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Divider Title: Feb. 28, 1997

LEADERS IN SENATE DEMAND F.B.I. FILES ON C.I.A. NOMINEE

CONFIRMATION IN LIMBO

Move Is Denounced by Some
as the White House Looks
at Ways to Compromise

AI

By TIM WEINER

WASHINGTON, Feb. 27 — The chairman of the Senate intelligence committee said today that unless he received all of the Federal Bureau of Investigation's files on Anthony Lake, President Clinton's nominee as Director of Central Intelligence, he would not hold confirmation hearings for Mr. Lake.

The demand by the chairman, Senator Richard C. Shelby, an Alabama Republican, was backed by the majority leader, Trent Lott of Mississippi, and a dozen other conservative Republicans led by Senator Phil Gramm of Texas.

"Unless we see those files, there isn't going to be any hearing," Mr. Shelby said in an interview.

Mr. Shelby said he wanted to see the raw data in the files, not summary reports prepared by the F.B.I., which he called the equivalent of "a second-grade 'Weekly Reader.'"

The demand came hours after it appeared for the first time that Mr. Lake had won support from a majority of the intelligence committee.

Two senior Republican members of the committee, Senators Richard G. Lugar of Indiana and John H. Chafee of Rhode Island, said today that they would probably vote for Mr. Lake, barring some devastating disclosure at the confirmation hearing. That would insure Mr. Lake's confirmation. The committee has 10 Republicans and nine Democrats; all the Democrats are expected to vote to confirm Mr. Lake, who served as national security adviser from 1993 through 1996.

Mr. Lugar, in an interview, said he strongly disagreed with the demand by his fellow Republicans.

"The whole confirmation process has become more and more outrageous," said Mr. Lugar, a Senator for 20 years. "People feel it's their duty to engage in character assassination or cause a nominee's defeat or discourage and demoralize them."

"F.B.I. raw files are raw files," Mr. Lugar said, and they may contain rumor, gossip, hearsay and innuendo. "They may be true, they may be false, they may be scandalously defamatory," but they should not be the basis for evaluating someone's character.

Mr. Lugar and Senator Bob Kerrey, the Nebraska Democrat who is vice chairman of the committee, said today that they found it particularly troubling that Senate conservatives cited a precedent for the request for the raw files: President George Bush's nomination of John Tower as Secretary of Defense.

When "Tower was nominated for Secretary of Defense, his complete

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F.B.I. files was placed in a secure room of the Capitol for members of the Senate to read and evaluate," Mr. Gramm said in a letter he sent today to Mr. Lott. Mr. Gramm said he and other fellow conservatives would not "permit this nomination to be brought to the full Senate until every Senator has had sufficient opportunity to review the totality of Mr. Lake's background, including information contained in the complete F.B.I. files."

In 1989, President Bush sent the Senate a 140-page F.B.I. report on Mr. Tower in an effort to refute hearsay allegations, originally from a conservative spokesman, that the Senator was, among other things, a drunkard and a womanizer. While the raw F.B.I. files contained words like "extremely inebriated" from unnamed witnesses, and the final report apparently concluded that Mr. Tower had once had a drinking problem, the White House concluded that the F.B.I. did not corroborate the most serious charges against him.

Nonetheless, after a bitter and partisan battle, during which Mr. Tower conceded he had "broken wedding vows" and promised to swear off alcohol, his nomination was defeated, the first time that had happened to a Cabinet nominee in 30 years.

Mr. Lugar said he was disturbed by the idea that the Tower nomination should be any kind of precedent.

"Perhaps they feel that the example of Senator Tower is outrageous and it is time to simply settle that score," he said. "If that's the case, that's unfortunate. The treatment of Senator Tower was outrageous. To repeat that experience is not good public policy. It's been called borking," he said, referring to the failed Supreme Court nomination of Judge Robert Bork.

Senator Kerrey drew a distinction between the Tower case and the Lake nomination.

"The Tower files were opened after supporters of Tower went to the Senate floor and defended him, citing the F.B.I. report," he said.

Mr. Kerry also said Mr. Shelby's conduct in demanding the raw files was "endangering the committee's capacity" to function.

"They are saying 'we think there's something in these files that the F.B.I.'s not telling us' — that's unprecedented," he said.

Nothing in the summary F.B.I. report on Mr. Lake's background suggested there was some dark secret hidden in the raw files, Mr. Kerrey said.

Citing the case of John Tower in seeking documents on Anthony Lake.

"Tony Lake will negotiate and come up with some agreement that will satisfy Senator Shelby," Mr. Kerrey said. "I wish he wouldn't." Indeed, a White House official said tonight that Mr. Lake and members of the Administration "are examining ways to resolve this."

But there seems little room for compromise. Mr. Shelby and his allies are saying that Mr. Lake must either comply — release the raw files, and make them available to every senator, at some risk to his privacy — or see his nomination die.

Mr. Shelby has twice postponed Mr. Lake's confirmation hearings, most recently until March 11, and he has seemed determined to delay or derail the nomination. In past interviews, he has questioned Mr. Lake's character and integrity and suggested that Mr. Lake lied to the Senate about the Clinton Administration's tacit approval of Iranian arms sales to Bosnia's Muslims. In an interview today, he said that although Mr. Lake had submitted written answers to questions from the committee, those answers were insufficient.

In particular, he said, he now wants to interrogate a National Security Council staff member who served under Mr. Lake and met with Pauline Kanchanalak, a fund-raiser for the Democratic Party who represents Thai businesses and is caught up in the Federal investigation of illegal or improper donations. The Democratic National Committee returned \$253,000 of her contributions for the 1996 campaign after she said the money came from a relative.

"That's got us interested," Mr. Shelby said today. "What role, if any, did Mr. Lake or his senior staff at the National Security Council play in any fund-raising activity, directly or indirectly, by the Clinton Administration to raise money from foreign nationals for the D.N.C.?" There is no public evidence to date that they played any direct role.

Another Republican on the intelligence committee, Senator Pat Roberts of Kansas, said in an interview today that he agreed with Mr. Shelby. He and other Republican Senators said today that the F.B.I. could answer a host of questions about Mr. Lake. Those include his performance as President Clinton's national security adviser, his handling of his stock portfolio — Mr. Lake recently paid \$5,000 to settle a civil claim that he failed to sell off energy stocks whose values his foreign-policy decisions could conceivably affect — and even his personal life.

Democratic Math at a Coffee: 10 Texans and \$500,000 Goal

By DON VAN NATTA Jr.

WASHINGTON, Feb. 27 — At the height of the Democrats' fund-raising frenzy last summer, the chairman of the Clinton-Gore campaign organized a White House coffee that was explicitly intended to bring in \$500,000 from 10 wealthy Texans.

Peter S. Knight, the campaign chairman who scheduled the coffee, had good reason to set such an optimistic target: the 10 Texans invited to the White House had already contributed a total of \$500,000 in unregulated donations, known as soft money, to the Democratic National Committee.

In the days and weeks after the Aug. 23, 1996 coffee in the Map Room, Democratic committee fund-raisers phoned each of the 10 oilmen, bankers and executives to ask for even more money. The Texans and their corporations contributed an additional \$132,800 to the committee, according to a computerized analysis of Federal Election Commission records conducted by the Campaign Study Group of Springfield, Va., a nonpartisan research group.

Even though the final amount fell far short of Mr. Knight's lofty goal, the hastily scheduled coffee illustrates how top Clinton-Gore campaign workers and national committee officials set aggressive fund-raising goals for the events, weeks before guest lists were drawn up and the invitations were put in the mail.

Although Mr. Clinton has insisted that fund-raisers never solicited contributions at the White House or sold admission to the coffees or overnight stays in the Lincoln Bedroom, Mr. Knight plainly referred to the coffee as a "fund raiser" in a July 14, 1996 memorandum released by the White House on Tuesday.

"I propose the following fund-raising plan," Mr. Knight wrote in the three-page memorandum titled "Texas Fund-Raising." "It anticipates adding two events on the schedule — a Potus DC coffee in August and a Potus visit to Texas in October."

In White House memorandums, Potus is the routinely used acronym

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for President of the United States.

But in an interview today, Mr. Knight, who is now a Washington lawyer, denied that the event was a fund-raiser in the strictest sense of the word. He said "price tags" were not placed on the Texans' coffee, or any of the other 102 coffees held inside the White House.

YAWNS, NOT OUTRAGE

One state capital, Olympia, Wash., shows anything but ire about fund raising in Washington. Page A23.

"The coffees were a component of a fund-raising plan, but they were not fund-raisers," Mr. Knight said. "They were an effort to energize people and get them excited about the race. You can't really do your fund-raising without making sure that you have everybody buying into a plan of action."

Lanny Davis, the White House special counsel, said today that the fund-raising targets for White House coffees indicated campaign workers' hopes for money raised after they attended the event.

"The fact that people indicated their hopes of a total amount of money that might result from holding a coffee in the White House is consistent with what we have said," Mr. Davis said. "There was no requirement to give any money to attend these events, nor was there ever any solicitation at these events."

But Mr. Davis said the clear hope was that people who attended the coffees and heard the President speak would possibly want to contribute after going home. "Whether or not people agree on the political effects of having these events in the White House, we have no doubt that, since no solicitations of funds occurred at these events, they were entirely lawful," Mr. Davis said. He added that Mr. Clinton had clearly stated that putting a price tag on these events "would be inconsistent with both White House and D.N.C. policies."

Among the guests who attended the coffee was Bernard Rapoport, the chief executive officer of the American Income Life Insurance Company of Waco, Tex. Before the coffee, Mr. Rapoport contributed \$153,000 to the Democratic National Committee.

In a telephone interview from London today, Mr. Rapoport said that he did not contribute any more money after attending the coffee. He also said the invitation to the White House had nothing to do with his prior contributions. "I had already given my money before then," he said. "I have gotten so many invitations from the White House, I reject more invitations than I accept. I didn't give any money for that."

One guest at the coffee had not contributed to the Democratic committee before the event, but did give afterward, according to election commission records. Three days after the coffee, the guest, Debbie Dud-

Democrats insist no one was asked for money at a 'fund raiser.'

ley Branson, of Dallas, contributed \$1,400 to the committee, the records show. And over the next six weeks, Mrs. Branson contributed another \$30,000. Mrs. Branson did not return telephone messages today.

In the same memorandum, Mr. Knight also referred to a \$350,000 fund-raising target for another coffee last summer.

Like Mr. Davis, Mr. Knight insisted that there was nothing wrong with setting "fund-raising goals," and he pointed out that they were often not

met.

"No figure was ever attached to anyone's participation in that meeting," Mr. Knight said. "We strictly followed the D.N.C. guidelines, which said that no money would be discussed and no figure would be given to anybody. If they so desired to give, that would be great."

The "Texas coffee," as it became known, also demonstrates how the Clinton-Gore campaign, thwarted by "hard money" limits of \$1,000 per candidate, was able to invite guests to White House events, and then have the Democratic committee solicit unlimited soft money contributions. Even though it was set up by Mr. Knight, the Clinton-Gore committee chairman, he specified that the soft money was to be contributed to the national committee for use in Texas Congressional campaigns. Whether any of the money went to the Presidential campaign is unknown.

The coffee was organized when

Mr. Knight realized that the national committee was \$2 million shy of its fund-raising goals for Texas.

Indeed, Mr. Knight wrote in the memorandum, the Democratic committee had "a pending deal" with Texas Democratic candidates to give them 25 percent of money raised at Texas-based events.

"This is just another example that the White House is a fund-raising machine," said Ann McBride, the president of Common Cause, a leading advocate group for overhauling fund-raising laws. "What do fund-raisers do? They set a goal. It's insulting to the American people to suggest that the coffees were not a clever way to raise money on Federal property."

Two on Panel 'Lean' Toward Backing Lake

CIA Nominee's Chances Improve in Committee

By Walter Pincus
Washington Post Staff Writer

Two Republican members of the Senate Select Committee on Intelligence are "inclined" to support the nomination of CIA Director-designate Anthony Lake, their aides said yesterday, nearly assuring that the panel would back Lake.

Sens. Richard G. Lugar (R-Ind.) and John H. Chafee (R-R.I.), both considered GOP moderates, told the Associated Press they expect Lake to be confirmed and at present plan to support him. Assuming Lake gets the support of all nine Democrats on the 19-member committee as expected, he would need only one Republican vote to win panel approval.

Aides sought afterward to hedge the senators' comments, saying Lugar and Chafee were withholding final commitment until Lake answers questions at his twice-delayed confirmation hearing.

Nevertheless, the prospect that Lake would get the panel's approval increased pressure on Lake's conservative opponents to find another means for holding up the nomination of President Clinton's former national security adviser to the nation's top intelligence post.

Yesterday, committee chairman Sen. Richard C. Shelby (R-Ala.) and committee member Sen. Pat Roberts (R-Kan.) called on the White House to supply for review by senators the full FBI background investigations of Lake, whose government service goes back to the Nixon administration. To date, Roberts said, he and other members "have been given access only to a summary of the FBI report."

Shelby said he had talked to White House Counsel Charles F.C. Ruff about getting access to the complete FBI files. Shelby added that a group of Senate Republicans meeting Wednesday agreed "this nomination is not going anywhere until the complete file is available."

Late yesterday, Senate Majority Leader Trent Lott (R-Miss.) took up the cause after Sen. Phil Gramm (R-Tex.) wrote him about the precedent in 1989 when the complete FBI file of former senator John G. Tower (R-Tex.) was opened for review by members in a secure room in the Capitol. Tower's controversial nomination to be defense secretary was questioned because of allegations of drinking and womanizing.

"Given the clear precedent and the critical nature of the position of Director of Central Intelligence," Gramm wrote, "this is the procedure which we believe should be followed in the case of Mr. Lake."

Gramm then warned, "We will object to bringing Mr. Lake's nomination to the floor of the Senate until such an agreement is reached."

White House officials said Ruff was looking at what could be done to make the FBI report available. They pointed out that the normal procedure called for the FBI briefing on Lake's file to be provided to Shelby and to the intelligence panel's vice chairman, Sen. Bob Kerrey (D-Neb.), and for a printed summary to go to other members.

The White House officials also said there was no negative information about Lake in the FBI report that appeared to be triggering the Republican inquiry.

White House press secretary Michael McCurry told reporters the White House would work to address Senate concerns but added it was "very troubling" that the nomination appeared to be mired in politics.

The Washington Post

FRIDAY, FEBRUARY 28, 1997

Strong Brew: Memo Shows That a Clinton Coffee Was Expected to Raise \$500,000 for Democrats

By MICHAEL K. FRISBY

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON—When President Clinton met with Texas business and political figures in the White House last August, neither the president nor his guests discussed political contributions. But the coffee date was all about money.

A month earlier, Texas Democratic Party Chairman Bill White and others met with Peter Knight, the Clinton-Gore campaign manager, and Doug Sosnik, the White House's political director, to ask for assistance in raising \$3.2 million, funds that would be used for the coordinated campaign of all Democratic candidates in the state. It would help, the Texas democrats insisted, if some of their best donors could get some face time with the president. Mr. Knight had the answer: Bring them in for coffee.

After his July 15th meeting with the Texans, Mr. Knight wrote a memo to Harold Ickes, former deputy White House chief of staff, and Mr. Sosnik, stating that he expected to collect \$500,000 in contributions by having the Texas donors visit the White House. "I propose the following fund-raising plan," Mr. Knight wrote. "It anticipates adding two events on the schedule — a POTUS [President of the United States] coffee in August and a POTUS visit to Texas in October."

Campaign-contribution records filed in Austin, Texas, and Washington show that Mr. Knight surpassed his goal. The people who attended the Aug. 23 coffee, and their immediate families, contributed \$335,500 to the Texas Democratic Party in the weeks just before or after their White House visit, and gave more than \$200,000 to the Democratic National Committee.

It is against the law to solicit or receive political contributions in the White House or other government buildings. On Wednesday, President Clinton said again that he and his aides received strict legal advice about how to adhere to the law. "There was no solicitation at the White House," he said, and "the guidelines made clear that there was to be no price tag on the events."

But Mr. Knight's memo, which was among the 600 pages of documents that Mr. Ickes released this week to the press and congressional investigators, demonstrates that some of these coffees were set up explicitly to raise money, and that they pushed the law to its limits, if not beyond.

Reached yesterday, Mr. Knight insisted he had done nothing wrong. "The values assigned to events were fund-raising goals," he said. "The idea was to energize these people. There was no solicitation, and no amounts mentioned for coming to the event. We knew that that would be a violation of DNC [Democratic National Committee] policy."

Still, the very title of Mr. Knight's memo — "Texas fund raising" — makes clear the events' purpose. In the memo, he

Texas Fund Raising

Goals from a Peter Knight memo to Harold Ickes.

	FOR DNC	FOR TEXAS DEMOCRATS
Coffee with Clinton	\$0	\$500,000
Clinton birthday party (Texas satellite feed)	\$200,000	\$50,000
Clinton Texas event	\$1.7 mil.	\$1.3 mil.
Hillary Clinton (women's leadership events)	\$562,500	\$187,500

cites the need to raise money for the Texans as well as the Democratic Party—a combined effort that would require \$5.4 million to meet the fund-raising goals of both. "We have two challenges to reach the goal of \$5.4 million," he wrote. "One is to make sure they [the Texans] do not block efforts by the DNC to raise DNC money, and the other is to energize the Texas folks, particularly Bill White and Garry Mauro—the Texas Land commissioner—to do the heavy lifting on their piece."

Then, Mr. Knight outlined events that would be held to meet these goals. There would be three events involving first lady Hillary Clinton aimed at women, expected to generate \$750,000. The president would attend a Texas event in October that would raise \$3 million. The president's New York birthday party would be sent by satellite feed to Texas for an event that would raise another \$250,000. And the August coffee would bring in \$500,000.

At the coffee, Mr. Clinton conducted a policy seminar, participants said. It was just days before the start of the Democratic convention, and Mr. Clinton asked for ideas for his acceptance speech. He also probed his guests, which included insurance executives and Texas trial lawyers such as Lee Godfrey and Arthur Schechter, about why Texas handles the illegal-immigration problem so much better than California. Specifically, he wanted to know if his guests thought the negative attitudes toward immigration in California would, at some point, shift over to Texas.

"The president started the meeting by saying that both the Democratic and Republican leadership in Texas had taken a more mature attitude towards immigration than the Republican California leadership," recalls Mr. White, the Texas party chairman. "It was a group of people diverse across professional, business and geographic lines. Many people had been donating periodically to the state and local party organizations . . . Some were not significant donors."

After the event, it was up to the DNC fund-raisers and Texas leaders, such as Mr. Mauro, to go after contributions. Many of the guests kicked in. For instance, Mr. Godfrey gave \$25,000 to the Texas Democratic Party in September. This week, Mr. Godfrey maintained in an interview with Associated Press that there was no fund raising linked to the event.

"Nobody said, 'Give us X dollars' or that sort of thing," he said. "I had given money to the Democratic Party for a long time before that and quite a few times since then."

—Michael Totty in Austin, Texas, contributed to this article.

THE WALL STREET JOURNAL
 FRIDAY, FEBRUARY 28, 1997

WASHINGTON

Democrats say probes should look at GOPAC fund-raising

Amid the uproar over White House access President Clinton extended to big donors, some Democrats want investigators to also look at Republican fund-raising activities. Democrats cite first-class treatment Republican administrations provided to donors to GOPAC, the political action committee then headed by House Speaker Newt Gingrich, R-Ga.

