara and I are especially excited about the news of your nomination because we will have the chance to be with you at the Inner Circle's next gathering in Washington, D.C., on May 2nd and 3rd. At that time we will be attending the Inner Circle's Spring Dinner Dance and we certainly hope you can make it.

Your formal invitation will be mailed to you in a few days. I urge you to respond as soon as possible.

In closing, I want to congratulate you on your nomination and I hope that you will decide to accept membership in this most important organization. Barbara and I look forward to seeing you in Washington on May 3rd.

Sincerely,

EVERETT COLLECTION



Executive action: Sinister sleaze is at the heart of new movies like 'Murder at 1600'

OPINION

# White House Confidential

## A former top Clintonite on why Hollywood is so obsessed with sex and scandal at the highest levels

BY GEORGE STEPHANOPOULOS

**O**NE OF THE COOLEST PERKS OF BEING president is that every Thursday the Motion Picture Association sends you a packet of first-run movies to watch over the weekend. But I doubt the Clintons are fans of the newest Hollywood subgenre: presidential pulp. Consider the opening scenes of "Murder at 1600," the latest in a series of conspiracy-minded Beltway flicks. A thunderstorm buffets the White House; in the Oval Office, beneath portraits of Washington and Jefferson, a beautiful blonde and an unseen man are having sex on top of the presidential seal in the carpet. Moments later, the blonde is found murdered in a bathroom off the East Room. Everybody is under suspicion: the president, his son, the Secret Service, the staff. And that's just in the first few minutes.

The new presidential thrillers have a common premise: crime and corruption are routine at the highest levels. In "Absolute Power," for example, the president drunkenly beats his mistress during a tryst just before the Secret Service kills her. But these films gloss over a key fact about the modern White House: it's essentially transparent. Not so long ago the press shielded the

public from FDR's disability and JFK's dalliances. Not anymore—and that's fed the Hollywood obsession with the West Wing. Watergate and Vietnam convinced the country that the government will lie; smaller scandals, from Iran-contra to Whitewater, have confirmed that impression. Even innuendo about President Clinton's personal behavior and background have made racy fictions set in the White House feel more authentic.

## Secrets and Lies Behind the Gates

There was a time when the White House seemed so sacred that Hollywood wouldn't even show a president's face on film. No more. Fed partly by the "Clinton scandals," conspiracy flicks are in vogue.



**Yankee Doodle Dandy, 1942:** A patriotic musical in which the FDR character

is presented respectfully—only his hands and the back of his head are actually shown on film.



**Seven Days in May, 1964:**

The glow of World War II has worn off, and cold-war paranoia is setting in as a cabal of right-wing Joint Chiefs tries to drive a president from office.



**Shadow Conspiracy, 1997:** A murder leads a White House aide (Charlie

Sheen) to uncover a preposterous conspiracy—and the chief of staff turns out to be a key villain.



**Absolute Power, 1997:** A crime of passion—the president's mistress is

murdered by the Secret Service during a liaison—puts the chief executive at the center of a cover-up.



**Murder at 1600, 1997:** A corrupt staff, an errant First Son and a rene-

gade Secret Service try to conceal the killing of a beautiful young aide after a sweaty Oval Office tryst.



**Air Force One, 1997:** Harrison Ford plays a president whose jet is

hijacked by terrorists—forcing him to test his manhood in a "Die Hard"-like clash.

These movies are partly a legacy of the end of the cold war. The villains aren't Soviets—they're power-mad national-security advisers ("Murder at 1600") or corrupt presidents ("Absolute Power"). With no central foreign foe, we can fantasize about the enemy within. After all, conspiracy theories—from Vince Foster to crack in the inner city—are now part of the popular imagination.

Politicians have also become embedded in the celebrity culture. Staffers like me are very much complicit in this. In the spring of 1992, those of us inside the Clinton campaign realized voters weren't connecting with our candidate. So we started something called "The Manhattan Project" to parcel out homey details about the Clintons. We talked, for example, about the governor's childhood as the son of a single mother in Hope in pop forums from MTV to "The Arsenio Hall Show." But there was a downside we didn't anticipate: once you reveal yourself, you invite scrutiny—and to invite scrutiny is to risk ridicule. When a candidate talks about trouble in his marriage or jokes about his youthful conquests, it's a smaller leap for Hollywood, and the audience, to imagine illicit sex in the Oval Office.

