

FBI Tried to Get Agent's Secret E-Mail on China Spy Plans Back

by Daniel Golden

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After emigrating to the U.S., Dajin Peng became the first director of USF's China-funded Confucius Institute, one of almost 100 such outposts in the U.S. that teach Chinese culture and language.
Photographer: Phelan M. Ebenhack/Bloomberg

(Bloomberg) -- The Federal Bureau of Investigation sought to suppress e-mails describing its efforts to gain a Florida school's help in using a faculty member to spy on China.

The FBI demanded in an April 2012 letter that the University of South Florida immediately return copies of e-mails from one of its agents concerning Dajin Peng, an associate professor of international affairs at the Tampa-based school.

In the 2010 e-mails, agent Dianne Mercurio asked university officials to make a show of confidence in Peng in front of an important visitor and raised the possibility of opening a USF campus in China. She hoped that Peng would use the branch for intelligence-gathering, he said in an interview.

The e-mails "were explicitly marked as being 'confidential,' 'sensitive,' and 'for official use only,'" Steven Ibison, then special agent in charge of the Tampa FBI branch, said in a letter co-signed by an FBI lawyer. This "information is the property of the U.S. government and was loaned" to the state university, the letter said.

USF retained custody of the e-mails in keeping with Florida public-records law, spokeswoman Lara Wade-Martinez said. The school provided Mercurio's e-mails to Bloomberg News in response to a request under

the law.

While the university blacked out Peng's name in the e-mails, USF statements and interviews with Peng enabled Bloomberg News to identify him. The school said the redactions were made under a legal exemption for disclosure that could identify confidential informants.

Ibison, now chief security officer for Noble Energy Inc. in Houston, said he can't remember Peng's case or his letter to the university. Mercurio and FBI spokesmen in Tampa and Washington declined to comment.

High-Level Connections

Peng, a U.S. citizen, has high-level connections in China from his graduate-student days at a university run by the country's security ministry, he said. After emigrating to the U.S., he became the first director of USF's China-funded Confucius Institute, one of more than 90 such outposts in the U.S. that teach Chinese culture and language.

Mercurio cultivated Peng as USF officials accused him of wrongdoing, including padding expense accounts and making false statements in letters supporting visa applications for Chinese students. He agreed in August 2010 to an unpaid one-year suspension and is now serving a second, two-year suspension.

Peng denied some of the alleged transgressions and attributed others to cultural differences. He said the bureau encouraged disgruntled Confucius Institute staffers to initiate the university's investigation of him, forcing him to spy to keep his job.

In November 2010, a month before Peng began serving the first suspension, Mercurio e-mailed Karen Holbrook, then a USF senior vice president, urging a "show of support" for him.

'Critical Juncture'

"We are at a critical juncture," Mercurio wrote. Peng's "credibility does not just affect his dealings with USF, but has national security implications on a large scale."

Mercurio asked Holbrook to arrange a "brief, private meeting" including Peng, Holbrook, and a visiting dignitary. Otherwise, Peng's absence would "generate a high level of suspicion," cause him "to lose face," and "destroy any credibility that remains," Mercurio wrote.

The university redacted the dignitary's name. A delegation from Nankai University, then USF's Confucius Institute partner, visited USF later that month and met with Holbrook and Provost Ralph Wilcox.

Holbrook, a former Ohio State University president, forwarded Mercurio's e-mail to Wilcox. "I find it all extremely troubling," he replied. USF forbade Peng to attend the meeting, Wade-Martinez said.

Mercurio e-mailed Holbrook again in December 2010, saying Peng had "mentioned the possibility of exploring a USF branch campus in China."

Although Peng had told Mercurio he would spy on China, he was reluctant to do so, and suggested the branch campus as a delaying tactic, he said. It would require numerous approvals, delaying any spying for years, he said.

“This seems to me to be a very unfortunate situation and I do not think we want to be involved any longer,” Holbrook wrote to Wilcox.

“A USF Branch Campus In China, no less!” the provost answered. “I agree, that personal and institutional integrity suggests that we should not participate.” USF has no plans for a China campus, Wade-Martinez said.

In an interview, Holbrook said her contact with Mercurio and Peng was brief, and she knew “this was not a good thing to continue to participate in.” Wilcox declined to comment.

In 2011, Mercurio summoned Peng to the FBI’s Tampa office for a tape-recorded conversation, he said. He didn’t show up -- and never heard from her again, he said.

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