► One GOPAC letter promised potential donors "exclusive opportunities" to "meet with and serve as hosts to White House officials, Cabinet members and Republican congressional leaders. Presidents Reagan and Bush have hosted GOPAC in the White House and Vice President Quayle has been our guest." The events were for charter members who gave \$10,000 a year.

► On April 29, 1991, GOPAC's top donors were invited to the home of Vice President Quayle to socialize with three Cabinet members.

► In November 1989, top givers were briefed at the Old Executive Office Building and went to a White House reception with President Bush.

"It appears that this is serious and it needs to be looked into" by congressional committees investigating Democratic fund-raising, says House Minority Whip David Bonior, D-Mich. "They should look at GOPAC and what its activities were and how they raised their money and what they did for their donors."

Gingrich spokeswoman Christina Martin calls that "a simply ridiculous comparison" intended to deflect scrutiny from Democratic abuses. "The events in question here did not involve either a political party or a presidential campaign and did not violate the law," she says. "There's a big difference between a permissible briefing and a suspect presidential sleeper."
— Judy Keen



Bonior: 'It needs to be looked into'

LAKE NOMINATION: At least 10 Senate Republicans are insisting that before they vote on Anthony Lake's nomination to head the CIA, the White House must release the full FBI report on him, not just a White House summary. "This is not negotiable," said Sen. Phil Gramm, R-Texas. White House press secretary Mike McCurry said it's "very troubling" that Lake's nomination appears to be mired in politics. Lake was Clinton's national security adviser. He appears to have the votes to be confirmed, but his hearing has been postponed several times amid questions over his role in administration foreign policy and over his delay in selling energy stocks to avoid a conflict of interest.

MEMORIAL PROTEST: About 75 people — many in wheelchairs, on crutches or with guide dogs — protested at the site of a soon-to-be-dedicated Franklin D. Roosevelt Memorial that doesn't depict the former president as disabled. "It would be unconscionable for children to visit and not know FDR was in a wheelchair," said Michael Deland, chairman of the National Organization on Disability.

ALSO . . .

► **BASH CANCELED:** Sen. Daniel Patrick Moynihan, D-N.Y., canceled his 70th birthday bash that was to kick off fund-raising for his next Senate race. Moynihan cited "current discussions of campaign finance reform, which I favor." About 4,000 supporters had been invited to the \$1,000-a-plate dinner and reception March 10 in New York City.

► **CLINTON TRIP:** Welfare and education will be topics of President Clinton's address to the Michigan Legislature on March 6 in Lansing, the White House said. It will be the second in a series of speeches to state legislatures Clinton plans this year. The first was in Maryland.

► **EARLY POLL:** Sen. Barbara Boxer, D-Calif., holds more than a 3-to-1 lead over five possible Republican opponents in 1998, a Field Poll shows. Also, 46% view her favorably, 33% unfavorably.

• USA TODAY
FRIDAY, FEBRUARY 28, 1997

CONFIRMATIONS: LAKE NOMINATION SAID TO BE "IN LIMBO" Hotline 2/28/97

Senate Intelligence Cmte chair Richard Shelby (R-AL) said that unless he received all of the FBI's files on Anthony Lake, "he would not hold confirmation hearings" on Pres. Clinton's nominee to head up the CIA. Shelby's "demand came hours after it appeared for the first time that Mr. Lake had won the support from a majority of the intelligence committee." Shelby, who said he wants the FBI's raw data and "not summary reports," was backed by Senate Maj. Leader Trent Lott and a dozen other GOP conservatives, led by TX's Phil Gramm. The latest development means there "seems to be little room for compromise. Mr. Shelby and his allies are saying Mr. Lake must either comply ... or see his nomination die." Senate Intelligence cmte member Dick Lugar (R-IN), whose "inclination" to support Lake along with RI's John Chafee indicated Lake was close to winning cmte approval, said he "strongly disagreed" with Shelby's demand because FBI raw files "may contain rumor, gossip, hearsay and innuendo." Lugar: "The whole confirmation process has become more and more outrageous. People feel it's their duty to engage in character assassination or cause a nominee's defeat or discourage or demoralize them" (Weiner, N.Y. TIMES, 2/28). Gramm: "We have a right to see this information ... and we're going to see it or Anthony Lake is not going to be CIA director" ("This Morning," CBS, 2/28). CNN's Blitzer: "Officials here at the [WH] have said that they want to accommodate the senators' concerns ... but they're so far refusing to make that complete FBI file available." Blitzer said of Shelby's request, "This is not an extraordinary development, but it is very, very unusual. The last time that senators demanded to see such a complete background report" was with the "ill-fated nomination of John Tower" for Defense Sec. in '89, which "collapsed in the aftermath of senators seeing that background file ("IP," 2/27). Shelby, on requesting the raw data: "I believe that when we, on the Intelligence Committee, ask for the FBI file -- this is a controversial nomination, otherwise I wouldn't have asked for it -- that we're entitled to it. ... I served on the Armed Services Committee when we looked at Tower's file and he was a controversial nominee. I see nothing wrong with it. ... We're going to look at it or we're not going to move forward with the hearing." Shelby, on Lake's promise that the NSC staff was not involved with fundraising: "We don't know if there's any role but we do know that one of the senior staffers, Sandra Kristoff, met three times with [Thai businesswoman] Pauline Kanchanalak. ... We want to be able to ... get at the bottom of this" ("Newshour," PBS, 2/27). CBS' Plante: "Tony Lake seems to be in real trouble. It's quite clear to the White House ... they just, in the Senate, want to rough up one nominee, preferably not a woman or a minority" ("This Morning," 2/28).

NOT HAPPY: Senate Intelligence Cmte vice-chair Bob Kerrey, on Shelby's request: "It's unreasonable. It's a new standard. ... The Tower investigation produced a member on the Republican side who cited the FBI report and it opened up the question as to whether or not all senators ought to look at it. It didn't begin with us saying we're going to do this; and it's a brand-new precedent and I think it's unwarranted. ... Frankly, I think it's one more effort to delay the hearings. ... We've been given a background summary by the FBI and what Senator Shelby essentially saying is that, 'I don't trust the FBI.' ... It would be terrible for the Senate Select Committee on Intelligence to set the bar down as low as we had for Tower. That was a dark day for the

Senate, that was not a good moment in the United States Senate"
("NewsHour," PBS, 2/27).

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Divider Title: Feb. 27, 1997

Hatch Act is government workers' guide

White House coffees and overnight stays for political contributors are raising questions about what is illegal, what is improper and what simply looks bad. The ultimate guide to legal political behavior for government employees is the Hatch Act.

Passed in 1939 and revised in 1993, the Hatch Act covers about 3 million civil service and postal workers. Most of them are not allowed to political on the job but are entitled to almost all the same political

rights as other Americans when they are off duty.

Activities permissible on personal time include contributing to political organizations, attending fund-raisers, stuffing envelopes and giving speeches.

Political activity is not allowed while they are on duty or on federal premises. Forbidden at all times: hosting fund-raisers and soliciting, accepting or receiving contributions.

Different guidelines apply to the White House. Under an exclusion in the act, people on the

White House payroll are permitted to engage in political activities in the course of their work. But they may not use government resources for such activities.

"We are not, therefore, allowed to use taxpayer-financed phones, computers, hardware in order to pursue political activity. But there's nothing in the law that prohibits anyone from political activity here," White House press secretary Michael McCurry said this week.

But White House employees

are subject to the Hatch Act ban on soliciting political contributions, at the White House or anywhere else.

McCurry said President Clinton and others have made clear that "we did not solicit here at the White House or at the residence."

He said White House coffees attended by Clinton were related to fund-raising but weren't fund-raisers: "These were not events in which you had to buy a ticket to get in, nor was there solicitation of funds made by

the president at the occasion."

Guests were likely to be approached later by the Democratic National Committee "to see if they had been motivated to give" after having seen the president, McCurry said. Some gave and some didn't, he said.

Under the Hatch Act, partisan activities of all kinds are off-limits at all times for government personnel involved in law enforcement, intelligence and other sensitive areas.

By Jill Lawrence

Budget amendment a vote short in Senate

Sen. Torricelli to vote no; supporters 'not giving up'

By William M. Welch
USA TODAY

A balanced-budget constitutional amendment appears headed for defeat after congressional supporters conceded Wednesday they are one vote short in the Senate, as they were in the last Congress.

"I'm disappointed, terribly disappointed," said Sen. Orrin Hatch, R-Utah, sponsor of the constitutional amendment that would require the federal government to end annual borrowing in seven years.

Sen. Robert Torricelli, D-N.J., the last undecided senator, appeared to assure its defeat when he said he intends to vote against the amendment.

His vote had been sought as the 67th needed to achieve the two-thirds approval required to move the amendment from the Senate to the House and then to the states for ratification.

"I have struggled with this decision more than any I have ever made in my life," Torricelli said. "I



Torricelli: 'I will not cast the 67th vote'

will not cast the 67th vote."

President Clinton said he was pleased: "Now it's time to get down to the hard work of balancing the budget."

Hatch said he would continue to work to win votes, but he was not optimistic: "We still have a few possibilities. I don't want to mislead you — it's uphill. But we're not giving up."

The outcome won't be final until votes are cast, possibly next week. But Hatch made clear he viewed Torricelli as the deciding vote.

Torricelli said the amendment does not make room for prudent bor-

rowing for big-ticket capital projects such as highways, and it did not have enough flexibility to permit government borrowing in times of economic recession or military threat.

His announcement came after the Senate voted 63-37 against his amendment that would have allowed capital budgeting and deficit spending in the face of recession or potential military conflict.

After the November elections, it appeared the amendment had the votes to pass the Senate. Four freshmen Democratic senators were considered crucial. Supporters needed three of their votes. Each had voted for the amendment as House members or had campaigned as an amendment supporter.

In the past two weeks, Sens. Max

Cleland of Georgia and Mary Landrieu of Louisiana decided to vote for the amendment. Sen. Tim Johnson of South Dakota, who like Torricelli voted for it in the House, said he'd oppose it. He cited concerns about the effect on Social Security.

Republican sponsors have opposed any changes, arguing they would permit huge deficits.

The Social Security argument — that the amendment could jeopardize the government's ability to pay future benefits — emerged as a major stumbling block only as passage seemed near certain.

Amendment supporters said removing the Social Security trust fund from the balanced budget equation would require even greater spending cuts over the next few years to bring

the budget into balance.

The Social Security system now takes in more in Social Security taxes than it pays out in benefits each year. While Social Security is kept separate from the rest of the budget, that surplus still counts as an offset against government borrowing.

Democrats injected a new argument this month with a study by the nonpartisan Congressional Research Service. The study concluded budget cuts in other programs or tax increases would be needed when Social Security collections will fall to cover payments to the aging Baby Boomer population. That is projected to begin in 2019.

Hatch called it "a phony issue" and said some had conceded privately it was only an excuse to vote no.

• USA TODAY

THURSDAY, FEBRUARY 27, 1997

Grand Jury Begins Hearing Testimony in DNC Fund-Raising Probe

By Lena H. Sun
Washington Post Staff Writer

A federal grand jury investigating questionable campaign contributions to the Democratic National Committee began hearing testimony for the first time yesterday from witnesses as President Clinton again defended the use of White House social events to woo and reward big campaign donors and said there was no price tag on White House access.

In a half-day session, the grand jury heard testimony from a Virginia businessman who said he had been approached by DNC fundraiser John Huang to funnel money illegally to President Clinton's reelection effort.

Rawlein Soberano, vice president of the Fairfax-based Asian American Business Roundtable, appeared before the grand jury after being interviewed for several hours on Monday by FBI agents. Soberano did not return several phone calls yesterday. But he told *The Washington Post* last week that Huang approached him last summer and proposed an illegal scheme to channel more than \$250,000 through the roundtable's members to the DNC in return for a \$45,000 kickback. Soberano said he rejected the offer immediately. Huang, through his attorney, denied making the proposal.

A Justice Department task force is investigating Huang and others in connection with questionable fund-raising tactics, including the possibility of contributions from China and other foreign governments. Soberano's account is the first direct allegation that Huang tried to mask the source of campaign contributions to the DNC and to enlist the help of others in falsely reporting the source of large donations.

Federal election law requires that donors give their own funds, that individual donors be U.S. citizens or permanent residents, and that corporate gifts come from U.S.-generated funds.

Officials familiar with the fund-raising inquiry said prosecutors are focusing on several areas that could lead to criminal charges,

including conspiracy to violate federal election laws and misuse of government resources and facilities for political purposes. The appearances before the grand jury yesterday could result in some individuals cooperating with prosecutors, although officials said no such agreements had been reached yet. Witnesses such as Soberano appear to have been called to testify only to provide information to the grand jury.

During a joint news conference with Chilean President Eduardo Frei, President Clinton said he decided to invite contributors to join him for White House coffees and to stay overnight in the Lincoln Bedroom and the mansion's other historic guest quarters only after he received "strict advice" from White House lawyers, who authorized the invitations.

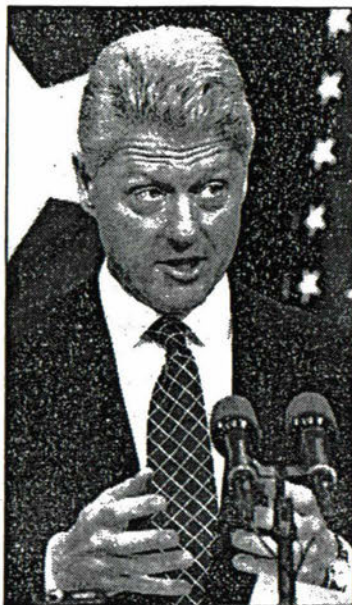
But a growing number of accounts suggest that DNC finance chairman Marvin Rosen directly linked coffee invitations to donations. One fund-raiser, who asked not to be identified, said yesterday that Rosen instructed him and others to tell donors and potential donors that \$50,000 would buy an invitation to a White House coffee. "He said, 'Use the coffees to get the money,'" the fund-raiser said. DNC spokeswoman Amy Weiss Tobe said that was "not appropriate." Rosen's attorney, William Taylor, said his client had done nothing improper or illegal.

White House documents released Tuesday identified 831 visitors who were overnight guests since the Clintons moved into the executive mansion.

The visitors knew they would be asked to support his reelection, Clinton acknowledged, but he said they were not approached while on the premises.

"Did the people," Clinton said, referring to his own political aides, "hope that the folks who came to the events would subsequently support me? Yes, they did. And I think that was clear to everyone involved at the time. But there was no solicitation at the White House, and the guidelines made clear that there was to be no price tag on the events."

As for memos from aides detailing that



BY RICH LIPSKI—THE WASHINGTON POST
President Clinton said he invited donors to the White House only after he received "strict advice" from White House lawyers.

they expected to raise specific amounts of money for particular coffees, Clinton said that was "how much they hoped would come out of" the events.

Although the Justice Department investigation and separate congressional inquiries are looking into contributions from Asian and Asian American donors, it does not appear that any Asian or Asian American donors were among the overnight guests at the White House.

Clinton initially said he would not comment on whether the latest documents

should prompt Attorney General Janet Reno to seek the appointment of an independent counsel. But he added that, based on "the evidence that we made clear yesterday . . . I don't think there's a legal issue there."

Senior government officials said yesterday that the newly released documents detailing the president's deeper involvement in the fund-raising effort led Justice Department executives to order a review of the materials by the task force investigating possible fund-raising abuses.

But a senior official said the decision to review the White House documents should not be construed as an indication that Reno was moving closer toward a decision to recommend appointment of an independent counsel, and he emphasized that the attorney general and her senior aides were allowing the task force to conduct its investigation with "a minimum" of briefings to senior officials.

"We're letting them work," the official said, "and that's the way the system should work."

Yesterday's grand jury testimony was directed by Justice Department attorney Laura Ingersoll, who is directing the task force from offices several blocks away from department headquarters at Ninth Street and Constitution Avenue NW. Ingersoll reports to Lee Radek, the head of the Public Integrity Section in the department's Criminal Division. Officials said Radek and Ingersoll provide weekly briefings on the inquiry's progress to Mark Richard, a veteran Criminal Division attorney.

Besides Soberano, the identities of the witnesses who appeared yesterday before the grand jury could not be determined. But in anticipation of testimony that was initially scheduled for last week, a Chinese-speaking interpreter was brought in to the grand jury, sources said. Huang, who was born in China and raised in Taiwan, raised \$3.4 million for Democrats, mostly from Asians and Asian Americans. Of that, \$1.3 million has been returned by the DNC because of questions about its origin.

One of the witnesses scheduled to testify later this week is Duangnet G. Kronenberg, the sister-in-law of Pauline Kanchanalak, a Thai businesswoman and major DNC donor whose contributions are under investigation by the Justice Department. Kanchanalak sought Huang's help in securing unusual White House endorsement for the private U.S.-Thailand Business Council three years ago, while Huang was a Commerce Department official.

Last June, Huang arranged for Kanchanalak to bring five business associates to a

President Clinton, at a news conference, said there was "no solicitation at the White House."

White House coffee with Clinton, the same day she and Kronenberg contributed \$135,000 to the Democratic Party. The associates included the top two executives of a huge Sino-Thai conglomerate, Charoen Pokphand Group, or CP Group, and the president and executive director of the U.S.-Thailand Business Council.

Kronenberg, who lives in McLean, did not attend the coffee. In an interview last December, Kronenberg said she contributed her \$50,000 independently of Kanchanalak, and did not know about the White House coffee when she wrote her check.

In November, the DNC returned \$253,000 for Kanchanalak contributions dating back to 1993, after she said the money was actually given by her mother-in-law, Praitun Kanchanalak.

Staff writers Peter Baker, Brian Duffy, Sharon LaFraniere, Toni Locy and Pierre Thomas contributed to this report.

The Washington Post

THURSDAY FEBRUARY 27, 1997

More Papers Requested in Lake Inquiry

Sen. Shelby Also Seeks To Question NSC Staff

By Walter Pincus
Washington Post Staff Writer

Senate intelligence committee Chairman Richard C. Shelby (R-Ala.), already under fire from Democrats for delaying confirmation hearings for CIA Director-designate Anthony Lake, has issued new demands for documents and other information.

Shelby said Tuesday he was asking for documents on Haiti that the White House previously has refused to give Congress.

He also is asking the White House counsel for permission for congressional investigators to question National Security Council staff members under oath about political fund-raising at the White House.

The papers and interviews "may weigh on the fitness" of Lake to be CIA director, said Shelby, who has twice postponed Lake's confirmation hearing, now set for March 11. "I don't want to delay or move the hearings but we only have two weeks to get ready and one thing seems to lead to another," Shelby said.

Shelby wants sworn interviews with NSC staff members who worked for Lake from 1993 through 1996 and were mentioned in recently released papers involving political fund-raisers. The documents indicat-

ed Lake had a policy of staying out of domestic politics. Shelby said the individual interviews may give a better indication than documents of whether foreign contributors "were involved with the NSC or influenced them."

A senior Clinton aide said no decision has been made on this request but it "has been a long practice that Congress does not depose presidential staff members."

Shelby also requested White House documents involving Haiti denied the House intelligence and International Relations committees last year.

The two panels were investigating allegations the Clinton administration did not force cooperation with an FBI investigation into the murder of two Haitian leaders who opposed the U.S.-backed regime.

Although the panels were given hundreds of documents, they were denied about 50 for which the White House claimed executive privilege. A presidential aide said a specific request from Shelby had not been received for these documents.