In an era when journalism employs the techniques of fiction ("The Agenda," "Blood Sport") and novels employ the techniques of journalism ("Primary Colors"), it's not surprising that movies are doing the same thing. "Washington is drowning in a sea of bulls—t," says Wesley Snipes in "Murder at 1600." The real-life capital is often doing just that—but what looks true on the screen is rarely what's happening behind the scenes.

STEPHANOPOULOS is a contributor to NEWSWEEK and ABC News

# A Break in the Case

The FBI zeroes in on exactly how China secretly funneled money into American politics



Money flow: Sieng may be a Chinese 'cutout'



Star power: Beijing may have had its eye on Fong

BY DANIEL KLAIDMAN

**T**HE MONEY CAME FROM BEIJING, approved by China's highest governing body: the State Council. In a series of covert 1995 transactions, federal law-enforcement officials tell NEWSWEEK, Beijing channeled nearly \$1 million into the United States. Five hundred thousand dollars went to the Chinese Embassy in Washington; \$150,000 found its way to consulates in Los Angeles, San Francisco and Houston. The Feds say that this money, along with other new evidence, provides a remarkably clear and detailed blueprint of a secret plan to influence American politicians and policy.

The urgent new offensive was China's attempt to settle a decades-old political score

with Taiwan. Beijing was jealous of Taiwan's successful U.S. lobbying. National Security Agency intercepts of conversations between Chinese officials in Beijing and Washington plainly show China's obsession with Taiwan's superior skills. "They were whining about the strength of the Taiwan lobby," says one official. Beijing denies any wrongdoing, but law-enforcement sources tell NEWSWEEK they have strong evidence the Chinese pursued a three-prong strategy to win influence: exploit a network of pro-Beijing intermediaries in the United States to illegally funnel money to politicians, mount an aggressive propaganda campaign and offer the relatives of targeted politicians "economic ad-

vantages"—lucrative business deals on the mainland. The Feds say Beijing didn't expect immediate results. Instead, the Chinese took "the long view," says one source, identifying promising local and state politicians—"comers" they believed would one day rise to national prominence.

It's not yet clear just how successful the Chinese were in carrying out the plan. But investigators working under FBI Director Louis Freeh believe the story of one politician—California Treasurer Matt Fong—is a case study in what the Chinese were up to. A young star in the Republican Party, Fong has aggressively promoted trade with China and regularly advises House Speaker Newt Gingrich on Asia policy. He re-

## Cracking the China Connection

Law-enforcement sources say the highest levels of the Chinese government approved a three-prong plan to influence U.S. politicians. Both Democrats and Republicans were targeted—and Beijing was particularly interested in cultivating rising young politicians.



**1 Money:** The Feds believe they have strong evidence that nearly \$1 million was transferred from Beijing to Chinese consulates in the U.S. They believe the Chinese used U.S. intermediaries to make illegal contributions to political campaigns.

**2 Propaganda:** Part of the plan was to fund Chinese-language newspapers and other media in the hope of generating pro-Beijing public opinion.

**3 Sweetheart deals:** The Chinese planned to offer "economic advantages"—lucrative business deals on the mainland—to curry favor with relatives of influential politicians.

the participation of the religious people," says a labor lobbyist in Washington.

A domestic-policy adviser in the Reagan administration, Bauer has never been to China, or indeed anywhere outside the United States except Canada and Mexico. "I'm not a world traveler," he admits. While abortion has been Bauer's bread-and-butter issue, he's currently downplaying that divisive theme in order to broaden his coalition. He thinks Americans have forgotten Ronald Reagan's great lesson: "While we love commerce, it is not our highest value." Other human-rights activists, who are mostly left of center, decline to

back Bauer, and suspect that his own motives are partly mercenary. "We're laying hands on tortured Christians; send your money now!" says one wryly.

The question is whether Christian groups accurately portray the state of religious freedom in China. Human-rights workers concur that the government has clamped down on Christians since 1994, when Prime Minister Li Peng issued a decree requiring all religious organizations to register with the state or be destroyed. Police in recent years have cracked down on openly defiant groups, razing churches, beating parishioners and rounding up priests and bishops to be sent for "re-education."

