



**U.S. Department of Justice**

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FOR IMMEDIATE RELEASE  
ALEXANDRIA, VA  
MARCH 5, 2004

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NEWS RELEASE

Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced that Zhan Gao received a sentence today of 15 months, including 7 months imprisonment followed by 8 months of community confinement, and a fine of \$2,500, by United States District Judge T.S. Ellis III. Gao had pleaded guilty on November 26, 2003, to a two count information charging her with illegal arms export and tax fraud. Gao's husband, Dongua Xue, also pleaded guilty on November 26, 2003, to an information charging him with delivering a false tax return, a misdemeanor. Xue is to be sentenced on April 9, 2004. At the time of their guilty pleas, Gao and Xue also forfeited approximately \$505,000, proceeds from Gao's offense, and agreed to pay approximately \$88,000 in additional taxes.

The information charged her with unlawfully selling electronic components with possible military applications to entities affiliated with the military of the People's Republic of China. According to the information, the Nanjing Research Institute of Electronics Technology, also known as the 14<sup>th</sup> Institute, is involved in the development of state-of-the-art phased array radar systems for the PRC military. It is one of the PRC's premier designers of aircraft radars and has designed most of the PRC's strategic and early warning radars. Gao admitted that in October 2000 she sold and shipped to this entity 80 military microprocessors that could be used in airborne battle management systems and missile target identification systems. Gao used aliases and made several false statements to suppliers in order to obtain items which she knew were banned for export, and went to great lengths to conceal her identity, the nature of her business, and payments she received from her PRC customers. The investigation began in the fall of 2000, when one of the U.S. suppliers of these items became suspicious and notified the U.S. Customs Service, now the US Customs and Immigration Enforcement (ICE).

Mr. McNulty stated: "Crimes like this can jeopardize our national security and expose our military forces to undue threat. This office will aggressively prosecute anyone who tries to defeat the safeguards that protect against unauthorized export of such technology. Although this sentence reflects the judge's consideration of the cooperation rendered by the defendant to the FBI during this investigation, it also requires her to forfeit all the ill-gotten gain she obtained from her crime. This case was complex and difficult to investigate and prosecute. I congratulate the work of ICE, the Defense Criminal Investigative Service (DCIS), the IRS and the FBI for their outstanding work and service to our nation."

Kevin DelliColli, Acting Special Agent in Charge of the Washington Field Office of ICE

stated: "Those who compromise U.S. security for profit will ultimately be held accountable. ICE and the Department of Homeland Security have made these types of investigations a priority. Keeping sensitive U.S. technology from falling into the wrong hands has never been more important."

Joseph A. McMillan, Special Agent in Charge of the Mid-Atlantic Field Office of the DCIS stated: "The actions of Ms. Gao were serious in effect and could place our warfighters in jeopardy in a variety of ways. The tenacity shown by the Defense Criminal Investigative Service, US Immigration and Customs Enforcement and the Internal Revenue Service Criminal Investigation Division to pursue this matter, should serve as a reminder that all necessary resources will be applied to aggressively pursue matters where our technology is being illegally exported and individuals gain financially from their illegal actions."

The case was investigated by Special Agents with the Defense Criminal Investigative Service, US Immigration and Customs Enforcement, the FBI and the Internal Revenue Service, and it was prosecuted by Assistant United States Attorneys James P. Gillis and Kathleen M. Kahoe, and Mary B. Ruppert, a trial attorney with the Justice Department's Counterespionage Section.

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