A senior Republican senator, who asked to remain unidentified, said politics explained the delays in Lake's hearing.

Shelby, a former Democrat, and Senate Majority Leader Trent Lott (R-Miss.), who owes his original election in 1994 as whip to "far right" conservatives, wish to placate those who "have it in for Lake," the senator said.

In addition, the GOP lawmaker said, Lott "doesn't want to see all Clinton [Cabinet] nominees go through untouched, but it would be difficult to go after [Labor Secretary-designate] Alexis Herman, an African American woman, or [Energy Secretary-designate Federico] Peña, an Hispanic American male. So that leaves Lake."

The Washington Post

THURSDAY, FEBRUARY 27, 1997

Deng helped bury communism

The letters USA TODAY published about the death of China's nonagenarian leader, Deng Xiaoping, presented a one-sided and unfair portrait ("Follow trail of blood to Deng's real legacy," Tuesday). They did a glaring injustice to a legendary man of transcendent genius whose accomplishments far outweigh his mistakes.

Who else could have fulfilled the Herculean task of lifting a quarter of humanity out of poverty, ignorance and repression? Under Deng's tutelage, the Chinese people embarked on a gigantic modernization program and miraculously increased productivity tenfold in a decade. They enjoyed openness and freedom unprecedented in their history.

Deng also was an unsung hero in the battle to bury world communism. He was the first to challenge the Marxist orthodox head-on. His bold reforms triggered a chain reaction across the communist world and set the stage for the decommunization of the Soviet bloc.

President Ronald Reagan might have boosted dissidents' morale with his rhetoric about the "evil empire," but Deng dealt a fatal blow to an evil system with his epoch-making political and economic reforms.

Furthermore, Deng was the first to preside over the successful transformation of a centrally planned command economy. While prosperity has largely eluded post-communist Eastern Europe, Deng's wise and visionary policy ushered in an era of cornucopia in China.

No one in his or her right mind can detract from Deng's enormous contributions to his country and to the rest of the world.

Johnny Z.Y. Wu, graduate student
Political science, University of Georgia
Athens, Ga.

Immigrants cross border for jobs

I would like to congratulate USA TODAY on coverage of the increase in Border Patrol agents and funding ("At the border, preventive policing," News, Feb. 18).

You did a good job of covering the downside of agent buildup at the border: death and injury to crossers who are forced into rougher terrain and a decrease in agent satisfaction because their jobs have become so boring.

A few critical points were left out.

First is the level of dependency on immigrant labor in California. Agriculture and small businesses that depend on low-wage labor have no interest in stopping undocumented workers from crossing. The inconsistent and ineffective immigration policy reflects that.

A point only briefly mentioned was that a large number of "illegal immigrants" are not coming in through the Southern border, but are flying in from Europe and Asia and are overstaying their visas.

I just returned from a delegation of the Global Exchange, a nonprofit human rights organization, to the San Diego-Tijuana border. The overwhelming sentiment among migrants about to make the crossing was: "We would stay home if there were jobs."

Spending \$3.1 billion on policing our borders is an insult to taxpayers until we address the real "push-pull" factor — the

Intelligence chairman has skewed priorities

Senate Intelligence Committee Chairman Richard Shelby, R-Ala., is not contributing anything to substantive policy debate by raising a fuss about Anthony Lake's nomination to become director of central intelligence.

Lake's confirmation hearings need to address the future of the Central Intelligence and National Security agencies, National Reconnaissance Office and other intelligence assets, rather than become a profitless inquisition.

The issues that concern Shelby are not worthy of a committee chairman. For example, not informing Congress about Iranian weapons passing through Croatia to Bosnia. If the U.S. had interfered, Tehran would have found another route. And contrary to American interests in the Balkans, the U.S. would have appeared ineffectual and the Serbian war effort would have been encouraged. As security adviser, Lake did not break the spirit of any law remaining silent about the arms shipments.

Shelby's concern about the delay in the sale of energy stocks by Lake's broker is also not an issue. Does Shelby really think a man who resigned an intelligence staff position in the Nixon administration over the bombing of Cambodia is going to alter foreign policy in consideration of stock dividends?

And speculation that Lake squelched reports about Sino-Pakistan nuclear



By Greg Gibson, AP

Tony Lake: Confirmation hearings begin March 11 on nomination to head CIA.

deals lacks context. Lake is firmly against the proliferation of weapons of mass destruction, and he coordinated American efforts to sway China away from selling weapons and technology to Pakistan.

Has Shelby repeatedly delayed Lake's confirmation hearings to magnify his own status? Lake's strategic intelligence priorities and ideas on leading the intelligence community should be examined, not immaterial concerns.

Jeff Kojac
Yuma, Ariz.

push out of Mexico because of lack of employment and arable land and the pull of U.S. employers willing to hire undocumented workers for low wages.

Lisa Russ, Global Exchange
San Francisco, Calif.

Law favors local competitors

The cover story headline implying that local phone companies are obstructing the introduction of local telephone competition couldn't be further from the facts ("Entrenched local firms won't cut rivals any slack," Money, Feb. 20).

Local telephone companies strongly supported passage of the Telecommunications Act of 1996, which promised more consumer choices, lower prices, technological advancement and increased U.S. competitiveness. Their actions demonstrate that they are unquestionably committed to fostering real competition.

Local phone companies have more than 680 interconnection agreements in place that allow new competitors to resell local phone service on the incumbent local company's lines. All this despite the fact that Federal Communications Commission (FCC) interconnection rules — which would force local telephone companies to sell access to their networks for less than what it costs them to provide the service — have been stayed by the U.S. Court of Appeals for the Eighth Circuit in St. Louis.

FCC rules undermine the incentives of incumbent local telephone companies to continue to maintain and upgrade the local

telephone network on which we all depend. Local telephone companies have invested \$280 billion in network facilities since 1984 and spend \$20 billion each year to upgrade and maintain them. New competitors should pay their fair share of maintaining the local telephone networks if they plan to use them.

The FCC interconnection-pricing scheme, not access charges as the article implies, also undermines incentives for new entrants to invest in building new local telephone networks, which Congress clearly intended in passing the law.

Local telephone companies have embraced the true spirit of the Telecommunications Act of 1996, which was intended to bring real competition to all segments of the telecommunications industry, not just local service.

Local telephone companies look forward to bringing the true benefits of real competition to all consumers.

Roy Neel, president, CEO
United States Telephone Association
Washington, D.C.

To comment . . .

If you would like to comment on editorials, columns or other topics in USA TODAY, or on any subjects important to you: Send e-mail for letters to the editor only to editor@usatoday.com. Fax 1-703-247-3108. Mail Letters to the Editor to 1000 Wilson Blvd., Arlington, Va. 22229. Please include address and day and night phone numbers so letters may be verified. Letters and articles submitted to USA TODAY may be published or distributed in print, electronic or other forms.

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Top of page:

Col 1: Feature on the remarkable revival of the American freight train. (Moving Friday with art).

Cols 2-4: The music industry hands out Grammy awards. (with art). (GRAMMYS, late).

Cols 5-6: President Clinton defends as "entirely appropriate" his practice of inviting wealthy donors to the White House, but a key House Republican says that new evidence of Clinton's direct involvement justifies a "bigger and broader" investigation. (DONATE-TIMES, moved).

Above fold:

Col 6: Apparently ending the Republican-led drive for a constitutional amendment mandating a balanced federal budget, an undecided Democratic senator skewers the GOP's top legislative priority by renouncing his previous support for the measure. (SPENDING-TIMES, moved).

Below fold:

Cols 2-3: Local feature.

Col 4: Local feature.

Col 6: Israel gives all-but-final approval for a new Jewish neighborhood in east Jerusalem, ignoring international concerns and Palestinian warnings that the construction could set off a fresh round of violence and threaten the fragile peace process. (MIDEAST-TIMES, moved).

Bottom of page:

Cols 1-2: Court records of a 4-year-old case provide in gripping detail a documented link between a member of the then-Mexican president's family and the booming drug-smuggling trade in Mexico that U.S. officials say supplies up to 75 percent of the cocaine sold in the United States. (MEXICO-SALINAS, moved).

Cols 5-6: Many Asian Americans are insulted by questions about their qualifications to contribute to the Democratic Party; "If they had done this to any other ethnic group, there would be a firestorm of controversy," says the president of the Korean American Bar Association. (DONATE-ASIANS, moved).

Clinton Says Inviting Donors to White House 'Appropriate' (Washn) By Elizabeth Shogren Janet Hook (c) 1997, Los Angeles Times

WASHINGTON President Clinton Wednesday defended as "entirely appropriate" his practice of inviting wealthy donors to the White House, but a key House Republican charged that new evidence of Clinton's direct involvement justifies a "bigger and broader" investigation of White House fund-raising activities.

"I don't think people who support you and help you through tough times and who believe in what you're doing should be disqualified from being the president's guest at the White House," Clinton said during a news conference.

The president, trying to deflate the ballooning controversy over Democratic fund-raising efforts, said it was his family not taxpayers who bore the cost of accommodating White House visitors, "seven-eighths" of whom he had relationships with "independent of my campaign for president in '92."

Clinton's defense of the Lincoln Bedroom sleepovers and White House coffees with donors and other supporters came amid growing anxiety among Democrats on Capitol Hill about the political repercussions of the fund-raising flap and demands by some lawmakers for appointment of an independent counsel to review the entire affair.

Republicans, meanwhile, used the latest revelations to justify expanding their investigation of Democratic fund-raising efforts.

"The investigation is unfortunately getting bigger and broader. It seems to be that way every day," said Rep. Dan Burton, R-Ind., chairman of the Government Reform and Oversight Committee, which is conducting the House's inquiry of fund-raising irregularities.

Speaking at a news conference with sponsors of legislation that would prohibit the use of the White House for political fund-raising, Burton said the new information was particularly troubling because it showed Clinton constructing a plan for rewarding big donors.

"The president in his own handwriting indicated he was not only involved, but an architect" of that plan, he said.

In an effort to dispel charges that he sold access to the White House, the president has repeatedly released documents that he and his staff believe support their case. On Tuesday, the White House released 500 pages of documents, including a list of most of the 938 guests who spent the night at the White House over the past four years.

However, the documents, which include notes handwritten by Clinton, show that the president played a direct role in deciding to invite to the White House both people who had made large political contributions in the past and those who might do so in the future.

At the news conference, Clinton stressed that no money was solicited at White House coffees, although officials certainly hoped that the intimate events would inspire large contributions.

"There was to be no price tag on the events," Clinton said.

The White House has admitted that the president and his advisers were so shaken by huge Democratic defeats in the 1994 congressional elections that they decided an aggressive strategy was needed to boost the spirits of party supporters and to step up the flow of money into campaign coffers. The president argued Wednesday that he did nothing wrong by inviting donors as well as friends to spend the night at the White House or attend coffees, even if there was an implicit expectation that donations would result from these visits.

"I don't think there's a legal issue there," Clinton said.

But the new revelations appear only to have increased the anxiety level among Democrats on Capitol Hill about the burgeoning controversy over fund-raising practices by their party and the White House.

Some Democrats winced at Wednesday's front-page newspaper articles that featured photographs of the president's handwritten instructions to invite wealthy Democratic donors to stay overnight at the White House.

"This is a pretty significant," said a Democratic senator who asked not to be named. "Wherever the lines are, they tried to figure out how close they could skate to the line."

"Clearly it's excessive and stinks to high heaven," said a senior House Democrat, who also asked not to be named.

Burton, who met Wednesday with FBI Director Louis Freeh, said his committee had so much preliminary investigative work to do on alleged fund-raising irregularities that it may not hold public hearings until April or May.

Some Democrats privately conceded that the new information made it more likely that an independent counsel would be appointed to investigate the matter.

"There will certainly be more pressure for a independent counsel,"

Senator, who also spoke on the condition that he not be "Every day you open the paper, the hole gets deeper." On Tuesday, Senate Majority Leader Trent Lott, R-Miss., joined several other lawmakers Republicans and a few Democrats in calling for the appointment of an outside counsel to investigate questionable fund-raising practices.

However, Attorney General Janet Reno reiterated Wednesday that she had not received evidence that under the law would justify the appointment of an independent counsel.

Senate Minority Leader Tom Daschle, D-S.D., said he did not believe there were grounds for an independent counsel, but admitted he was troubled by some of the revelations about White House fund-raising.

Saying he didn't "pretend to defend" the practice, Daschle added that "if you look at all of the people who were invited to stay over the last several years, the fraction of people who were actually givers is a small part of the long list."

Daschle also said investigators should pay more attention to evidence of actual illegal practices, such as reports that the National Republican Congressional Committee sent out a brochure soliciting donations of \$15,000 and \$25,000 that would go "directly fund House races." Donations that large would exceed legal limits if they went directly to House candidates.

Daschle wrote to Reno on Wednesday asking her to expand her investigation to include the GOP solicitation.

Many Asian-American Donors Stung By DNC's Treatment (Los Angeles) By K. Connie Kang

(c) 1997, Los Angeles Times 2/27/97

LOS ANGELES David Hwang was enraged, recalling the phone call he got shortly before Christmas about his \$1,000 contribution to the Democratic National Committee.

"What an insult!" fumed Hwang, president of the Taiwanese American Citizens League. "It's an insult not only to me personally but to all Asian Americans."

The caller, from an accounting firm hired by the DNC, wanted his citizenship, Social Security number, source of the contribution and authorization to run a credit check, he said.

The engineer, a U.S. citizen who for years has given time and money to help elect Democrats, was so upset he cut the phone call short and penned a blistering letter. "I protest your discriminatory action against me and Asian Americans," he wrote. If the committee did not feel comfortable with the donation, he demanded its return.

Hwang, a delegate to the 1996 Democratic Convention in Chicago and a member of the Democratic Party State Central Committee, is still upset about the incident.

So are numerous other Los Angeles-area Asian Americans who were questioned about their qualifications to contribute to the Democratic Party part of a DNC fund-raising audit due to be released Friday.

"If they had done this to any other ethnic group, there would be a firestorm of controversy," said John J. Chung, president of the Los Angeles-based Korean American Bar Association. "These tactics are sending the message: 'If you're an Asian, you have to prove that you are entitled to participate. This is a barrier erected in front of Asians solely based on their name.'"

Former DNC Chairman Donald Fowler said the DNC's probe involved several hundred donors from the past two years, whose backgrounds had not been "vetted thoroughly" when the contributions were accepted. "They were not exclusively Asians or persons with non-European names," Fowler said.

Although Fowler says he wrote to many of those who were questioned to clear up any misunderstanding, the unfolding Democratic fund-raising scandal largely involving foreign-linked donors to the Clinton campaign remains painful for many Asian Americans. It reminds some that, despite high educational and professional achievements, they still in some ways are at the margins of society. The message they perceive is: If you have an Asian face and name, you cannot be accepted as a full-fledged American.

The widening controversy involving former DNC fund-raiser John Huang has adversely affected Asian American political aspirations more than any other single issue, observers say. They say it has tarnished their collective image, may have cost a Cabinet appointment and could spark legislative efforts to limit their ability to contribute to candidates.

The episode is widely seen as the same kind of guilt-by-association that resulted in the World War II internment of Japanese Americans even as many fought for America. Asian American leaders worry

about its ramifications for the community, which only this year, a century and a half after Asians settled on the West Coast, celebrated the election of Gary Locke of Washington, the first Asian American governor to a mainland statehouse.

Galvanized by issues of immigration, welfare and affirmative action, more than 75,000 Asian Americans registered to vote nationwide last year, and they went to the polls in record numbers.

Yet, there is little to show for their efforts.

"We're not even at the table to pick up the crumbs," said Chinese American attorney Anthony Ching, whose \$5,000 contribution prompted DNC questioning.

"The controversy has a taint of racism," said Harry Low, a Chinese American civic leader and one of the first Asian American judges. "It confirms that things haven't changed as much as you hoped for."

Civil rights attorney Donald Tamaki, a third-generation Japanese American, says simply, "It hurts." "It makes all Americans of Asian ancestry suspect," he added.

Non-Asian observers, too, are watching the situation with keen interest.

"All of us from various ethnic communities need to defend the Asian American community," said American-born James Zogby, president of the Arab American Institute, who tires of being asked where he comes from.

"They won't ask the Joneses and the Smiths whether they're citizens," he said. "You get a room full of Zogbys, Chungs and Gonzalezes, and they ask, 'Wait a minute, who is a citizen here and who is not?'"

Rabbi Gary Greenebaum, western regional director of the American Jewish Committee, says he wants a coalition of voices from across ethnic lines to tell the DNC: "If you take money from people you should not have taken money from, that's your problem. That's not an Asian American problem."

Charles Woo, a toy manufacturer near downtown Los Angeles, says he feels betrayed and saddened by the predicament of Asian Americans. Woo gave \$7,500 to the DNC last year. That contribution has come to haunt him.

Instead of a thank-you, the first communication he received from the DNC, was "an interrogation" involving his personal and financial affairs, Woo said.

Former DNC Chairman Fowler later called Woo and apologized.

White House Report Called EPA Air Pollution Plan Inadequate (Washn) (c) 1997, Los Angeles Times

WASHINGTON The White House complained in a report draft made available Wednesday that a major air pollution proposal put forward by the Environmental Protection Agency was rushed, not fully considered, and based on what some scientists considered inadequate research.

In response, the EPA said in an internal memorandum that, if unchanged, the report "could be very damaging" to the administration's effort to win support for new clean air rules.

The discussion came to light in a set of documents and letters exchanged over the past two months by administration officials and Rep. Thomas J. Bliley, R-Va., chairman of the House Commerce Committee.

The White House report, prepared in January by the Office of Management and Budget, complained that the EPA "did not fully conform" to the requirements set out by President Clinton for writing new regulations.

However, the final version of the document stated that the agency's analyses "were consistent" with Clinton's orders, although "additional work would have been productive."

By providing evidence of disputes within the administration itself, the documents give opponents of the stricter clean air standards new ammunition as they try to pressure the administration to retreat from the proposal before setting final air quality standards in July.

Loretta M. Ucelli, EPA's associate administrator for public affairs, said "there was a very lively debate" between the budget office and the environmental agency, but that the two reached agreement before the final version of the document was dispatched to Bliley.

It was Bliley's request for information about the air standards that set off the internal discussion. John Beale, EPA's deputy administrator, took issue with some of the language in the OMB response for Bliley, which was prepared by the division of the budget office assigned to perform independent evaluations of regulations proposed by government agencies.

"OMB was required to show the letter to us. We addressed a variety of concerns that it did not reflect the debate and discussion that was

Lake claims CIA lawyers advised refusal, not blind trust, as solution

By Bill Gertz
THE WASHINGTON TIMES

CIA Director-designate Anthony Lake followed the advice of CIA lawyers in declining to place his financial holdings into a blind trust to avoid a conflict of interest, a White House spokesman said yesterday.

"The CIA told him that the most appropriate way for him to handle this issue was through refusal," National Security Council spokesman David Johnson said.

Mr. Lake told CIA lawyers "he would do whatever they advised in order to have an appropriate situation with respect to ethics," Mr. Johnson said.

"If that was their advice — use a blind trust — he was more than happy to do that," he said, commenting on a report in yesterday's editions of The Washington Times.

Mr. Johnson and other administration officials vigorously defended Mr. Lake for following the CIA lawyers' advice on the matter.

Asked if Mr. Lake would consider divesting his financial holdings, Mr. Johnson said: "He is open to any changes or any advice that they [CIA lawyers] have."