But China is a big country. At the same time that persecution is growing, the number of believers is growing rapidly, too, and Christianity is thriving in many areas. In Dazhai, Chairman Mao's "model village" of the 1960s, the communist slogans of SERVE THE PEOPLE are fading from the village walls. But when NEWSWEEK visited a year ago, Christian slogans—LISTEN TO GOD and COME TO CHRIST AND YOU WILL HAVE PEACE—had been freshly painted, in bright red characters two feet high.

Some Hong Kong missionaries say their work in China is booming. The Hong Kong Christian Council has helped rebuild 70 churches in southern China since 1993. The Rev. Bill Teng, an American working in Hong Kong, says that even local Communist Party cadres offered an official welcome at the dedication of a new church in northern Guangdong province last November. Hong Kong Christians say they think China views them as "indigenous," and therefore less threatening than Western proselytizers, who recall the "gunboat evangelism" in China a century ago. "If Christianity becomes linked again with Western capitalism and political posturing, Christian persecution will rise," warns Philemon Choi, head of a Christian youth center in Hong Kong.

For the Chinese government, Roman Catholics are a particular affront. A Chinese citizen who loves the pope is challenging the government's authority over its subjects—especially since the Vatican still recognizes Taiwan. So the Chinese government appoints its own bishops in its own Catholic

Church, and doesn't maintain diplomatic relations with the Holy See. But John Kamm, a human-rights campaigner with close knowledge of the Catholics, estimates that about 70 percent of the official bishops have secretly sworn fealty to the pope.

Back in the States, the evangelical movement is split over how best to nurture its Christian brethren in China. "It seems that these groups [such as the FRC] are the experts on China now," says Brent Fulton, managing director of the Institute for Chinese Studies at Wheaton College, an evangelical school in Illinois. "But they've gotten involved in China overnight. They miss the historical context in which they're working." Fulton, who's finishing a Ph.D. in Chinese studies at the University of Southern California, claims that despite some obvious setbacks, religious freedom generally has been growing in China over the last 25 years. Teng in Hong Kong e-mailed his congressman last month to object to the religious right's China crusade. "It's very important to get firsthand experience in China," he says, "or talk to someone who has."

Some Christians in China don't agree with the American right's hard-line approach either. "The most-favored-nation question has to do with politics," says Yuan Xiangchen, whose one-room apartment in Beijing has become a popular underground "house church." "It has nothing to do with religion. My friends ask me how they can help the Chinese church, and I answer them with just one word: 'Pray.'" Last year the government told Yuan he would have to register his services officially, or they would be deemed illegal and shut down. Yuan spent 21

years in prison for refusing to join the official church, but he also wanted to follow the law, so he told his parishioners to stop coming. The next Sunday they came anyway. Now he limits his congregation to 70 people, so they don't spill out into the street. Meanwhile, 10 more house churches have been set up in nearby suburbs. "The situation with Christianity in China is like the time of the apostles," Yuan says. "Persecution is very good for the church." It works pretty well for political careers in Washington, too.

With MICHAEL LARIS and GEORGE WEHRFRITZ in Beijing and LYNETTE CLEMETSON in Hong Kong



Crusader: Bauer is an ex-Reagan adviser

## Targets?

Christians represent a tiny portion of China's population of 1.2 billion.

AFFILIATION	PERCENTAGE
Nonreligious	59.2%
Folk religions	20.1
Atheism	12.0
Buddhism	6.0
Islam	2.4
Christianity	0.2
Other	0.1

SOURCE: ENCYCLOPAEDIA BRITANNICA

True believers: At an Easter service in Shanghai

SCANDALS

# Cracking a Chinese Code

## Inside Beijing's plan to influence U.S. politics

By DANIEL KLAIDMAN

**W**HEN THE STORY FIRST BROKE last January, it had everything. U.S. intelligence had intercepted secret conversations suggesting that China was running a crisp covert operation to funnel money into American politics. The reports raised the campaign fund-raising scandal to a new level of international intrigue: the possible villains now included not just Asian bankers like the Riadys, of Jakarta and Arkansas, but the Chinese government itself. The affair may

nese intelligence apparatus look as paranoid and bumbling as, say, the CIA.

The Chinese have for many years sent spies abroad to buy or steal economic and technical secrets. But the attempt at political manipulation is new, at least in the United States. It is rooted in envy: Beijing has long wished to match the clout of the Taiwan lobby in Washington but lacked the finesse. Beijing was particularly incensed in the spring of 1995 when the president of Taiwan, Lee Teng-hui, was given a visa to speak at his alma mater, Cornell. No cause

parently went far beyond schmoozing. The plan called for a propaganda campaign, including supporting Chinese-American newspapers. It also included \$950,000 in what one investigator described as "seed money" to gain political influence.

The Feds speculate that the operation was held so closely that some ruling officials were kept in the dark—a not uncommon practice in top-secret intelligence operations. The Chinese equivalent of the CIA, the Ministry for State Security, does not seem to have a part in the plan; rather, an obscure agitprop arm of the Communist Party, the United Front Works Department, is apparently involved. The basic technique of the United Front, says a U.S. intelligence expert, is to "hand over bags of money" to Chinese living abroad for propaganda operations. According to federal investigators, the man the Chinese picked to be their "West Coast representative" is a little-known Indonesian entrepreneur named Ted Sioeng.

Sioeng, who owns some hotels and a run-down shopping mall, recently bought a small Chinese-language newspaper, which he changed from pro-Taiwan to pro-Beijing. Sioeng may have seen a way to make money while ingratiating himself with China. U.S. intelligence sources say he proposed that China give him a special license to sell export-only Red Pagoda Mountain cigarettes inside China—tax-free. He would then take a slice of the profits and use them to implement the influence campaigns. Sioeng's daughter, Jessica Elnitiarta, gave \$250,000 to the Democratic Party—strictly her own money, say Sioeng's lawyers—and his in-laws and business associates kicked in \$150,000 more. The FBI is now trying to prove that money from Beijing went to an American bank partly owned by Sioeng and ultimately into the campaign of California state treasurer and Republican Matt Fong. After NEWSWEEK reported this investigation last month, Fong returned Sioeng's \$100,000 contribution. Sioeng's lawyer, Mark MacDougall, flatly denies that the money came from the Chinese government. "Neither Mr. Sioeng nor Ms. Elnitiarta has ever been asked by the Chinese government or any of its representatives to undertake or fund any political activity in the United States." And the Feds have not yet conclusively established that Sioeng acted on behalf of the Chinese government.

It is puzzling why the Chinese might seek to use an obscure businessman to promote their agenda. The answer may be that Beijing wanted people it knew it could control. That, and the bureaucratic impetus that makes governments blunder the world over—the need, in a perceived crisis, to "do something," or at least appear to.

With MELINDA LIU and MARK HOSENBALL



Face time: Ted Sioeng and James Riady at dinner with Clinton in July 1996

still explode into a spy scandal that drives a deeper wedge between the United States and China. But far from being a team of crafty covert operators, says one top federal official familiar with the case, the Chinese look rather like "the gang that couldn't shoot straight." NEWSWEEK has learned that the true nature of the plan seems to be a source of some confusion within Chinese ruling councils. After the stories first surfaced last winter, U.S. intelligence intercepted conversations from puzzled Chinese officials asking questions like "What about this plan? Do we have such a plan?" The picture so far, described to NEWSWEEK by knowledgeable officials, makes the Chi-

is dearer to Beijing than the dream of one day reunifying with Taiwan, which is regarded as a renegade province. So that same spring Chinese intelligence had to come up with a plan to gain influence in Washington.

In late 1995 U.S. intercepts began to pick up signs that Beijing was stepping up its efforts to sway Congress. In January 1996 Jiang Zemin gave a dinner in Beijing for three U.S. senators. The Chinese president played piano for Dianne Feinstein, talked space exploration with John Glenn and discussed geopolitics with Sam Nunn. Then, in the spring of '96, American eavesdroppers learned of a "Ten Point Plan" that ap-

**A land that time forgot:** A missileer looks over a Minuteman III in its silo near Minot, N.D.

He says he trusts Higher Authority. Besides, he adds, "I figure if I'm sitting down here, no one can mess with me." Hearing his own mild bluster, he smiles sheepishly. Quaid, who is 26, about the same age as the missiles in the silos around him, says he has seen the usual apocalypse movies ("Dr. Strangelove," "The Day After") but finds them "bogus" because the technical details are wrong. "I guess I miss the message," he says, shrugging.