Mr. Lake checked a box on his financial-disclosure form that was supplied to the Senate Intelligence Committee indicating he did not plan to put his holdings in a "qualified diversified trust," which a

Lake nomination hearings were postponed twice. They are now set to begin March 11.

spokesman for the Office of Government Ethics said is similar to a blind trust set up to avoid conflicts of interest.

Mr. Lake, President Clinton's former national security adviser, made the decision despite listing family stock in four businesses with direct dealings with the CIA.

Two of these businesses are involved in CIA clandestine operations, according to administration officials. Mr. Lake listed stock holdings on his financial-disclosure form owned by his wife, Antonia, in two other companies, Bell Atlantic Corp. and Merck & Co., which have direct dealings with the CIA.

Earlier this month, Mr. Lake agreed to pay a \$5,000 fine as part of a civil settlement with the Justice Department after an 18-month investigation into questionable dealings in energy stocks he owned while national security adviser.

On Capitol Hill, there was

mutated reaction to Mr. Lake's decision to recuse himself from CIA matters related to his stock holdings rather than place his assets in a blind trust.

Sen. Richard C. Shelby, Alabama Republican and chairman of the Senate Intelligence Committee, could not be reached for comment. In the past, he has called the Lake nomination "troubling" and has questioned Mr. Lake's integrity and judgment.

Mr. Johnson said the White House is not backing down in its support for Mr. Lake. "I think the president has made clear that he is very strongly backing Tony Lake, and he's hoping the committee has hearings as soon as possible and adheres to the schedules," he said.

Hearings on the Lake nomination were postponed twice. They are now set to begin March 11.

The CIA said in a statement that Mr. Lake, if confirmed by the Senate, would recuse himself from any decision related to the companies in which he holds stock and that his financial adviser would be prevented from inadvertently buying stock in such a company.

Several GOP Senate aides expressed surprise that Mr. Lake will not put his holdings into an ethics trust, especially after his previous stock troubles. "I guess he really isn't interested in the job," one said.

The Washington Times
THURSDAY, FEBRUARY 27, 1997

Clinton Presidential Records Digital Records Marker

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Divider Title: Feb. 26, 1997

Did Hubbell meetings obstruct probe?

By Jerry Seper
THE WASHINGTON TIMES

The chairman of a House committee investigating Webster L. Hubbell's ties to the Lippo Group said yesterday the White House may have obstructed justice through an aide's meetings with Mr. Hubbell after his December 1994 decision to plead guilty and cooperate in the Whitewater probe.

Rep. Gerald B.H. Solomon, chairman of the House Rules Committee, said investigators want to know if any messages were passed by President Clinton and first lady Hillary Rodham Clinton to Mr. Hubbell through the aide, Marsha Scott, deputy assistant to the president for public liaison.

"We are getting uncomfortably close to obstruction of justice and a deliberate cover-up," Mr. Solomon said.

The New York Republican also renewed his call for appointment of an independent counsel to investigate campaign financing and other matters related to Lippo, saying Attorney General Janet Reno "can no longer ignore our request ... since the criterion for such an appointment — allegations against the president himself — has been met."

Miss Reno rejected prior calls

Clinton aide could have been conduit

for an outside counsel but ordered an investigation by a Justice-FBI task force into campaign finance irregularities, including Mr. Hubbell's receipt of \$250,000 from Lippo.

Miss Scott — an Arkansas native and longtime friend of both Clintons, Mr. Hubbell and his wife, Suzanne, quietly met with the disgraced former Justice official during the 16 months he was in a federal prison in Maryland and later at a halfway house in the District — reassuring him of the first couple's concerns.

As those meetings were occurring, Mr. Hubbell — who pleaded guilty to stealing \$482,410 in billings from his Rose Law Firm partners and failing to pay \$143,747 in federal income taxes — was talking with independent counsel Kenneth W. Starr, whose court-ordered Whitewater investigation was focused on suspected criminal wrongdoing by the Clintons.

The contacts with Miss Scott, first reported by the Los Angeles Times, began soon after Mr. Hubbell's Dec. 6, 1994, guilty plea in his deal with Mr. Starr to cooperate in the Whitewater probe and included at least one visit by Miss Scott during one of Mr. Hubbell's

appearances before the Whitewater grand jury.

Miss Scott, whose visits with Mr. Hubbell continued through 1996, also was a friend of White House Deputy Counsel Vincent W. Foster Jr.'s and met with him the day before his July 20, 1993, death, which has been ruled a suicide.

Mr. Hubbell drew considerable White House attention after his guilty plea. In addition to contacts with Miss Scott, records show a task force of White House lawyers was assigned to monitor his Whitewater cooperation. The task force organized the Clintons' public and legal defense strategy on a host of issues relating to congressional and criminal investigations.

The team of lawyers and presidential aides worked with the Clintons' personal attorneys on private legal matters, and with private attorneys for current and former White House aides called to testify in various investigations.

One target of the team's efforts was Mr. Hubbell. Under the heading "Hubbell," the team's listed tasks were to "monitor cooperation ... determine press strategy/develop talking points."

Mr. Hubbell's promised cooperation in the Whitewater probe, ac-

ording to lawyers close to Mr. Starr's investigation, was less than expected and accounted for Mr. Starr's unwillingness to support Mr. Hubbell's tearful plea for leniency during a sentencing hearing in Little Rock.

He has since surfaced as a new focus of Mr. Starr's probe and of the Justice-FBI probe, both of whom are looking into his receipt of \$250,000 in legal fees from the Lippo Group, an Indonesia-based conglomerate at the heart of suspected campaign financing irregularities involving Mr. Clinton and the Democratic National Committee.

Last week Mr. Hubbell declined to cooperate in probes by the House and Senate, citing his Fifth Amendment guarantees in refusing to turn over documents sought under subpoena. Mr. Hubbell has never publicly explained what he did for the Lippo money, or what services he provided for \$75,000 in other fees he collected during the same period.

Miss Scott was not available for comment. White House Special Counsel Lanny Davis did not return calls but has said Miss Scott's contacts with Mr. Hubbell were "purely on a personal level, as an old friend, not in an official capacity." He said she did not carry messages to or from anyone.

The Washington Times
WEDNESDAY, FEBRUARY 26, 1997

Lake insists on control of assets

Nominee has stock in CIA-linked firms

By Bill Gertz
THE WASHINGTON TIMES

A1

CIA Director-designate Anthony Lake has informed the Senate Intelligence Committee he will not place his financial assets into a blind trust despite owning stock in two business institutions used by the agency for clandestine operations.

Rather than cede control of personal stock holdings and those listed on a financial disclosure form as owned separately by his wife, the former national security adviser has told the panel he will recuse himself from any dealings with four entities that do business directly with the spy agency, according to documents and administration and congressional officials.

The identities of the two business institutions are withheld by The Washington Times at the request of the Central Intelligence Agency.

It is not clear how the financial problems will affect Mr. Lake's chances for winning Senate confirmation. Senate Intelligence Committee Chairman Richard C. Shelby, Alabama Republican, has called the nomination "troubling" and has questioned Mr. Lake's integrity.

"It's going to be difficult for him to say he's going to disqualify himself" from matters related to the

see LAKE, page A8
From page A1

stock holdings, a Republican Senate aide said. "How can you possibly recuse yourself every single time something comes up? You can't do it."

A CIA spokesman yesterday said Mr. Lake is expected to file an amendment to his financial disclosure form in the next several days that will list one stock holding "inadvertently omitted" from the Jan. 13 form.

Mr. Lake this month agreed to pay a \$5,000 fine to settle an 18-month Justice Department inquiry into questionable dealings in energy stocks he held while serving as security adviser.

Mr. Lake failed to sell stock in Williams Cos. for two years after being told to do so by White House lawyers to avoid a conflict of interest. His financial disclosure form of Jan. 13 listed a profit on Williams stock of \$2,500 to \$5,000.

An administration source close to the intelligence community called the stock holdings of two of the CIA-linked business institutions "a glaring conflict of interest" overlooked by the Senate oversight panel.

Mr. Lake marked a box on the current disclosure form indicating he does not intend to place the holdings in a "qualified diversified trust," a so-called ethics trust set up by political appointees to avoid conflicts of interest between their financial holdings and their official duties.

If confirmed as CIA director, Mr. Lake would be in charge of U.S. intelligence budgets and would have access to all intelligence collected by spy satellites, listening posts and human agents around the world.

Mr. Lake's apparent conflict of interest involving the CIA-linked businesses creates new obstacles to his confirmation. Sen. Jesse Helms, North Carolina Republican, has said he will oppose it.

The CIA uses businesses for a variety of intelligence activities, such as assisting clandestine operations and tracing activities by foreign spies and criminals.

Mr. Shelby could not be reached for comment yesterday. But a spokesman for him said the Intelligence Committee is aware of the matter and is expected to grill Mr. Lake about his holdings during confirmation hearings.

Mr. Shelby twice postponed hearings on the nomination because of investigations of Mr. Lake. They now are to begin March 11.

The Senate aide said Mr. Lake has promised not to take part in any directives or actions that could affect CIA activities related to companies in which he owns stock.

Mr. Lake's financial disclosure form lists stock and other financial assets worth \$1.57 million to \$3.5 million. The assets are owned either individually by Mr. Lake, jointly with his wife, Antonia, or by her alone.

Among the holdings listed on Mr. Lake's disclosure form are stocks held by Mrs. Lake worth \$150,000 to \$350,000 in Bell Atlantic Corp., which supplies phone service to CIA, and Merck & Co., a pharmaceutical maker that supplies vaccines to the agency for employees who travel abroad.

The other two businesses are among the 25 companies listed on the disclosure form Mr. Lake supplied to the Office of Government Ethics as stock owned by Mr. or Mrs. Lake.

Mr. Lake has promised that, if confirmed, he will "execute a written statement" related to Bell Atlantic, Merck and the two other business institutions and will avoid taking part in actions or decisions related to any other companies he has a stake in, the aide said.

Mr. Lake's diversified stock assets are in such institutions as the Bank of New York, General Mills, Gillette and Kimberly Clark.

In addition to Bell Atlantic and Merck, Mrs. Lake, who is separated from her husband, holds stock in Bristol-Myers Squibb, Conrail, Emerson Electric, H.J. Heinz, J.P. Morgan and Pepsico.

Senate sources familiar with the Intelligence Committee's investigation of Mr. Lake said the nominee has agreed that he would recuse himself in writing from taking part in any CIA dealings with four companies that he has business interests in and that are tied to the CIA.

CIA Deputy General Counsel John A. Rizzo said in a Jan. 15 letter to the Office of Government Ethics that of all the couple's holdings, only Bell Atlantic has direct dealings with the CIA.

But a letter Feb. 10 said Merck also has direct dealings with the CIA but was not mentioned in the earlier letter because of an "administrative oversight at CIA."

Neither letter mentioned the CIA's relations with the two other businesses, which were discovered by the CIA after the Feb. 10 letter from Mr. Rizzo.

Mr. Rizzo wrote Jan. 15 that some of the companies Mr. Lake and his wife own shares in "conduct business overseas."

"I have determined that it is extremely unlikely that Mr. Lake as DCI [director of central intelligence] would be asked to take official action in a particular matter that would have a direct and predictable effect on the financial interest of these companies," Mr. Rizzo wrote.

Therefore, he wrote, "it is not necessary that Mr. Lake or his spouse divest their interest in these companies."

The Washington Times
WEDNESDAY, FEBRUARY 26, 1997

The China connection

On June 5, 1995, John Dickerson had a 3 p.m. appointment in Room 3858A of the Commerce Department. As the head of the CIA's Office of Intelligence Liaison at Commerce, Mr. Dickerson was required to brief Commerce officials with top secret security clearances on sensitive economic matters of interest to the American government.

That afternoon the appointment was with John Huang. Although as principal deputy assistant secretary, and often as acting-assistant secretary, of Commerce's International Economic Policy Bureau, Mr. Huang had responsibility for U.S. trade with the entire world, Mr. Dickerson evidently found Mr. Huang's prime interest: What the American intelligence community knew about the People's Republic of China. According to a letter from former Commerce Secretary Mickey Kantor to House Rules Committee Chairman Gerald Solomon, New York Republican, Mr. Huang was receiving a weekly one-on-one PRC briefing from the CIA.

Until he testifies, we won't know what Mr. Dickerson told Mr. Huang on June 5 or what his reaction might have been on his way out the door. There, waiting in the outer office, was Mr. Huang's 3:30 p.m. appointment: Minister Wang of the Chinese Embassy. The working assumption of China specialists is that many Chinese diplomats have "additional duties" beyond whatever working title appears on their name cards.

In the face of a number of strange circumstances involving Mr. Huang and others, last month Chairman Solomon asked the FBI to open an economic espionage investigation. To demonstrate the seriousness of the issue, Director Louis Freeh announced he had assigned a team of 25 agents to the case. According to The Washington Post Mr. Freeh's agents immediately discovered "evidence" that the PRC Embassy Washington was

If the Chinese communists were going all-out to re-elect President Clinton, what did they expect to get for their money that a President Dole would not have given them?

the center of a DNC fund-raising scheme that began "before" the 1996 presidential election campaign, i.e., 1995 or before.

This raises two immediate questions: If the administration knew in 1995 that the PRC was trying to influence the outcome of the 1996 presidential election on behalf of President Clinton, then who was responsible for allowing this Chinese penetration operation to continue? And, if the Chinese communists were going all-out to re-elect President Clinton, what did they expect to get for their money that a President Dole would not have given them?

The question of responsibility will await Anthony Lake's testimony before Chairman Richard Shelby's Senate Select Committee on Intelligence. As national security adviser to Mr. Clinton, Mr. Lake sat at the top of the policy pyramid. Surely he would have received the proceeds of what Bob Woodward called, "electronic eavesdropping conducted by federal agencies." The committee will want to know what Mr. Lake knew, when he knew it and what, if anything, he did with the information he received.

But looking at the objective reality of four years of Clinton China policy, we can begin to see why the Chinese communists, and certainly their military, would have preferred Mr. Clinton to his Republican opponent:

• *Arms sales to Taiwan:* Chinese diplomats tell their American counterparts that preventing American arms sales to Taiwan is their No. 1 objective with us. President Bush approved the sale of 150 F-16s to Taiwan in 1992 but no significant new arms sales to Taiwan have been permitted by President Clinton.

• *Enhancing the prestige of the PLA:* After the Chinese People's Liberation Army murdered 4,000 young people in and around Tiananmen Square, President Bush ordered "no contact" by American military officers with senior officials of the PLA. Under President Clinton both the PLA's tactical commander at Tiananmen, Gen. Xu Huizi, and the operational commander, General Chi Haotian, have received full military honors at the Pentagon. Yet, neither His Holiness, the Dalai Lama of Tibet, nor noted American human rights activist Harry Wu, is welcome in the Oval Office where Gen. Chi was an honored guest in December.

• *Technology transfers to the PLA:* President Bush used his powers to forbid a Chinese take-over of an American aerospace firm in Seattle. High technology exports to China were strictly controlled by an international arrangement of the Western powers called "COCOM." Although the British and French privately complained to Capitol Hill about this, the Clinton administration scrapped COCOM as a first order of business. Not only has the Clinton administration drastically raised the levels of militarily critical goods and technology that can be exported to China, Kenneth Timmerman reveals in this month's American Spectator that a secret committee headed by Ira Magaziner hopes to lift the export ban on American nuclear technology to China.

• *Enhancing the PLA's military build-up:* After Tiananmen, President Bush canceled all arms sales to the PLA. Under President Clinton, there has been a very quiet effort to enhance positively the PLA's military build-up in other ways. For example, since the Civil War, the United States has been the world's leader in military logistics. Neither D-Day at Normandy nor Gen. Douglas MacArthur's island-hopping strategy in the Pacific nor the Gulf war would have been successful without it.

At the same time, all China specialists agree that modern military

logistics is one of the, if not the, most significant areas for PLA improvement. This is particularly true if the PLA intends to invade Taiwan. But for reasons no one can understand, the Pentagon has an out-of-public-sight program to train the PLA in military logistics. Former U.S. Ambassador to China James Lilley calls this "war-fighting capability," and he is correct.

• *Making Chinese missiles more accurate:* In the Bush administration, Defense Department official Henry Sokolski worried about the Chinese missile build-up. But, as he notes in a recent issue of the Weekly Standard, the export of American space satellites to China makes an unintended contribution to China's strategic weapons programs. Under President Clinton, he says, America is continuing "to help with Chinese development of long-range military rockets. How? The very motors and guidance sets that are used to position satellites in space can also be used to target warheads against Tel Aviv, Riyadh, Los Angeles, or Taiwan."

• *Arms sales to terrorist countries:* In the Bush administration Secretary of State James Baker took a hands-on approach to the prevention of weapons of mass destruction proliferation. On Capitol Hill the Democratic leadership, often led by then-Sen. Al Gore, passed severe sanctions legislation on foreigners engaged in nuclear, chemical, biological or missile smuggling. Yet, as The Washington Times' Bill Gertz reported over and over in 1996, under President Clinton, Chinese proliferation activities have multiplied at an unprecedented rate. The most recent revelation is germ warfare-making equipment secretly shipped to the Iranians. Failure of the Clinton administration to address Chinese proliferation activities is crucial because, as Mr. Baker points out in his memoirs, Chinese arms sales to problem countries represent personal financial gain to the Chinese communist aristocracy controlling the suppliers.

It would not take much to add to this list — a nonexistent human rights policy toward the Chinese regime, an equally nonexistent policy toward the unprecedented and involuntary transfer of 6 million people in Hong Kong to a communist government, now set for July 1.

On Jan. 7 this column asked how a notorious Chinese arms dealer received a U.S. visa and "what money changed hands to get Wang Jun invited to a White House fundraiser?" Thanks to the diligence of Chairman Solomon, we now know that Mr. Wang accompanied his visa application with letters from two of President Clinton's Little Rock cronies and the day after the White House coffee, the DNC received a \$50,000 soft money donation. Also on Jan. 7 this column asked, "Can it be that the Clinton administration has sold out our national security for overseas campaign contributions?" It's beginning to look like the answer is "yes."

William C. Triplett II is the former chief Republican counsel to the Senate Foreign Relations Committee.

The Washington Times
WEDNESDAY, FEBRUARY 26, 1997

Documents Show Clinton Rewarded Donors With Overnights (Washn) By Ken Fireman

(c) 1997, Newsday 2-26-97

WASHINGTON President Clinton personally approved a plan in early 1995 to reward big campaign contributors with a variety of personal favors, including overnight stays at the White House, meals and coffees with him and other intimate social contacts, newly released White House documents reveal.

"Ready to start overnights right away," Clinton scrawled in a note, responding to a memo from chief Democratic fund-raiser Terry McAuliffe, in which he urges aides to move forward "promptly" with the program. The note directs the aides to "give me the top 10 list back" and to "get other names at 100,000 or more, 50,000 or more." White House aides confirmed that the reference was to donors and the dollar amounts they contributed.

The White House Tuesday also released a list of 938 people who have slept in the executive mansion at the first family's invitation in the four years since he became president a rate of more than four guests per week. Clinton said that those who "helped to raise funds for me were a small percentage of the total," but campaign finance records indicate many of those invited were major donors to him or his party.

The documents also demonstrate that the 103 White House coffee klatches involving Clinton and supporters held during 1995 and 1996 were clearly regarded by party and White House officials as fund-raising events even to the point that some carried specific dollar goals.