Lieutenant Quaid lives in a land that time forgot. He is one of 220 officers of the 91st Missile Wing who safeguard 150 Minuteman IIIs hidden in a missile field roughly the size of Massachusetts, spread across 8,500 square miles of farmland outside Minot, N.D. Despite the end of the cold war, and notwithstanding all the arms-control talks and treaties over the past two decades, the United States still has roughly 7,000 nuclear weapons programmed against targets in the former Soviet Union, more than 10 times the number it needs to utterly destroy its former enemy. And Russia has as many that can reach the United States.

The threat of Armageddon, mercifully out of mind after the end of the superpower standoff, isn't what it used to be. With political tensions dramatically reduced between the two sides, the risk of deliberate nuclear attack is more remote than ever. Since 1990 U.S. and Russian strategic forces have been cut by close to a

half, and U.S. nuclear spending has shrunk by 75 percent. And the Kremlin has docked most of its missile subs and locked up its mobile ICBMs in garages and railroad yards.

Yet the risk hasn't gone away. Ironically, the crumbling state of Russia's arsenal heightens a new danger: the chance of nuclear war by accident (sidebar). As the Soviet empire disintegrated, the Kremlin lost most of its early-warning radars, making those who control the weapons jumpy. Because its missiles are now fixed targets, the military has just 15 minutes in an attack to either use them or lose them. With its conventional forces vastly reduced, Russia now views its nuclear weapons as a first line of defense—not weapons of last resort. The Kremlin warns that it will "launch on warning" rather than lose its whole arsenal to a

first strike. To U.S. officials, talk of a first strike is absurd, but Russia's leaders clearly fear the possibility. In 1995 an atmospheric-research rocket from Norway triggered a full-scale alert. Russian leader Boris Yeltsin and his commanders had begun the process of activating the launch codes before they realized the incoming blip was harmless.

The Clinton administration has done little to address this risk, other than to urge the Russians to ratify START II, which would commit both sides to reduce strategic arsenals to about 3,500 warheads. But Clinton's decision to expand NATO probably wrecks any chance the Russian Parliament will ratify the treaty. So, in the absence of some new initiative, the nuclear standoff will continue.

Which, in some ways, is fine with the U.S. military. At the Omaha headquarters of Stratcom—Strategic Command, America's nuclear forces—there is a certain nostalgia for the old days. A sign on the desk of the Stratcom commander, Gen. Eugene Habiger, declares that here sat Curtis LeMay, the legendary cigar-chomping air force commander who wanted to bomb Russia "back into the Stone Age." Out at Minot Air Force Base, old "buff"—B-52—pilots miss the days when a blaring klaxon would send them running to their bombers.

But for the missileers on permanent alert—24 hours a day, 365 days a year—beneath the Dakota plain, it might as well still be 1963. Called "cone heads," they don't joke around like aviators in a ready room on a carrier. Missileers tend to be earnest, diligent, squared away. Their doomsday mission occasions no gallows humor.

The risk of a nuclear incident might have been sharply reduced had the United States taken bolder steps to stand down its own forces during the 1990s—and talked the Russians into similar moves. As the Soviet Union collapsed in the late 1980s, some Washington policymakers began to see the absurdity of planning for Armaged-

don. When Dick Cheney became secretary of defense in 1989, he was shown a computerized demonstration of the Pentagon's blueprint, known as the SIOP (Single Integrated Operations Plan), to flatten Russia. Cheney watched as red dots, representing nuclear explosions, obliterated Moscow. "Why are we doing this?" he asked with some impatience. "Sir," answered a general, "we're doing this because it's your policy." Cheney decided to change the policy. At his command, the next chairman of the Joint Chiefs of Staff, Colin Powell, began asking some basic questions, like why the United States was still targeting Poland—when it was now an elective democracy. Eastern Europe was soon removed from the SIOP.

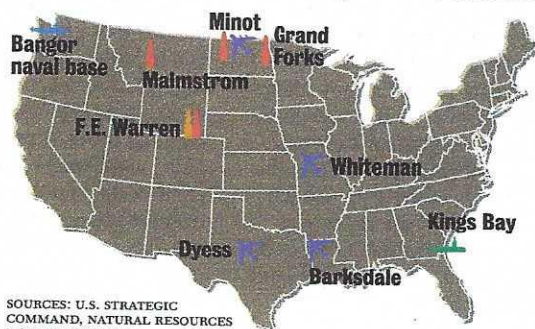
The general then in charge of the nuclear forces, Lee Butler, knew the SIOP was a "product of madness." He had been to Russia and seen the state of decay of its armed forces. "They couldn't even make the runway lights work," he told NEWSWEEK. Butler began marching through the SIOP "like Sherman through Georgia," said a colleague, eliminating targets and taking the B-52s off alert. Butler even wanted to begin standing down ICBMs.

Butler's ideas were deemed too radical. Fearful of congressional Republicans and uneasy about taking on the military, President Clinton has done little to ease the nuclear confrontation. In 1993 he and Yeltsin did agree to "de-target" their ICBMs—to aim them harmlessly at the ocean—but the deal was entirely symbolic; both sides can restore the original targets in a couple of minutes. Meanwhile, the Pentagon is midway through spending \$5 billion to modernize America's 580 ICBMs—so they will strike within 100 yards of their targets.

The administration has even found a new use for nuclear weapons. Stratcom is now targeting suspected nuclear, chemical and biological weapons plants in "rogue nations" like Iran and Libya. The Pentagon

## Mapping America's Nuclear Arsenal

Arms treaties have cut into the United States' nuclear stockpile, but the nation still has roughly 7,000 warheads at its disposal. A look at the military bases where the nukes are:



SOURCES: U.S. STRATEGIC COMMAND, NATURAL RESOURCES DEFENSE COUNCIL

U.S.-BASED NUCLEAR WEAPONS*	TOTAL
Minuteman III missiles	525
Peacekeeper (MX) missiles	50
C-4 missiles on submarines	192
D-5 missiles on submarines	216
Nukes carried on aircraft	1,800

\*WEAPONS CAN CONTAIN MULTIPLE WARHEADS

globe—especially in the United States. Mochtar Riady, the patriarch of the Lippo Group, set the tone when he joined with Stephens Inc. of Little Rock, an investment bank, in the 1980s to buy controlling stakes in the Worthen Bank, then Little Rock's largest. After Mochtar's son James became copresident, and Huang a top executive, the Riadys were warmly welcomed in the impoverished state—especially by its eager, investment-seeking governor, Bill Clinton. But they quickly ran into trouble. Stephens backed out of the partnership when its officials suspected the Riadys of lending too much of Worthen's money to themselves. (Stephens may have been repelled, but Clinton wasn't; James Riady was reportedly the only foreign businessman invited to attend the president-elect's 1992 "Economic Summit.")

Information obtained by NEWSWEEK supports those suspicions. A February 1985 report by the Comptroller of the Currency sharply criticized James's stewardship for, among other things, "only vague familiarity with regulatory guidelines and laws." A month later, U.S. bank examiners criticized both Mochtar and James for making millions in questionable Worthen loans to a company controlled by the patriarch.

**Public reprimands:** At about the same time, the Riadys set up a U.S. company, Lippo Finance and Investment—an entity not unlike the one now at the center of the Whitewater probe—purportedly to lend venture capital to disadvantaged businessmen by getting Small Business Administration loan guarantees. But documents obtained by NEWSWEEK indicate that Lippo Finance was a shareholder in a company to which it was trying to give a government-backed small-business loan, a California firm called Unipacific. The company then intended to use the money to pay off debts it owed to a Hong Kong finance company that owned half of Lippo Finance. It is not clear whether the loan went through.

Trouble followed James Riady and his associate, Huang, out to the West Coast, where they took control of Lippo Bank California. Since 1990 the bank has been publicly reprimanded three times by the Federal Deposit Insurance Corporation. One confidential report on the bank's compli-

ance with anti-money-laundering rules found that Lippo had consistently failed to prepare proper paperwork, creating what examiners considered to be an "invitation for abuse by [a] criminal element." Just last March, a scathing cease-and-desist order noted that the bank had operated with inadequate management, equity capital and allowance for loan and lease losses.

Back in Jakarta, similar worries about Riady cash balances and self-dealing prompted a run on Lippo Bank two years

by the Chinese Trade Ministry. China Resources, which has injected tens of millions of dollars in Lippo since 1993, plunked down \$15 million to buy a 5 percent stake in Lippo Land—an endorsement that attracted other major investors.