The revelations in the documents appeared to raise the long-simmering scandal over Democratic fund raising during the 1996 campaign to a new level of intensity by placing the controversy directly at the president's feet, eroding the credibility of previous administration explanations that had laid the blame for the scandal on overzealous party operatives and raising new questions about whether laws forbidding political fund raising on government property were violated.

They also led to renewed calls from Capitol Hill for appointment of a special prosecutor to investigate the scandal, something Attorney General Janet Reno has resisted. Senate Majority Leader Trent Lott, R-Miss., said such an appointment now "clearly ... is warranted" and said a planned Senate investigation might be sidetracked if Reno acceded to that request. "It's certainly an unseemly thing," Lott said of the new revelations. And the documents, which were from the files of former White House deputy chief of staff Harold Ickes, seemed certain to raise fresh questions about whether he had improperly involved himself in fund raising while serving at the White House. They showed that Ickes was deeply involved in the operational details of fund raising, to the point of recommending how proceeds from fund-raisers should be divided between the national and state parties and to which bank accounts a prospective contributor could wire his or her donations. Clinton and his aides adamantly insisted that no laws were broken and said the program he approved was merely an effort to reach out to old friends and supporters who had complained of feeling ignored during the early years of Clinton's tenure. "The Lincoln bedroom was never sold," an agitated Clinton said Tuesday in response to questions about the documents, referring to one of the White House bedrooms where visitors slept. Other White House officials contended that, despite multiple references in the documents to the White House coffees as "fund raisers," the meetings technically were not in violation of laws forbidding political solicitations on government property. White House Press Secretary Mike McCurry acknowledged, however, that the meetings "became an element of the financial program that we were trying to pursue in connection with the campaign." McCurry defined a fund-raiser as a meeting where "you buy a ticket, you sit down, you have a bad chicken meal and you listen to a speech, but you have to buy the ticket to get in." Under legal guidelines issued by the party to Democratic National Committee fund-raising officials, no invitee was to be asked for money as the price of meeting Clinton. If anyone was asked for money in advance, McCurry said, that was "contrary to the wishes of the president" and to the guidelines. White House officials insisted that Clinton asked nobody for money during the coffees. The president fully expected the DNC to ask attendees for financial support afterward, McCurry said, noting that not everyone who came to one of the coffees gave money.

Ann Lewis, deputy White House communications director, said Clinton's responses to McAuliffe's memo followed conversations in which McAuliffe relayed complaints from 1992 supporters that they had been ignored. The idea to invite selected supporters for White House "overnights" grew out of Clinton conversations with White House aides, and flowed from the president's enjoyment of hosting

other friends at the mansion during his first two years in office, Lewis said.

"He wrote the word 'overnights' as a note that he was going to invite some of his old friends back, in settings where they could have conversations," Lewis said. "He was finding ways to reach out to them."

Coffees With the Taste of Money (Washn) By Glenn Kessler (c) 1997, Newsday 2-26-97

WASHINGTON White House and Democratic Party officials regarded President Clinton's controversial coffee klatches at the White House as fund-raising events, complete with money targets and tallies of the money collected by attendees, numerous internal White House and party documents show.

The revelations suggest the Clinton campaign apparatus may have edged beyond the law prohibiting use of the White House to solicit funds for political activities. "It is clear that they used the White House for fund-raising purposes," said Kent Cooper, executive director of the Center for Responsive Politics in Washington, D.C.

White House spokesman Mike McCurry Tuesday acknowledged that the coffees "were related to the effort to build financial support for the party." But he denied that the White House violated the law, saying technically a fund-raiser requires the purchase of a ticket.

"These were not events in which you had to buy a ticket to get in, nor was there any solicitation of funds made by the president at the occasion, and that's why they were not fund-raisers," McCurry said.

Nevertheless, the more than 1,000 attendees of the 103 coffees contributed \$27 million to the Democratic National Committee, many within days of attending the event. Moreover, a variety of documents, some just released Tuesday, make it clear that party officials and White House personnel regarded them as money-raising events.

The documents include:

A July 14 memo from Clinton-Gore campaign manager Peter Knight to then deputy White House chief of staff Harold Ickes that proposed a "fund-raising plan" that included adding a "POTUS DC coffee in August" for Texas contributors. "POTUS" is Secret Service shorthand for president of the United States. The president held a coffee Aug. 23 with about 20 Texans, who in turn gave a quarter-million dollars to the DNC within a month of the event, federal election records show. The memo further adds it was necessary to "energize the Texas folks," mentioning two people by name who later attended the coffee. Internal DNC tally sheets, with notations such as "JAVA" and "D.C. POTUS coffee," that kept track of how much money was raised at the White House events. A DNC official confirmed that Java, a coffee-growing Indonesian island, was shorthand for a White House coffee held June 18 with Puerto Rican executives, just like BCDC, for instance, stood for a dinner held by the Democratic Business Council, a national group of business executives. The tally sheet credits \$150,000 as raised by the coffee. Another coffee that same day, with Asian executives, is credited with at least \$215,000 in campaign contributions.

A Jan. 19, 1996, memo written by White House deputy chief of staff Evelyn Lieberman that clearly identifies the coffees as "political coffees." She wrote, "political fund raising is critical, particularly during this period. ... Staff who routinely brief the president will be asked to be flexible during this period and accept that their briefings may be considerably truncated or eliminated."

The Knight memo regarding the Texas fund-raising plan suggests the coffees helped fund both the national party and state party efforts. It notes that of the \$500,000 projected to be raised through the coffee, all of it would be directed to a coordinated campaign with state officials. Another coffee, projected to raise \$350,000, would direct 25 percent, or \$43,750, to the Texas effort.

"This is the type of internal document that doesn't often come to light," Cooper said. "It shows you the intent, it shows the motivation, it shows the plan." Similarly, the DNC tally sheets also showed how funds from the coffees flowed into state party coffers. On the tally sheets, the June 18 coffee with Asian executives is listed as the "John Huang coffee from 6/19." Huang, the former DNC finance vice chairman at the center of the fund-raising controversy, was present at the meeting. Pauline Kanchanalak, an Asian-American business consultant and one of the attendees, sent the DNC \$85,000 the next day, while her sister-in-law and business partner, Duangnet "Georgie" Kronenberg of Virginia (who was not at the June 18 event but had attended an earlier coffee with Tipper Gore) contributed \$180,000 to the national party and individual state parties June 19, according to FEC records and the DNC tally sheets.

CLINTON: ACKNOWLEDGES THE SLEEPOVERS WERE HIS IDEA *Hotline 2/26/97*

Pres. Clinton "put himself squarely at the center" of the Dem fund raising controversy 2/25 by acknowledging it was his idea to invite major campaign donors to spend the night at the WH. The president's admission came after the WH turned over more than 500 pages of documents, from the files of ex-WH dep. CoS Harold Ickes, to Hill investigators (Fullerton/Kiely, AR DEM-GAZETTE, 2/26). The documents included a handwritten memo by Clinton approving recommendations for him to meet personally with major contributors at the WH for hour-long breakfasts, lunches or coffees, and to let them join him golfing. Clinton "himself suggested inviting supporters to stay overnight in the Lincoln Bedroom, even though the plan did not request that." Clinton scribbled in response to three points listed by ex-DNC finance chair Terry McAuliffe: "Ready to start overnight right away." The note also directs the aides to "give me the top 10 list back" and to "get other names" with donors contributing either 100,000 or 50,000 or more (Rankin/Enda/Goldstein, PHILA. INQUIRER, 2/26). NBC's Brokaw: "It's a great honor to spend a night at the White House, but for hundreds of people in the last four years 1600 Pennsylvania Avenue turned out to be the most expensive Bed and Breakfast in North America; they stayed and they paid. Whether the two are connected, you decide" (2/25). CBS' Rather: "While Lincoln never actually slept there, a lot of other people did" (2/25). CBS Plante: "They put their own spin on it here yesterday -- they released the White House guest list for the last four years, for which the president said he had no apology" ("This Morning," 2/26).

CLINTON'S RESPONSE: ABC's Donvan reported that Clinton, interrupted during a press conference to tout new anti-drug strategy, was "visibly annoyed" by questions about the released documents. Clinton: "The Lincoln Bedroom was never sold. That was one more false story we have had to endure and the facts will show what the truth is. ... They were my friends and I was proud to have them here. And I do not believe people who lawfully raise money for people running for office are bad people, I think they're good people. They make the system work that we have now. I'm proud that they helped me and I was proud to have them here. I did not have any strangers here" (mult., 2/25). Clinton said his motive in inviting contributors to stay "was to soothe the bruised feelings of supporters who considered themselves shut out of his election" since '92. Still, Clinton's statements and the released documents "provided plenty of ammunition for Clinton's Republican critics" (Baker/Schmidt, W. POST, 2/26).

CLINTON IN THE MIDDLE: The documents show Clinton "was far more involved than previously known in planning the fund-raising that has embroiled" the Dems (Squitieri/Keen, USA TODAY, 2/16). The disclosures put Clinton "squarely in the middle of the controversy" (Cannon, Balto. SUN, 2/26). The documents "don't show" that Clinton "was involved in or knew about illegal activities. But they graphically depict" the WH's "consuming quest for cash. They describe an environment that blurred the lines between governing and campaigning" (Keen/Squitieri, USA TODAY, 2/26). The documents place Clinton and senior admin. officials "squarely in the middle of the plan to use the perquisites of office to entice donations and reward top contributors" (Jackson/Neikirk, CHICAGO TRIBUNE, 2/26). The HILL runs a chronological list of WH visitors (2/26).

WH REAX: WH special counsel Lanny Davis: "I'm struck by how

many people are looking at dots connecting them where there is no evidence. ... There is nothing wrong with President Clinton welcoming people who are financial and political supporters to energize him, to support him in the '96 campaign. After, all at the end of the day, what this story is about is that the Republican Party raised 60% more than the Democratic Party and the President has consistently said there was never a price tag on any event at the White House. There was never any solicitation at the White House, there was never a requirement to give money in order to come to the White House. There is not a single shred of evidence" ("Nightline," ABC, 2/25). More Davis: "Two-thirds of the people that stayed overnight never gave a dollar" ("GMA," ABC, 2/26). WH dep. comm. dir. Ann Lewis: "This was never contingent upon a campaign contribution. These guests were and are their personal friends." WH Press Sec. Mike McCurry: "The law goes to the question of solicitation and that's the issue and there was no solicitation" (ABC, 2/25).

OVERALL: The docs "escalate the controversy by portraying Clinton as deeply involved in the decision-making that led to" the Dems' "high-pressure fund-raising tactics of 1996." Until now, the WH has sought "to create the impression that the excesses were strictly the product of misguided decisions" at the DNC. By exposing the president's role, the docs. "could cause" AG Janet Reno "to reconsider her earlier decision ruling out the appointment of an independent counsel to investigate" Dem fund raising tactics. Shortly before the documents were released at the WH, the president "acknowledged that he had asked his aides to arrange for 'some of my friends' to stay overnight" at the WH (Frammolino/Fritz, L.A. TIMES, 2/26).

IN THE DOCUMENTS: HOW THE WH IS PORTRAYED

The newly-released documents portray the WH "systematically using access to Mr. Clinton as early as 1994 to woo" Dem donors. A computer analysis for the N.Y. Times on the donors who stayed overnight at the WH from 1992-1996 show that the guests donated \$10,210,840 to Democrats (Mitchell, N.Y. TIMES, 2/26). N.Y. TIMES' Van Natta reports "some" Dem fund-raisers "explicitly sold invitations" to WH coffees with Clinton "and offered to arrange invitations for a price, usually \$50,000 but as much as \$100,000" (2/26). NBC's Miklaszewski reports that WH documents "indicate the Lincoln Bedroom was at least on the market to major political donors" (2/25). ABC's Donovan: "It's the most direct link yet between the president, fundraising for the Democrats and overnights at the White House" (2/25). The documents from the files of Ickes "are among the most graphic examples so far" of the WH's "obsession with raising money and re-electing Mr. Clinton" (Simpson/Frisby, W.S. JOURNAL, 2/26). Dem strategist Bob Beckel: "Most all this new information is coming from memos of Harold Ickes. Let's remember it's Ickes that was rudely sent out of the White House; not suggesting Harold's trying to get even here, but he has" ("This Morning," CBS, 2/26).

COFFEE KLATCHES: The documents "make explicit that the coffees were fund raising vehicles." A 1/9/95 cover letter attached to a memo by ex-DNC finance chair Terry McAuliffe to Clinton says that "the President has agreed to do 3 separate coffees with 20 top fund-raisers from around the country at each meeting." And a 7/96 memo from Clinton-Gore '96 mgr. Peter Knight projected a chart that one coffee could raise \$350,000 and that if another could be scheduled in 8/96 it could bring in \$500,000. The memos also "make clear" that the DNC "was virtually being run out of the Clinton White House" (Mitchell, N.Y. TIMES, 2/26). The documents also show how the WH coffees, "originally envisioned as a way to motivate supporters, were transformed into fund-raising events in all but name" (Simpson/Frisby, W.S. JOURNAL, 2/26). ABC's Vargas: "There seemed to be an implied promise -- you give money, you get a visit to the White House." ABC's Stephanopoulos: "People did get access, there's no question about it. That is the way the campaign system works. I think the volume here is troubling. ... This paper doesn't show that the line was crossed, it probably shows that people had gone right up to the edge. ... It is not good, but it is not new." Bill Kristol: "There were so many people there I don't know if it was rented by the night or hourly" ("GMA," ABC, 2/26). Democracy 21 pres. Fred Werthiemer "There's no question that Clinton set the tone, but he did more than set the tone he led the charge, he grabbed the flag and raced out onto the field. He was more aggressive, more active, more involved in going after this money than probably anyone else in this whole operation." W.S. JOURNAL's Glenn Simpson: "It has gotten to the point in the system where there is a scale and often times the amount you donate dictates how much access you get" ("Nightline," ABC, 2/25). In a "rare verbal slip," McCurry told reporters "the first coffees that were held were really used more for I'd call political purposes, not necessarily fund-raising purposes." A reporter: "But then they were eventually used for fund raising, though not technically being fund-raisers?" McCurry: "Technically, not used for fund raising, but they became an element of the financial program that we were trying to pursue in connection with the campaign" (Strobel, W.

TIMES, 2/26).

LA LA LAND EAST: NBC's Miklaszewski "The guest list for the Lincoln bedroom read like a Who's Who of Hollywood. ... Every president has used the White House to some extent to milk the trappings here, to impress political donors. But of the White House observers, nobody remembers any administration turning the White House into a political cash cow" ("Today," 2/26). NBC's Russert: "This is a very titillating story, because it has high ritzy names from politics and Hollywood and the media. But here's the bottom line. Republicans have always tried to sell access -- they had Team Access, they had the Republican Eagles -- but this is a whole new level. This is very, very excessive by the account of Democrats and Republicans. Is it illegal? No one knows at this point. But clearly, to many, it's inappropriate" (2/26).

ALSO IN THE DOCS: A unsigned memo among the 500 pages of docs delivered to the House investigating cmte questions whether a \$5M contribution from FL businessman William Morgan was a GOP "plant." Referring to Jeb Bush, the memo says, "The question arises, is he a functionary of the Bush people in Florida?" Bush aides dismissed the suggestion 2/25 (Feeney, DALLAS MORNING NEWS, 2/26). Under the header, "Memos show Dodd refused to limit fund-raising," HARTFORD COURANT's Lightman writes ex-DNC chair Sen. Chris Dodd (CT) "pushed the party" in '95 to raise unlimited amounts -- up to \$100,000 per donor -- "despite a recommendation" from his co-chair Don Fowler that the practice should stop. The docs released by the WH 2/25 suggest Dodd was consulted "on at least some major party fund-raising decisions, and the he was kept informed on others." Dodd has said repeatedly that he was rarely involved in fund-raising strategy (2/26).

INDEPENDENT COUNSEL: LOTT WANTS ONE

Senate Maj. Leader Trent Lott on the newly-released documents: "Under the law as it now exists, clearly an Independent Counsel is justified and merited at this time." CNN's Crowley: "Now that the powerful voice of the Majority leader has been added, certainly the pressure on the Attorney General has been increased." House Gov't Reform & Oversight cmte chair Dan Burton: "It was time for a special prosecutor some time ago, this only adds more fuel to the fire" ("IP," 2/25). Sen. John McCain (R-AZ): "It's inevitable that an Independent Counsel is going to be appointed" ("Equal Time," CNBC, 2/25). Rep. David McIntosh (R-IN): "Now we know why the White House stonewalled for eight months on the Lincoln Bedroom sleep-overs -- it was Clinton's idea from the beginning." McIntosh said Clinton's "startling revelation" underscores the need for an ind. counsel: "Every American has a right to know if Clinton used the White House for the people's business or a Motel 1600 for fat cats" (Fullerton/Kieley, AR DEM-GAZETTE, 2/26). ABC's Compton: "Reno has been under pressure to appoint an independent counsel to review campaign finance irregularities. Any active involvement by the president would give her one more reason to go ahead with that." ABC's Roberts: "The calls for a special prosecutor are going to be so loud that it is going to be almost impossible to avoid it. It also works for everybody except the president. It works for the Democrats in the Senate who don't want to have to defend the White House particularly as these hearings come up. It works for the Republicans in the Senate who have gotten very angry with Fred Thompson and his committee fearful that they will sacrifice" ("GMA," 2/26).

WHAT IF A COUNSEL IS APPOINTED? Lott said if an ind. counsel is appointed, Hill GOPers "might abandon or sharply curtail their investigation" (Clymer, N.Y. TIMES, 2/26). CBS' Schieffer noted Lott said he "might consider shutting down the Senate investigation" of Oversight cmte chair Fred Thompson. Lott: "If an Independent Counsel is appointed, that would clearly affect how we could do that investigation. I'm not saying at all that it would mean that it wouldn't go forward, but as we have found from the past, that quite often the Independent Counsel will ask you not to do certain things, or not to depose certain witnesses and that does affect your thinking." Schieffer: "Now for sure, Lott's statement puts more pressure on the White House but it will be privately welcomed by some Republicans too because they fear that any Senate investigation that might happen -- in that case the Democrats might try to pressure the investigators to spend as much time investigating Republican practices as the White House" (2/25). Burton, asked what would happen to his investigation if a counsel was appointed: "We would work with the Independent Counsel to make sure we didn't step on each other's toes. But our function is to make sure the American people know what's going on and if we find evidence that there was wrongdoing, then we can certainly ... make a criminal referral" ("NewsHour," PBS, 2/25). ABC's Roberts: "I'm hearing Republicans in Congress saying there may never be a hearing of Fred Thompson's committee because they're very nervous about those hearings" ("GMA," ABC, 2/26).

GOP: CRITICS SAY CLINTON BLUNDERED

House Gov't Reform & Oversight cmte chair Dan Burton said Clinton's handwritten memo shows "the president was willing to sell access to places" like the Lincoln Bedroom "for political contributions": "Unfortunately, this flies in the face of what the president has said to the American people and I believe he owes them an apology. ... At minimum, this is a highly unethical use of government property for political purposes" (Frammolino/Fritz, L.A. TIMES, 2/26). More Burton: "I'm not sure he's going to go to jail or that laws have been broken. It's very clear that the president has misled the Congress and the American people" (Squitieri/Keen, USA TODAY, 2/26). CNN's Blitzer: "Critics say the president blundered badly." Sen. John McCain (R-AZ): "It does corroborate what we already suspected and what circumstantially was already known to us and that is that the President of the United States, in seeking to raise money for his re-election, was willing to use the Lincoln Bedroom, probably one of the more sacrosanct places in America, in order to gain those financial funds which he felt were necessary and I'm deeply disappointed and I'm sure the American people will be too." Burton: "It's evident to me that president has misled the American people. ... He was instrumental in getting this done. ... The thing that troubles me the most is, if they would sell influence at the White House, or a night at the White House for large sums of money, how far does this extend? ("IP," 2/25). More McCain: "This certainly does trace it all the way to the President of the United States" ("Equal Time," CNBC, 2/25). GOP pollster Frank Luntz: "Clinton's argument that 'Hey, it's been done before,' doesn't hold up because it has never been done to this extent before" ("FOX Morning News," 2/26). STANDARD's Fred Barnes: "It's right on the brink of becoming what defines Lincoln's second term, at least in the first year here. ... It's on the brink of overtaking the administration and engulfing it. It may not happen, but it's very close" ("This Morning," CBS, 2/26).