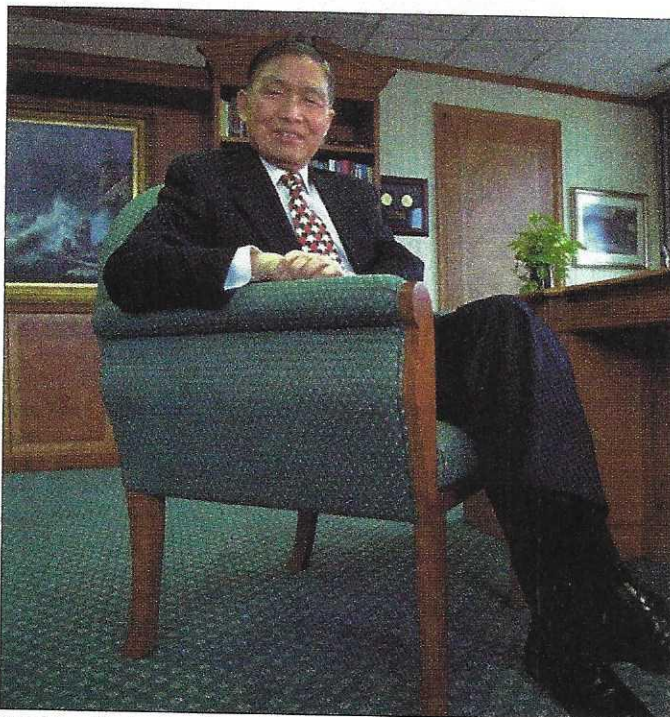
Another Riady brother, Stephen, has raised the ire of regulators in Hong Kong, home to the flagship Lippo Group. Two major Hong Kong government investigations in the early '90s explicitly challenged Stephen's credibility and business practices, although they produced no allegations of illegality or regulatory violations. Stuart Crosby, an inspector appointed by the Hong Kong Financial Secretary, questioned whether Riady had joined with Hong Kong magnate Lee Ming Tee to improperly control a company called Asia Securities International. In a published report, Crosby noted "inconsistencies in Mr. Riady's evidence" and said he did "not feel able to rely on those denials and claims."

**All-time highs:** If regulators are unhappy, Lippo investors certainly aren't. In March the stock price of seven of nine Lippo-affiliated companies hit all-time highs on the Jakarta Stock Exchange, and overall shares in the Riadys' empire have nearly quadrupled in value in the last five years. The most recent stock run-up came after a complex restructuring last year, involving a dominolike series of share sales among various Riady companies. "The Riadys are experts at jacking up their companies' share prices," says one former Lippo employee.

Maybe so, but analysts have been left wondering exactly who owns what in the Riady empire—especially since the Chinese got involved—and what real value lies beneath the stocks. Later this year the Riadys will ask investors to pony up an additional \$500 million or more to buy new shares the group is issuing largely to pay the Riadys for their stakes in

Lippo Bank and Lippo Life, which they sold in last year's restructuring. Mochtar and James plan a "road show" to sell the issue. Says a PR man close to the group, "They are masters of razzle-dazzle promotion." Good as they are at boosting their own shares, it's too bad the Riadys have the opposite effect on Bill Clinton's stock.

With MICHAEL HIRSH in Washington and MAGGIE FORD in Jakarta



**Mochtar Riady:** Lending depositors' money to his companies?



**Stephen:** Ire in Hong Kong



**James:** Criticism in the U.S.

ago. The run began when Lippo Land, the company through which James had invested billions in American-style malls and housing developments outside Jakarta, revealed in its 1995 annual report that it was heavily in debt. Lippo Bank depositors feared that much of the debt was owed to the bank. This time the Riadys' Chinese partner came to the rescue: China Resources, an investment company controlled

has developed a new nuclear bomb—the specially reinforced B-61 mod. 11—capable of boring deep into underground facilities like the one Muammar Kaddafi has tunneled in Libya to make chemical weapons.

Lee Butler, who retired as Stratcom commander in 1994, says his former comrades are “frantically casting about for a new rationale for nuclear weapons.” Nuclear weapons are a kind of addiction, he

says. “Everyone becomes enthralled. It’s time to break the spell.”