SAUCE FOR THE GOOSE: Dem consultant Jennifer Lazlo: "[Republicans] of course recently were on ski trips, where they were doing as much or more of exactly the same sort of thing. ... It's not like the Republicans have sold them to Joe Citizen, the Republicans sell them to tobacco [and] the big gun lobby" ("FOX Morning News," 2/26). SLATE's Saletan: "Let's investigate the White House, let's find out what happened, let's hold them responsible, and then let's turn around and hold the same standards to the Republicans who I doubt will survive the test much better. The Republicans have sold face time with their leaders just like the Democrats have -- they just haven't had sleepovers" ("FOX Morning News," 2/26).

Clinton Presidential Records Digital Records Marker

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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: Feb. 25, 1997

Top of page:

Col 1: The rise in investing by and for women is the leading edge of a surge in socially responsible investing, in which you consider an investment's profit possibilities as well as its potential impact on society. (INVEST, moving Tuesday).

Cols 2-6: The nation's train whistles blow and factory sirens wail as China marks the end of an era in a memorial ceremony for Deng Xiaoping in the Great Hall of the People. (with art). (CHINA-TIMES, moved).

Above fold:

Cols 2-3: The Justice Department is investigating evidence that some 180,000 immigrants were naturalized over the past two years without undergoing the criminal background checks mandated by law, a House subcommittee discloses. (IMMIG, moved).

Col 4: The Food and Drug Administration declares that high doses of standard birth control pills provide a safe and effective way to prevent pregnancy when used as "morning after" pills following unprotected sex. (PILL-TIMES, moved).

Col 6: In their first talks with a senior Western diplomat since the death of Deng Xiaoping, China's president, premier and foreign minister underscored their interest in China's having a positive relationship with the United States. But in more than four hours of talks with Secretary of State Madeleine Albright, the Chinese gave her no hint of immediate breakthroughs on specific issues, including the contentious subject of human rights. (ALBRIGHT-TIMES, moved).

Below fold:

Col 3: In an unusual alliance, a group of California banks and thrifts have banded together to protest new surcharges levied by industry giants Bank of America, Wells Fargo and Home Savings. The group, led by Union Bank, says it will no longer levy surcharges on non-customers who use their ATMs. (ATMFEEES, moved).

Cols 5-6: Story on local law enforcement consolidation.

Bottom of page:

Cols 1-2: In public, President Clinton and first lady Hillary Rodham Clinton have for nearly three years maintained a distance from ex-Associate Attorney General Webster L. Hubbell since their longtime friend pleaded guilty to fraud and tax evasion charges. But in private, the Clintons have stayed in touch with Hubbell through a White House aide who has acted as a go-between. (CLINTON-HUBBELL, moved).

Cols 4-6: Nearly six years after a brilliant but emotionally troubled Los Angeles businessman committed suicide, his lover finally gets custody of 12 vials of sperm that he willed her so she could have his child after his death. (with art). (SPERM, moved).

Clinton's Used Aide to Stay in Touch With Hubbell (Washn) By David Willman

© 1997, Los Angeles Times 2/25/97

WASHINGTON In public, President Clinton and First Lady Hilary Rodham Clinton for nearly three years have maintained a firm distance from former Associate Attorney General Webster L. Hubbell since their longtime friend resigned and pleaded guilty to fraud and tax evasion charges. But in private, the Clintons have stayed quietly in touch with Hubbell through a trusted White House aide who has acted as a confidential go-between.

During the 16 months that Hubbell spent in prison, the White House aide, Marsha Scott, frequently visited him. Scott, according to several of their friends, checked on him and reassured him of the first family's concern.

And, when Hubbell was first appearing before a grand jury investigating the Whitewater controversy, Scott traveled to Little Rock, Ark., to confer with him.

"Marsha would drop by and visit when Webb was in town to meet with the independent counsel people," said Breda M. Turner, a friend at whose residence Scott and Hubbell met to talk.

Clearly, Scott is a personal friend of long standing with the Clintons, Hubbell and his wife, Suzanne. Scott and Hubbell were in the same graduating class at Little Rock's Hall High School. She and Clinton have known each other for 30 years.

"We were brought up here to say, 'If he's my friend he's my friend,'" said Michael C. Schaufele, Hubbell's close friend and accountant in Little Rock. "Yes, he made mistakes. But that might be the time he needs you the most."

Yet Scott's visits with Hubbell in late 1994 through 1996 and her relaying of any messages from the Clintons are certain to stir controversy.

In the more than two years since an independent counsel began investigating Whitewater, suspicion has hung over Hubbell and the Clintons intensified by Hubbell's announcement this month that he would not cooperate with federal investigators.

Prosecutors have long been frustrated by Hubbell's insistence that he could not recall certain transactions involving himself and Mrs. Clinton when both were partners at the Rose Law Firm in Little Rock. Last week Hubbell invoked his right against self incrimination, declining to provide documents to a House committee.

Meanwhile, investigators are trying to determine how Hubbell obtained a number of well-paying business engagements after he resigned his No. 3 job at the Justice Department, including a deal with an affiliate of Indonesia's Lippo conglomerate.

Hubbell has maintained that the deals are his private business. But some Republicans have flatly asked whether they amounted to "hush money." Scott's visits may provoke new questions about the possibility of a support network connected to the White House that has sought to buoy Hubbell's resolve during the investigation and assure him that he had not been abandoned.

As the Whitewater inquiry winds toward its end and Hubbell tastes his first weeks of freedom since being released from his federal sentence, his friends say that he now believes he may be a target for further prosecution.

"His first priority is to find a job," said Schaufele, a friend since high school. "He wants to get his life straight. But right now, a lot of things cloud that issue."

Scott referred questions Monday to others at the White House. Lanny J. Davis, a White House special counsel, said that Scott kept in regular touch with Hubbell "purely on a personal level, as an old friend, not in an official capacity. She certainly did not carry messages to and from anyone."

Laura Shores, Hubbell's lawyer, said that her client and Scott are "very good friends." Shores declined to discuss the matter further.

Hubbell resigned from the Justice Department in March 1994. He was imprisoned the next year on fraud and tax charges stemming from his bilking of \$482,410 from former clients and partners at Rose, where he and Mrs. Clinton had been partners. He was released from federal supervision this month.

Scott, 49, worked 30 years ago with Bill Clinton on the staff of Sen. J. William Fulbright, D-Ark. Scott later moved to Santa Cruz, Calif., where she later helped lead Clinton's 1992 presidential campaign in Northern California, and is now a top political affairs aide.

Another senior White House aide, Deputy White House Counsel Bruce R. Lindsey, acknowledged before a Senate investigating committee last year that he and Scott occasionally talked about the Hubbell family's situation, but added: "We certainly never had any discussions about anything that could be done about it simply sort of commiserated about how tough it is on them all."

Hubbell's wife is a presidential appointee at the Interior Department and makes \$66,639 a year. Two of their four children are now in college. Another is in high school.)

In a recent interview with the Los Angeles Times, a friend of Scott's described Scott's concern about Hubbell's well-being in greater detail and told how she served as a line of communication between Hubbell and Mrs. Clinton.

"She was taking messages from the first lady to Webb. ... And she was bringing back messages from Webb to the first lady," the friend said.

"She was going back and forth (with Mrs. Clinton) on how he and his family were being taken care of, how they were doing financially, what else was needed," said the friend, who spoke on condition of anonymity.

The first lady instructed Scott on "what to tell Webb, what they were doing for him, what Marsha was to bring back," the friend said.

Several other friends of Scott described how she regularly visited Hubbell at the minimum-security prison in Cumberland, a town in western Maryland about a two-hour drive from Washington.

"She's been out (to the Cumberland prison) a number of times," said Roy "Tee" Turner, an investment banker who has known Hubbell since the 1980s.

It was at Turner's residence in Little Rock that Scott and Hubbell also conferred. At least two of the visits occurred in late 1994 and in 1995, while Hubbell was in town to meet with staff of the Whitewater independent counsel.

They would talk privately in the Turners' guest house. "It was a good spot for them, because they could just come and go as they pleased. ... It was a safe haven back then," recalled Turner.

A tearful, contrite Hubbell had agreed to cooperate with Whitewater investigators at that time, in December 1994, when he pleaded guilty to the fraud and tax-evasion charges. But the staff of Independent Counsel Kenneth W. Starr has been frustrated by Hubbell's inability to recall certain key events.

OUTLOOK: Drive for Balanced Budget-Amendment Gets New Spin (Washn) By Ronald Brownstein (c) 1997, Los Angeles Times

WASHINGTON The best way to watch the sputtering drive for the balanced-budget amendment is through the rearview mirror, as a remnant of the past.

It is following an all-too familiar script. Republicans insist on writing the principle of a balanced budget into the Constitution and most Democrats resist, and the result is likely to be familiar too: a narrow defeat for the amendment.

But on the underlying issue of actually balancing the budget by 2002, the ideological compass may be starting to spin. Several influential conservatives including columnists James Glassman and Paul Gigot have recently argued that a balanced budget isn't the nirvana Republican dogma asserts. Meanwhile, President Clinton increasingly is treating the balanced budget not as a burden but an opportunity.

Behind these divergent reactions is a common realization. For many conservatives, the point of a balanced budget isn't a symmetrical accounting sheet; it's the reduction of the federal government's size and reach. But Clinton is demonstrating that the sphere of government activism can be protected and even enlarged while moving the budget toward balance.

By agreeing to balance the budget, Clinton has blunted the GOP's most effective weapon: a broad ideological debate about the role of government. Republicans are finding it more difficult to attack new spending programs presented in the context of a shrinking deficit.

Beyond these political advantages, a balanced budget offers Democrats a fiscal bonus as well. If the books are balanced, interest payments on the debt will command a steadily smaller share of federal spending over time, leaving more, not less, money for programs.

Though few liberals have grasped it yet, in these two respects one political, the other fiscal the balanced budget could become the linchpin of a new era of restrained but sustainable federal activism. Getting to balance does require some painful cuts. But, as Office of Management and Budget Director Franklin D. Raines now constantly points out, the gains already recorded in reducing the deficit have made those cuts significantly less painful than they once appeared.

The traditional conservative premise long accepted by liberals is that a requirement for balance would deny Washington the money to launch meaningful initiatives. But, in fact, once the budget reaches balance, the economy's growth would provide more money to spend every year, even without raising taxes.

Clinton proposes that federal spending stabilize at a level equal to about 19 percent of the economy. Assuming moderate economic growth, federal revenues would initially rise by about \$100 billion annually after 2002, when the budget is supposed to balance. That's not an inconsiderable number, and it would only increase over time.

So far so good for Clinton and like-minded Democrats. But here's the cloud: If the current trends aren't reversed, an ever-increasing share of that new revenue will simply slide out the other window as checks for Social Security, Medicare and other entitlements. At worst, that would force the budget back into the red; at best, it leaves little money for social investments.

Two charts buried deep within the administration's budget map the problem. In 1966, spending on infrastructure, research and development, education and training, and other programs intended to spur long-term economic growth accounted for 14.5 percent of the federal budget. By 1992, when Clinton took office, such spending had shriveled to only about 8 percent of the budget.

Now look at another line. In 1966, direct government payments to individuals almost all of them entitlements such as Social Security and Medicare consumed a little more than one-fourth of the budget. By 1992, payments to individuals ate up just over half of the budget.

As a candidate in 1992, Clinton portrayed increased public investment as the key to raising living standards for squeezed middle-class workers. But he has been unable to reverse the trend toward increased entitlement spending.

Under Clinton, domestic public investment has continued to shrink, both as a share of the federal budget and as compared to the size of the economy. His own plan forecasts that by 2002 domestic public investment will drop to just 7.5 percent of the budget and only 1.4 percent of the economy the lowest figures in at least 40 years.

This austere new era is cornering Clinton and other Democrats into difficult choices. To nourish traditional party priorities such as education and urban development, they may have no option but to accept new limits like a modest reduction in cost-of-living adjustments on the programs threatening to transform the federal budget into a vast ATM.

U.S. Targets Fraud by Medicare, Medicaid Providers (Washn) By Robert A. Rosenblatt (c) 1997, Los Angeles Times

WASHINGTON On the heels of a \$325 million Medicare fraud settlement with SmithKline Beecham Clinical Laboratories, the federal government disclosed plans Monday for a major expansion of efforts to detect medical providers who bill Medicare and Medicaid for services they did not perform.

Attorney General Janet Reno, leading a parade of officials to highlight the fraud issue, said that companies dealing with the federal government's health programs should adopt voluntary internal guidelines to prevent or detect fraud.

"We expect businesses to take these steps on their own initiative, before any unlawful conduct occurs," Reno said. "For those who ignore this advice, she warned, "we will bring the full weight of the government's power to bear to enforce the law and protect the American people from being ripped off."

With last week's settlement with SmithKline Beecham, the government has collected \$800 million from laboratories that cheated Medicare by performing blood and urine tests that were not ordered by doctors or by falsifying test results, law enforcement officials said.

June Gibbs Brown, inspector general of the Department of Health and Human Services, told a news conference at the Justice Department that her staff of auditors and investigators, now 960, will be increased by 20 percent this year and will double by the year 2002.

An aggressively expanded war against fraud will be waged "across the whole spectrum" of health spending, said Bruce Vladeck, who runs Medicare, the program for those over 65 and the disabled, and Medicaid, which pays the health bills for the poor.

New guidelines for medical laboratories will be followed soon by plans for other segments of the health care industry, officials said. The laboratory compliance guide calls for companies to have written standards of conduct, a compliance officer, and periodic audits.

The General Accounting Office, the investigative arm of Congress, has estimated that 10 percent of federal health spending is consumed by fraud or waste. HHS is trying to "pin that down a little more," getting more precise estimates by looking more closely at various programs, said Brown, the HHS inspector general. Medicare spends about \$200 billion a year.

The government is now concentrating more efforts on home health care spending, the fastest growing portion of Medicare.

Judge reseals warrants in Ramsey case

DENVER — A Boulder County judge yesterday agreed to reseal search warrants on the home and cars of John and Patricia Ramsey, parents of the 6-year-old beauty queen who was killed two months ago.

"Premature release of the information contained in the search warrants and related materials could negatively affect the public interest of apprehension of the perpetrator," said Boulder County Judge Diane MacDonald in her ruling.

The District Attorney's Office had asked to reseal the warrants after the original order expired last week. Attorneys for several Colorado newspapers and television stations had urged the judge to unseal the warrants, citing the public's right to know.

Lincoln graffiti won't come off

SPRINGFIELD, Ill. — State officials are having trouble removing graffiti from the tomb of Abraham Lincoln, saying cold weather is weakening the ability of detergents to remove obscenities and swastikas spray painted onto the tomb over the weekend.

Grffiti was discovered Sunday morning, and the Illinois Historic Preservation Agency had volunteers on hand at Oak Ridge Cemetery yesterday, using a chemical solvent to wipe the stains away.

Agency spokesman Dave Blanchette said it will likely take officials until later this week to remove the graffiti.

Cosmonauts extinguish fire on Mir

CAPE CANAVERAL, Fla. — A fire broke out aboard Russia's Mir space station late Sunday and was quickly extinguished. U.S. astronaut Jerry Linenger, a medical doctor, treated his crewmates for smoke inhalation and reported that no one was seriously injured.

Operations aboard Mir have been suspended while ground control teams study the situation.

NASA officials said the fire broke out in an oxygen generator, burned for about 90 seconds, and was doused with three extinguishers.

Charlie Sheen denies battering girlfriend

LOS ANGELES — Actor Charlie Sheen pleaded not guilty yesterday to a charge of battery against his girlfriend, who claimed he attacked her at his home.

Judge Lawrence Mira set a March 31 hearing at his Malibu Municipal Courthouse to schedule a trial for the star of "Platoon," "Wall Street" and "Hot Shots." The 31-year-old actor was arrested Dec. 21 after the incident at his suburban Agoura Hills home and remains free on \$20,000 bail.

His girlfriend, Brittany Ashland, told authorities the son of actor Martin Sheen pushed her during an argument and she required seven stitches for a lip injury she suffered.

Ex-Clinton aide quits administration

A former aide to President Clinton is leaving the administration in hopes of promoting "real reform" of the CIA after a prolonged battle with the agency that cost him his highest security clearances.

Richard A. Nuccio, an adviser in the State Department's Latin America bureau, was stripped of the clearances last year because of his role in revelations about CIA activities in Guatemala. He made known his intention to resign in a letter to Mr. Clinton.

Mr. Nuccio criticized the administration for failing to back him even though he had put himself at risk by tackling controversial issues such as Cuba and Guatemala on Mr. Clinton's behalf. He warned of grave damage to American democracy unless the CIA is reined in.

U.S. cap is \$2 billion for expanding NATO

The United States expects to pay no more than \$2 billion, or less than 10 percent of the estimated total cost, for expanding NATO to include new members in central and eastern Europe, U.S. officials said yesterday.

In unveiling its first comprehensive assessment of the implications of expanding NATO, the Clinton administration said most of the cost will be paid by the 15 other current members and by the newly admitted nations.

CIA Critic Quits State to Push Reform

By George Gedda
Associated Press

A former aide to President Clinton is leaving the administration in hopes of promoting "real reform" of the CIA after a prolonged battle with the agency that cost him his highest security clearances.

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He criticized the administration for failing to back him even though he had put himself at risk by tackling controversial issues such as Cuba and Guatemala on President Clinton's behalf.

Nuccio made known his intention to resign in a letter to Clinton. It states

that the CIA continues to rely on disreputable agents for information even though such persons are the "principal enemies of the policies of democracy and human rights" that the administration espouses.

A White House official said he was aware of Nuccio's intention to resign but had no immediate comment.

Nuccio ran afoul of the CIA in March 1995 when he took his concerns about a paid Guatemalan CIA informant, Col. Julio Roberto Alpirez, to then-Rep. Robert G. Torricelli (D-N.J.), who elected to the Senate last November.

Nuccio contended that the CIA had suppressed information that Alpirez was involved in a coverup of the killing of an American citizen and of the Guatemalan husband of an American woman.

Torricelli's decision to make public the information was deeply troubling to the agency, which places high priority on guarding the secrecy of its agents' identities. It held Nuccio responsible for the disclosure on grounds that he did not go through established channels before contacting Torricelli.

Nuccio was then stripped of his highest clearance. A three-member independent panel appointed to review the case upheld the agency decision last December.

"I leave your administration to join Senator Torricelli in an effort to achieve real reform at the CIA," Nuccio wrote. At a time when "the CIA hoped to end my career," he said, Torricelli offered him the opportunity to continue working on foreign policy.