After all, nobody really wants them used. That’s why, figuring mistrust is more likely to make the Russians push the button, the Pentagon has begun inviting its former foes for good-will visits. A few months ago Gen. Igor Sergeyev, then commander of Russian Rocket Forces (and now defense minister), was welcomed into Stratcom’s Command

Center, 60 feet below Offutt Air Force Base in Omaha. The bland room apparently failed to impress Sergeyev. “Where is the real one?” he asked. His hosts asked him for his address in Moscow. On one giant screen, up popped a targeting map so detailed that the Russian general was shown the street corner his apartment overlooks. It is doubtful Sergeyev rested more easily after his tour. Who would? ■

# A Looming Disaster?

## Russia’s crumbling arsenal is more than worrisome

By BILL POWELL

**T**HE IMPULSE STATE Scientific Production Association sits in a drab, unfinished office building half an hour from the center of St. Petersburg. Inside the entrance, two women listlessly check identifications; they are all that stand between the outside world and the engineers and scientists who design and maintain the vitally important command and control systems of Russia’s still vast nuclear arsenal. And this past February those scientists did something chillingly unprecedented in the nuclear age: having not received a regular paycheck from Boris Yeltsin’s government once in eight months, they went on strike.

The Impulse walkout was the latest in a string of nightmarish episodes involving Russia’s decaying arsenal. More than ever, the nuclear priesthood in the West has concerns about just how much control Russia has over its nuclear weapons. Since 1991, intelligence agencies say, there have been several serious attempts to smuggle small amounts of plutonium out of the former Soviet Union. In 1995 the Russian strategic command believed for about 15 minutes that the test launch of an atmospheric-research rocket from the coast of Norway was a pre-emptive nuclear strike—and alerted Boris Yeltsin that he might have to



**Elaborate safeguards?** Nuclear workers have gone without pay

authorize a counterstrike. And last month Western intelligence reports suggested that, thanks to a malfunction in Russia’s command and control apparatus, a preliminary “prepare to launch” signal had more than once gone down the line to Russia’s strategic rocket forces—for no apparent reason.

Now, in response to alarm in the West, the Russians are trying to allay some of the world’s more urgent fears. Recently, in two exclusive interviews with NEWSWEEK (the first in which they have ever discussed Russian command and control in detail with a foreign journalist), the directors of the Impulse lab flatly denied the reports of dangerous malfunctions in the system they designed. “I have worked here since July of 1980, and I never heard of

anything like this,” says Boris G. Mikhailov, Impulse’s general director.

For any nuclear power, command and control systems comprise the men and machines that effectively become the arsenal’s brain and vocal cords. When news of the strike at Impulse trickled out in February, alarms peaked—both in Moscow and in Washington. The Russian government finally paid its arrears, and the roughly 900 workers returned to their jobs after five days. But in Washington the lingering question was obvious: if working conditions were so bad that the engineers at Impulse were walking out, what condition could the system they are charged to maintain possibly be in? Soon after, the then defense minister, Igor Rodionov, provided his own answer. To the fury of his top

commanders in Moscow, he said publicly that it wasn’t at all clear whether Russia could guarantee the security of its nuclear arsenal.

Boris Mikhailov, the general director of Impulse, and his chief system designer, Vladimir Petukhov, acknowledge that the Russian command and control system is in dire need of an overhaul. And they admit that such an overhaul cannot be done now because of a lack of funds. But the Impulse directors also emphatically insist that there is no risk—none—of an accidental launch. “The strategic missile command and control systems cannot be the cause of a nuclear accident,” Mikhailov says. There are still elaborate, redundant safeguards built into the system. “Some of its points,” he adds defiantly, “[remain] better than those of similar U.S. systems.”

Despite Mikhailov’s denials, sources in both Russia and the United States insist that the reports of the command and control systems’ malfunctions are accurate. The Russians and their American colleagues may soon get a chance to talk about the discrepancy in these accounts. Under the auspices of the Draper Laboratory, a defense-related research facility, and the Brookings Institution, Mikhailov, Petukhov and other Russian military and government officials have been invited to the United States for what would be a quietly historic conference in August. The topic: how the two sides might reduce the threat of the post-cold-war world’s worst nightmare, a nuclear accident. The Russian command and control chiefs have never met their American colleagues. There might never be a better time.