German Daily Regrets Saying 'Jew Rifkind'

Reuter

LONDON, Feb. 24—The political editor of a German newspaper has expressed regret over a reference to Britain's foreign secretary as "the Jew Rifkind," a British member of Parliament said today.

The Frankfurter Allgemeine Zeitung caused outrage in Britain with this reference to Malcolm Rifkind in a story last week, although Rifkind himself dismissed the phrase Sunday as "a rather silly remark by a young journalist."

Gréville Janner, an opposition Labor member of Parliament and a former president of the Board of Deputies of British Jews, said in a statement that he had discussed the matter with the paper's chief political editor, Guenther Nonnenmacher.

"Neither the journalist nor the Frankfurter Allgemeine Zeitung intended to cause any offense," Janner said.

"Certainly, there was no antisemitic intent in the journalist's comments. Both the journalist and newspaper deeply regret the offense that was caused, and guarantee not to use the phrase in future," he added.

Janner said he was pleased that "this distinguished newspaper will not again use that offensive terminology."

"This episode shows that as we debate the future of Europe, we should be extremely sensitive to the past, including the impact of language and of epithets," Janner said.

State Dept. Rebuts Allegations Of Fraud in Its Taiwan Office

Associated Press

The State Department dismissed as overstated or "just plain wrong" allegations by the former chief U.S. representative for Taiwanese affairs that his office was rife with fraud and corruption.

Spokesman Glyn Davies said James C. Wood Jr., who was forced from office in January after 13 months on the job, had failed to establish a relationship of trust with Taiwanese authorities and refused to accept State Department direction.

Wood, an Arkansas Democrat and political appointee, said Sunday that he was punished by his superiors for trying to eradicate

corruption, including \$5.3 million in visa fees that he said was unaccounted for.

"There's no missing \$5.3 million," Davies said, acknowledging only that there has been an ongoing dispute over accounting for a portion of these funds. Davies also described as "baseless" allegations that visa applicants could buy their way to the United States with bribes of \$20,000 to \$25,000.

Wood had been chairman of the American Institute on Taiwan, a quasi-governmental entity set up after the United States ended formal ties with Taiwan in 1979 and opened diplomatic relations with China.

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Adviser Who Ran Afoul Of C.I.A. Is Quitting

WASHINGTON, Feb. 24 (AP) — A former aide to President Clinton is leaving the Administration in the hope of promoting what he calls "real reform" of the Central Intelligence Agency after a prolonged battle with the agency that cost him his highest security clearances.

The former aide, Richard A. Nuccio, an adviser in the State Department's Latin America bureau, was stripped of the clearances last year because of his role in revelations about C.I.A. activities in Guatemala. Mr. Clinton is expected to receive the letter on Tuesday, but The Associated Press was given a copy for use on Monday. A White House official said he was aware of Mr. Nuccio's intention to resign but had no immediate comment.

Mr. Nuccio ran afoul of the C.I.A. in March 1995 when he took his concerns about a paid C.I.A. agent in Guatemala, Col. Julio Roberto Alpirez, to Representative Robert G. Torricelli, a New Jersey Democrat who has since been elected to the Senate.

Mr. Nuccio contended that the agency had suppressed information that Colonel Alpirez was involved in a cover-up of the killing of an American citizen and of the Guatemalan husband of an American woman. Mr. Torricelli's decision to make public the information was deeply troubling to the agency, which places high priority on guarding the secrecy of its agents' identities.

It held Mr. Nuccio responsible for the disclosure on grounds that he did not go through established channels before contacting Mr. Torricelli. Mr. Nuccio was then stripped of his highest clearance.

Defense Closes in Trial Of Former Paratrooper

FAYETTEVILLE, N.C., Feb. 24 (AP) — A former paratrooper accused of killing two blacks in 1995 was so fogged by alcohol that it was unlikely he could have formed the intention to kill, an expert testified today as the man's lawyer presented a short defense at his murder trial here.

"His brain had been soaking in alcohol for 12 or 13 hours," said Prof. Brian McMillen, a pharmacologist at East Carolina University medical school.

The former Army paratrooper, James Burmeister, 21, of Thompson, Pa., is charged with first-degree murder in the slayings of Michael James, 36, and Jackie Burden, 22, who were shot on Dec. 6, 1995, while walking along a street here. Prosecutors are seeking the death penalty.

The defense testimony sought to refute prosecutors' theory that Mr. Burmeister wanted to kill blacks to endear himself to racist skinhead soldiers.

Professor McMillen testified that the defendant drank nearly two gallons of beer the night of the killings and that it was likely that "he was in an alcohol blackout with concentrations that high."

Colora An Ou

BOULDER, Colo. — The District Attorney's investigation into the death of JonBenet Ramsey found dead months ago.

An assistant district attorney in Boulder County said this morning looking for the author of the letter.

Contending problems with the investigation, Mr. V. Wise, said police officers even an FBI agent.

JonBenet Ramsey, Colorado, was reportedly home indicates beaten and ed.

Vandal On Line

SPRINGFIELD, Mass. — For the vandals have the Tomb, pain obscenities.

Black pl until it is sp "We are co of random said Lieut.

What Did Asian Donors Want?

By Robert E. Lighthizer

WASHINGTON
The question that recurs in much of the discussion of the unprecedented contributions to the Democratic National Committee from Asian sources is, "What did these people expect in return?"

The related question, of course, is "Did they get what they expected?" — for few individuals or companies part with such large sums of money without a strong sense of what they want in return, and an equally strong sense that they will get it.

These questions may seem to have no easy or obvious answers. After all, the money seems to have poured in from a bewildering array of sources, like the Lippo Group, which is based in Indonesia, and the Charoen Pokaphand Group, which is based in Thailand. The money seems to have been funneled through channels arranged by John Huang, who raised funds for the D.N.C. On the surface, there is no common theme.

But anyone familiar with the "shadow puppet" plays that are so popular in Indonesia can offer a way to find the answer: Keep in mind that there is a puppet master behind the screen. Who is the "puppet master" who may have orchestrated the inflow of Asian money?

The best candidate is not in Thailand or in Indonesia or in Taiwan or in Chinese restaurants in Little Rock, Ark., or in Buddhist temples in California.

The best candidate lies elsewhere, in Asian business interests with a compelling need to insure that the United States continues to "constructively engage" China. After almost 20 years of being involved with trade and related economic issues, including serving as an economics adviser to the last Republican Presidential

Clinton's trade policy is in danger of being compromised.

campaign, I would say that it may ultimately lie in the Chinese Government itself.

The Washington Post reported on Feb. 13 that the Federal Bureau of Investigation is looking into whether the Chinese Embassy in Washington may have played a role in orchestrating the inflow of cash to the D.N.C. If the embassy is found to have had a role, this would tie together odd facts that seem loosely connected. Consider for a moment: What do the Lippo Group and Charoen Pokaphand Group have in common?

Both are prominent Southeast Asian companies controlled by ethnic Chinese families operating in countries whose economies are thoroughly dominated by the Chinese minority.

Both have made huge investments in China, driven by their view, which is undoubtedly correct, that their Chinese ethnicity and language skills give them a huge competitive advantage. Both recognize that they will benefit enormously if they can help insure that the United States does not place obstacles in the way of China's export-driven economic expansion.

In addition, the Chinese Government would no doubt be grateful for any help that the companies can provide in relieving American pressure on a variety of issues, including Taiwan, open markets and copyright infringement.

It is clear that both companies have lobbied the Clinton Administration to do what it takes to keep China happy. Mochtar Riady, patriarch of the Lippo conglomerate and John Huang's former benefactor, wrote a personal letter to the President in March 1993 urging the Administration to pursue economic engagement with China.

Dhanin Chearavanont, chairman of Charoen Pokaphand, and several colleagues met over coffee with Mr.

Businessmen may have wanted to ease China's entry into the W.T.O.

Clinton in June 1996 to convey a similar message.

In commenting on the purpose of the Charoen Pokaphand meeting, the Far Eastern Economic Review noted that, "Although it's not clear whether C.P. lobbies directly on China's behalf, Dhanin is clearly eager to please the Chinese Government."

Mr. Dhanin, who was reared in China, has been advising the Beijing Government on how to handle the takeover of Hong Kong, according to The New York Times.

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Hence, the Lippo and Charoen Pokaphand connections alone imply that, to a large extent, the inflow of Asian money was part of an effort to influence American policy toward China.

The smaller, less significant, parts of this puzzle also fit the pattern. Charlie Yah Lin Trie, a former Little Rock restaurateur and now a businessman with offices in Beijing and Washington, introduced Mr. Clinton to Wang Jun, who runs the Chinese Government's weapons manufacturing and procuring agency. Mr. Trie also tried unsuccessfully to contribute \$639,000 to the Clintons' legal defense fund (in the form of consecutively numbered money orders, in the names of donors in different cities).

What particular aspects of American policy toward China was all of this money intended to influence? Here, too, the answer is not as elusive as it might first appear. Certainly the money was not directed at insuring that most-favored-nation trade status continues to be extended to China. Mr. Clinton tossed in the towel on that issue a long time ago.

Much more likely, the money was meant to influence the decision on whether China should be permitted to join the World Trade Organization and, if so, on what terms. This is far and away the most important trade issue between the two countries.

From China's standpoint, accession to the W.T.O. is critically important not only to enhance its prestige but also because membership would offer assurance to investors that China is part of the trading community and give it protection from countries taking unilateral action against it.

Moreover, it became apparent some time ago that the United States alone stands between China and this objective. The European Union, which used to be tough on China in the W.T.O. talks, has evidently now decided that it can have the best of both worlds through a more nuanced approach — one that lets the United

States fight that battle, while the Europeans curry favor with the Chinese by urging that China be admitted to the trade organization.

To say the least, this leaves the United States in a very difficult position. The economic stakes are huge. Even now, with China out of the W.T.O., it is running up staggering trade surpluses with the United States. In 1996, our merchandise trade deficit with China was \$40 billion, and growing rapidly. This is more than double the level when President Clinton took office.

This deficit is likely to rise as China's exports become increasingly sophisticated. Imports from China had been largely cheap toys, shoes and textiles; now Chinese consumer electronics, electrical machinery, office equipment and computers are showing up in enormous quantities.

The Clinton Administration has rightly demanded that China open up important enterprises in order to gain entry to the W.T.O. But for its part, China wants to join the W.T.O. to achieve a dominant position in world trade. Indeed its industrial strategy is based on its "right" to become an export powerhouse. Viewed in that light, it is not an exaggeration to say that if China is allowed to join the W.T.O. on the lenient terms that it has long been demanding, virtually no manufacturing job in this country will be safe.

For example, China seeks concessions on its treatment under American dumping laws, which prohibit countries from selling products below their fair value. Because China is not a true market economy, the Commerce Department currently determines the cost of making a product there not by the purported internal costs (which could be manipulated) but by the cost of making similar products in a country like India.

But if the Administration acquiesces and allows China to be treated as if it were truly a market economy as a member of the W.T.O., China would likely win any dumping case brought against it. American dumping laws would essentially be nullified. There would be little that any American industry could do to defend itself if China decided to take over its market.

Can the Clinton Administration be trusted to do what is necessary to prevent all this from happening? Perhaps.

But one thing is certain: The campaign contributions that may have come from Asian businessmen taint the Clinton Administration's motives. The simple fact is that if the Administration agrees to let China into the W.T.O. it probably will not earn — and, indeed, is not entitled to earn — public confidence that it has formed its position on this issue strictly on the basis of United States interests.

The Administration therefore owes it to the American people not only to handle this matter correctly, but also to be seen as having handled it correctly. Moreover, it is surely not in the President's own interest to be left in a position where he is subject to speculation that the D.N.C. contributions in some way compromised his judgment.

These unusual circumstances call for the President to agree to certain constraints on his own authority that might be objectionable to him in another context. Specifically, the Administration should agree that the ultimate responsibility for deciding whether China should become part of W.T.O., and on what terms, will be shared with Congress.

Congress should designate a panel of experts to work with the Administration in formulating our bargaining position and to report formally to Congress whether the resulting agreement, if any, is acceptable. Given all that has transpired, there is simply no measure short of this that will give Americans the assurance they deserve: That their vital economic interests will not suffer because certain politicians in Washington accepted money from foreign interests with a very foreign agenda. □

Robert E. Lighthizer, a trade lawyer in Washington, was a deputy U.S. Trade Representative in the Reagan Administration and a Presidential campaign adviser on economic issues to Senator Bob Dole.

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Clinton's Favoritism Imperils Free Trade

By THOMAS J. DUESTERBERG

President Clinton has promised to reinvigorate American leadership in achieving trade liberalization world-wide. This is unquestionably a good idea, but Mr. Clinton's assertion masks a larger, underlying question: What are the ground rules for the next phase of liberalization, especially in Asia, where the U.S. has a chronic trade deficit? Given the many new revelations about the conduct of U.S. trade policy in the last six months, one can legitimately ask whether international commerce is to be governed by a system of explicit, enforceable rules or a system of *guanxi*—Chinese for "connections"—Little Rock-style. Underlying the debate is the crucial problem of absorbing China, the looming economic superpower, into the world trading system.

Out of the ashes of World War II, the U.S. and its allies erected a new economic order that has produced the broadest and most sustained period of prosperity in world history. Its basis is a system of rules to govern, facilitate and promote commerce. The U.S. and its allies assisted many nations, starting with Japan and Germany, in building domestic commercial and legal codes that assure property rights, promote the free exchange of goods and services and facilitate enforcement of contracts. International trade was fostered by a parallel system of rules covering the exchange of goods and (later) services embodied first in the General Agreement on Tariffs and Trade and its successor, the World Trade Organization.

Like-Minded Nations

Starting with a core group of like-minded nations, the WTO has grown, in terms both of the commerce covered by its agreements and of the proportion of the world's population voluntarily abiding by its rules. The U.S. has remained an acknowledged champion of that system, despite domestic political pressures to stray. Frequently it has been a lonely champion, patiently lobbying both its allies and potential members of the GATT-WTO system to be more rigorous in abiding by the agreed rules. Thus the U.S. has for years sought to reduce the prevalence of bribery, high-handed government influence and unfair commercial practices as means to win international business. Trade liberalization, in the traditional U.S. view, has meant reducing formal barriers to trade and insisting on transparent rules and en-

forceable contracts as the framework for international business.

U.S. policy makers have gone to great lengths to avoid slipping into favoritism or insider influence to win sales. Official U.S. financing of exports and foreign direct investment pales in comparison with that of France, Germany and Japan. The Bush administration was so concerned by the potential for favoritism that it initiated a laborious effort to create rules for determining when the U.S. trade promotion apparatus could assist American companies abroad. One ironclad rule was that the U.S. government could never, directly or in effect, side with one American company if another were competing for the same

The emergence under the Clinton administration of guanxi as a basis for trade policy undermines the moral leadership the U.S. has painstakingly built over the years.

business. Careful criteria for determining when the U.S. affiliate of a foreign concern could receive official help were also elaborated. In short, a transparent system of rules governed U.S. trade promotion as well as, international trade. This allowed U.S. negotiators to maintain the moral high ground in international forums when they called for ending bribery or trade-distorting financing mechanisms.

The Clinton administration, as we have gradually come to understand over the past six months, has taken a radically different approach, especially in Asia. From John Huang and Mark Middleton to Ron Brown and Hazel O'Leary and ultimately to Bill Clinton himself, the new team relied on personal relationships—often strengthened by financial exchanges—to promote U.S. economic interests abroad. Extravagant trade missions were dispatched, U.S. envoys were assigned to build ties to friendly foreign businessmen, and the Clinton cabinet team became personally engaged in promoting specific American companies. The promotional activities would have been welcome, if they had been conducted on the basis of a level playing field. But it appears that personal connections and money made some of those seeking trade-promotion assistance more equal than others.

More disturbing is the influence of the personal relationships and money on trade policy. The preponderant interest of the

Chinese diaspora business community—from the Riady family in Indonesia to others in Taiwan and California—is the opportunity presented by the emergence of China as an economic colossus. The interest is chiefly in direct investments in China to produce goods for sale abroad, primarily in the U.S., which buys more than \$50 billion in Chinese goods each year. Thus maintaining China's most-favored-nation trade status is one of the key objectives of the Asian business community so eagerly courted by the Clinton team.

Obviously, China wants to preserve its economic prosperity, which has become so dependent on sales to the U.S. market. But

the Beijing authorities, tied increasingly closely to the Asian business community through joint ventures and its own shell companies in Hong Kong and elsewhere, has the additional objective of acquiring sophisticated technology from the West, to modernize its economy and finance its military. Thus it should come as no surprise that James Riady lobbied the president to renew MFN for China, or that Chinese arms merchant Wang Jun made his way into a White House coffee. Sometime after the Riady meeting there was a radical about-face in the Clinton MFN policy toward China, and export controls on high technology sales to China were eased.

The longer-term problem for U.S. trade policy is that the Little Rock version of *guanxi* inevitably undermines the rules-based system so patiently built over the past 50 years. China is already one of the largest economies in the world. If the U.S. grants permanent MFN, or WTO entry, to China, as Mr. Clinton's Asian connections desire, China is big enough to weaken tangibly the rules-based system embodied in the WTO and in U.S. trade law.

For China is by no means a nation ruled by a system of transparent, uniform and enforceable law. At the level of international trade, this is evident in its failure to abide by agreements on both intellectual property rights and textiles, its failure to enforce contracts, and its failure even to publish many laws governing imports.

One telling example is the blatant breach of a contract requiring China to use advanced U.S. machine tools only for the production of McDonnell Douglas aircraft. Soon after the tools entered China, they were diverted for fighter-aircraft production. The Clinton administration's response? It eased export controls on computer and telecommunications equipment that has similar dual-use potential.

If a large rogue nation like China becomes a part of the WTO before it is ready or willing to abide by its rules, the ability of all its members to impose the politically difficult disciplines in their own countries will be seriously compromised. The new WTO has trouble enough mustering the will to enforce standards like those covering intellectual property and government procurement, and has yet to adopt strong rules on bribery. Brazen disregard of the agreements from a new member like China would serve as a tempting example for other wavering nations to follow—especially if the U.S. doesn't insist on strict adherence by the Chinese.

Transparent Rules

The emergence under the Clinton administration of *guanxi* as a basis for trade policy undermines the moral leadership the U.S. has so painstakingly built over the years by consistent application of equitable rules in the international trading arena. If the Clinton administration expects to get fast-track approval from Congress and lead the world in another round of trade liberalization, it must return to the traditional system of enforceable rules governing a transparent and level playing field.

American producers are so competitive now that they will thrive better in a world with a level playing field than one influenced by the worst manifestations of the *guanxi* system. A good start toward regaining the moral high ground would be to block the entry of China into the WTO and withhold permanent MFN treatment until it proves that it is ready to play by the established rules of free trade, and at the same time to revive the use of internal controls separating politics from trade promotion and punish those who contravene them.

Mr. Duesterberg is a senior fellow of the Hudson Institute. He served as assistant secretary of commerce for international economic policy from 1989 to 1993.

CLINTON: ATTENDS THIRD FUND-RAISER AMID CRITICISM

Hotline 2/25/97

Despite the controversy surrounding Dem campaign fund-raising, Pres. Clinton attended his third fund-raiser for the DNC since last month's inauguration. The event, sponsored by the Dem Business Council, raised \$500,000, 65% of it in unregulated soft money (Knutson, AP/BOSTON GLOBE, 2/25). Clinton "lobbies by day for the campaign finance legislation he calls one of his top priorities," but Monday night he raised money "that would be barred by the bill" (Page, USA TODAY, 2/25). Clinton "once again placed himself in the paradoxical position of furthering a practice he has said he hopes to outlaw." The WH has "repeatedly declared that it will not unilaterally stop accepting soft-money donations," unless GOPers agree to as well (Bennet, N.Y. TIMES, 2/25). WH Press Sec. Mike McCurry was "unapologetic" about the fund-raiser: "The president will continue, as we've said over and over again, to help the party raise money. They need the money. They need to be competitive with the Republican Party" (AP/BOSTON GLOBE, 2/25). McCurry "has said some fund raising would be necessary even under various campaign finance bills, since the measures do not call for public financing of campaigns" (N.Y. TIMES, 2/25).

IN HIS WORDS: Clinton "made a similar point" to McCurry's, in "brief, wry remarks" on the campaign finance controversy. Clinton said during a speech to the American Council on Education: "You know, we're all in a lather up here in Washington these days about campaign contributions. Everybody hates them, but nobody wants to go public funding. So we seem destined to some period of hand-wringing" (N.Y. TIMES, 2/25). Even as fellow Dems were calling for a fund-raising ind. counsel, Clinton "laughed off the funny-money flap." McCurry "denied Clinton was being flip about the flap." McCurry: "He does not make light of it -- he wouldn't make light of the need for campaign-finance reform." McCurry added that Clinton's "speaks for itself" (Rauber, N.Y. POST, 2/25).

OUTCRY: Democracy 21 pres. Fred Wertheimer called Clinton's remarks "a total cop-out," and "a way of abdicating responsibility." Wertheimer, on Clinton attending the Business Council fund-raiser: "There is no way the American people are going to believe the President is serious about cleaning up the system if he keeps going out and raising big campaign contributions" (N.Y. TIMES, 2/25). Center for Responsive Politics' Kent Cooper: "If it's wrong later on, why isn't it wrong now? The system's not going to change unless you have real leadership by someone who says, 'My words will be matched by my actions.'" Common Cause pres. Ann McBride agreed that Clinton "should be leading by example" (USA TODAY, 2/25).

MORE TO COME: Clinton is planning at least five other Dem fund raisers in the next two months, including a DC dinner for the DNC 3/11, and a Miami party for Sen. Bob Graham (D-FL) on 3/13 (see HOTLINE 2/24). ABC's Zelnick: "When it comes to hitting the big spenders for campaign contributions, no one can accuse President Clinton of unilateral disarmament. Nor is any end in sight to events like last week's Florida get together between Republican congressional leaders and their deep pocket friends" ("GMA," 2/25).

ON THE OTHER SIDE OF THE AISLE: The NRCC sent out a solicitation brochure to lobbyists last year stating that corporate contributions of \$25,000 and above would "go directly to fund House races" -- a use of the donations prohibited by law

(see HOTLINE, 2/24). NRCC spokesperson Rich Galen acknowledged 2/24 that statements in the appeal were "incorrect," and said a completely different version with "more appropriate language would be sent out this year." GOPers "strongly denied that they misused corporate contributions," which can go to party building activities such as GOTV drives, "and cannot finance individual federal candidates." GOPers "said the only problem was that the brochure was not properly reviewed before it went out to donors." Center for Responsive Politics' Kent Cooper: "It's another example of who the world of soft money, which supposedly is not to be used in federal elections, is a myth. The givers write checks and the parties spend it however they want. [The NRCC solicitation], whether or not it was just careless, is a symbol that there is no distinction between the world of regulated and unregulated money" (Morgan, W. POST, 2/25).

INVESTIGATIONS: JUSTICE SUBPOENAS CHUNG RECORDS

The DoJ 2/24 subpoenaed the records of Johnny Chung, a CA businessman who gave \$391,000 to the Dems, and "others who made large donations while seeking access" to the WH. One DoJ official "said subpoenas also were served" on the United States-Thai Business Council, a trade-promotion group formed in part by Pauline Kanchanalak, who helped raise \$250,000 that have since been returned by the DNC. The subpoenas show that a DoJ task force is "continuing to widen its investigation into alleged improprieties in the Democrats' drive to raise huge sums" for the '96 elections (Drew, N.Y. TIMES, 2/25).

REAX: ABC's Jennings called reports in the 3/3 issue of Time that Chung gave \$50,000 to the DNC (see HOTLINE, 2/24) "in exchange" for an invitation for him and six Chinese business friends to watch Clinton deliver a 3/11/95 radio address, "damaging new charges." ABC's Douglass termed it "a potentially explosive allegation" (2/24). Chung has visited the WH at least 50 times since mid-1994. And although "it could not be learned" what type of records the DoJ subpoenaed on 2/24, DoJ officials "have said they were examining whether any foreign money might have been improperly funneled into Democratic Party coffers" (N.Y. TIMES, 2/25).

DNC AUDIT: DNC chair Roy Romer has said an internal DNC audit has discovered additional contributions will have to be returned because they came from improper or unverifiable sources (see HOTLINE, 2/24). W. POST's Sun & Pomfret report the DNC is prepared this week to return "dozens" of additional questionable contributions that were discovered in the "still-confidential" audit. "At least one of the donations now under review" came from a Ng Lap Seng, a Macao property developer "who holds an advisory post" with China's communist gov't. The \$15,000 contribution in '94 from Ng is "among the growing number of DNC donations that have been called into question because of uncertainty about their origins and possible links to foreign interests." But DNC contribution -- made in the name of his company's Little Rock subsidiary -- "is the first to be linked to anyone with an official tie" to the Chinese gov't. Ng, who serves on the Chinese People's Political Consultative Conference advisory board, donated \$15,000 to the DNC in 10/94, 10 days after his firm, San Kin Yip, Inc., was incorporated. In interviews last month, Ng "acknowledged" the \$15,000 "did not come from U.S. generated funds as required by law," and that other contributions by his business partner, Charles Yah Lin Trie, a Little Rock restaurateur and close friend of Pres. Clinton's, "also might have come originally from Ng's business interest" in China, Hong Kong and Macao (2/25).

OTHER DONATIONS: The DNC is also reviewing donations from Jessica Elnitiarta, an Indonesian-American businesswoman from L.A. who gave at least \$250,000. Her father, Ted Sioeng, a "wealthy" Indonesian businessman, has attended DNC fund-raising events, including the one at the Buddhist Temple with VP Gore. Questions "have also been raised" about Keshi Zhan, an Arlington Co., VA records clerk who has worked part time for Trie and Ng as a hostess. Zhan, who earns \$22,408 a year, gave \$12,500 to attend a fund-raiser last year at DC's Hay-Adams Hotel (W. POST, 2/25).

WHITEWATER: HUBBELL HAD VISITS FROM A WH AIDE

L.A. TIMES' Willman reports that for the nearly three years since Assoc. AG Webster Hubbell pleaded guilty to fraud and tax-evasion charges, Pres. Clinton and Hillary Rodham Clinton publicly "maintained a firm distance" from him. "But in private, the Clintons have stayed quietly in touch" with Hubbell -- through Marsha Scott, a "trusted" WH aide "who has acted as a confidential go-between." According to friends, during the 16 months that Hubbell spent in prison, Scott "frequently visited" Hubbell and "reassured him of the first family's concerns." And when Hubbell was first appearing before a Whitewater grand jury, Scott traveled to Little Rock "to confer with him." Breda Turner, a friend at whose residence Scott and Hubbell met to talk, said: "Marsha would drop by and visit when Webb was in town to meet with the independent counsel people." Scott's visits with Hubbell in late '94 through '96 "and her relaying any messages from the Clintons are certain to stir controversy." WH special counsel Lanny Davis said Scott kept in regular touch with Hubbell "purely on a personal level, as an old friend, not in an official capacity. She certainly did not carry message to and from anyone" (2/25).

MORE STARR REAX: L.A. TIMES editorial on Whitewater ind. counsel Kenneth Starr: "Sadly, the botched decision about his leaving to join the Pepperdine faculty in Malibu bolsters the impression that Starr suffers from poor judgment and potential conflict of interest" (2/25). W.S. JOURNAL editorial: "The episode should raise questions in the minds of serious people about the function of the independent counsel statute and the unique court officer it creates" (2/25). Paul Weyrich: "Starr now has a huge problem. It is called credibility. ... The way Ken Starr has now arranged things, nothing short of an indictment and conviction of either the President or First Lady will restore the image had before this bizarre episode. ... I would hate to think that James Carville could add another chapter to his book, 'We're Right, They're Wrong,' all because it turned out that Carville has the measure of the man and the rest of us were mistaken" ("Direct Line," NET, 2/24).

Clinton Presidential Records Digital Records Marker

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Divider Title: Feb. 24, 1997

No shame and lots to gain

Everybody shakes the money tree while urging campaign reform

BY KENNETH T. WALSH

At the luxurious Manhattan home of telecommunications mogul Shelby Bryan, more than 100 high rollers paid up to \$25,000 apiece last week to eat pheasant, sip champagne, and listen to President Clinton argue vehemently for campaign reform. Clinton called for an end to precisely the type of unlimited "party building" contributions he was attracting that night. The event caused an immediate furor. "I think it's ridiculously hypocritical," said Charles Lewis of the Center for Public Integrity. "He's been doing this for four years: by day talking reform and by night shaking the money tree."

But Clinton's \$1 million dinner organized by the Democratic Senatorial Campaign Committee represented more than another case of presidential hypocrisy. It was a prime example of business as usual in the world of political high finance. Despite all the talk about reform, a river of campaign money continues to flow unabated into the treasuries of both major parties and their candidates.

Even as he decries the system, Clinton is planning at least six major fund-raisers for the Democratic Party in the next two months, including a reception for Democratic business leaders in Washington this week, a dinner for the Democratic National Committee in Washington March 11, and a party for Florida Sen. Bob Graham in Miami March 13. Republicans are mixing money, politics, and access just as vigorously. Last week, 200 members of the GOP's Team 100—individuals who have given at least \$100,000 to the party—met at the opulent Breakers

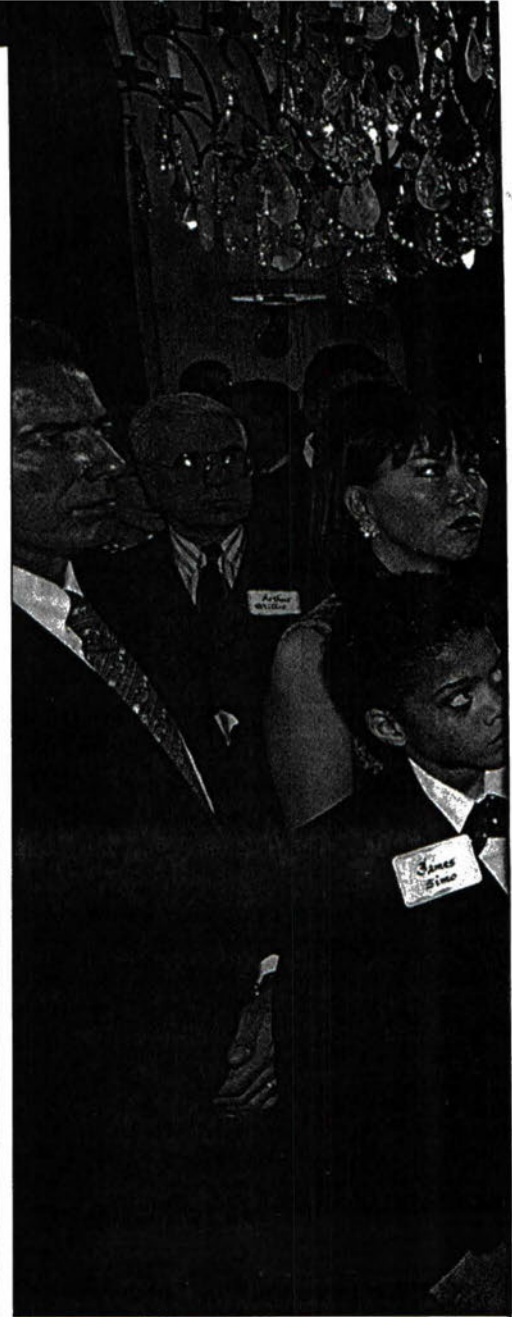
resort in Palm Beach, Fla., for private discussions with House Speaker Newt Gingrich and Senate Majority Leader Trent Lott. Lott defended the system, saying it is "the American way" for donors to give as much as they want to the parties.

But there is a cost. "You have a system that is gradually eroding the bonds of the public's trust and confidence," says political scientist William Galston, a senior adviser to Clinton in his first term. "It's a slow-motion crisis." Most Americans already believe their government is beholden to the rich and powerful; a new Roper Poll, for example, finds that 68 percent of voters believe politics is more influenced by special-interest money today than 20 years ago, and 57 percent say lobbyists and special interests really control the federal government. Few have confidence that the Washington establishment will implement meaningful reforms.

Two other problems are caused by the system: Politicians are preoccupied with raising campaign money, and that often crowds out other activities, like writing laws, visiting constituents, and thinking. The need to raise money also creates a shakedown atmosphere, in which those hoping to press their claims on government—yes, those dreaded lobbyists—feel they must contribute even to politicians they loathe in order to get a hearing.

This cynicism will surely intensify as investigators from Congress, the Justice Department, and the news media try to unravel a tangle of fund-raising abuses from the 1996 campaign. Among the areas under scrutiny:

■ **Buying access.** During 1995-96, 900 guests at White House coffees donated



\$27 million to the Democratic Party. While this shows that money buys access, it is more difficult to prove that such contributions also purchase influence. At the center of the scandal is an Indonesian company, the Lippo Group, which gave generously to the Democrats and once employed Democratic fundraiser John Huang, who also worked for almost 18 months at Clinton's Commerce Department. A member of the Riady family of Indonesia, which controls the Lippo Group and has extensive business interests in China, met with the president on at least two occasions. The White House concedes that American policy toward China and Indonesia was discussed. But there is no law that



'I appreciate the fact that you came here, knowing you might be targets for the exercise of your constitutional right to stand up and support the people you believe in.'

President Clinton, at a New York fund-raiser

bars the president from seeing those who donate to his campaign or even altering policy after such meetings. Investigators are searching for a quid pro quo in which the White House signaled it would alter policy in exchange for cam-

paign donations, a tall legal hurdle.

What is legal, however, does not always look benign. Congressional panels will spotlight other aspects of the scandal that hint at influence peddling. For instance, top DNC fund-raising officials at-

tended a coffee at the White House attended by the chief federal bank regulator, Eugene Ludwig, and by bank presidents, many of whom had donated to the party. Documents released by the National Security Council suggest that the president's financial backers may have tried to influence national policy. One of them, Johnny Chung, armed with a letter on DNC letterhead, took it upon himself to act as an emissary of the president on a visit to China, to the dismay of the professionals at the NSC. In another incident, Hillary Rodham Clinton visited Guam in early September 1995. Three weeks later, the DNC received over \$250,000 from contributors within the territory. Late last year, the administra-

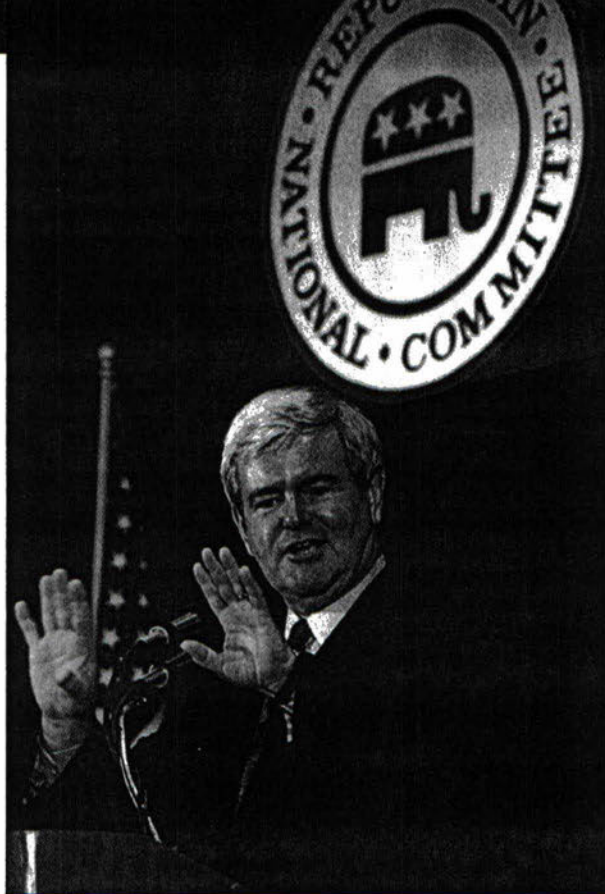
tion's policy toward the island changed, giving the territorial government greater power.

■ **Espionage.** Revelations that the Chinese, through their embassy in Washington, may have tried to channel funds to the DNC could lift the scandal to a more serious level. The main question is whether a foreign government gained access to U.S. trade and technology secrets. The Chinese deny any wrongdoing. At issue is the behavior of DNC fund-raiser Huang during his tenure at the Commerce Department. Huang was cleared to see secret documents and received intelligence briefings while at Commerce, including some on China. Huang also made 70 phone calls to his former employer in Los Angeles, the Lippo Group. In addition, investigators want to know why Huang visited the Chinese Embassy in Washington in 1995. Finally, they will ask why Huang's top-secret security clearance was not withdrawn after he left the Commerce Department to become a fund-raiser for the DNC.

■ **Illegal donations.** What set off the current wave of investigations was the disclosure that in 1996 a South Korean company, Cheong Am America, donated \$250,000 to the Democrats. Because the money did not come from funds earned in America, the DNC returned the contribution. Investigators are seeking records from other donors with overseas ties and will focus in particular on whether Huang sought donations from non-American sources.

It is also illegal to donate in someone else's name—and that was one reason why an April 1996 fund-raising event featuring Vice President Al Gore at a Los Angeles Buddhist temple aroused suspicions. Some donations, in \$5,000 tranches, came from people who had taken vows of poverty. Last week, Asian businessman Rawlein Soberano, vice president of the Asian-American Business Roundtable, raised the prospect of money laundering when he accused fund-raiser Huang of asking him to funnel more than \$250,000 through his group's members to the DNC. Huang denied that.

Last week, Huang and Clinton's Arkansas friend Webster Hubbell refused to give Con-



Major Republicans like Newt Gingrich keep fund-raising, too.

gress documents that were subpoenaed in a House committee's probe of Democratic fund-raising practices. Both claimed their Fifth Amendment privilege against self-incrimination.

■ **The Hatch Act.** The Office of Special Counsel, an independent federal agency, is looking at whether Harold Ickes, who served as Clinton's deputy chief of staff in the White House through the 1996 campaign, violated Hatch Act regulations forbidding government officials to seek donations. Ickes, in a two-page fax, outlined ways in which donor William Morgan, a Texas businessman, could help the Democrats, but, Ickes asserts, he did not break the law because he wasn't soliciting donations. Investigators will also examine

Team 100 affords members 'the greatest opportunity possible to meet and talk informally with party leaders, foreign dignitaries, and special guests.'

Republican National Committee literature

whether Huang raised money while still at Commerce, which would be a violation of the law.

Clinton, angry at attacks on his credibility, is taking some small unilateral steps toward reform. Checks are now being screened more tightly at the DNC. And party officials are required to review guest lists of people who attend policy briefings at the White House, to inform Clinton advisers of who the donors are and avoid conflicts of interest. Finally, *U.S. News* has learned that Joyce Harmon, acting executive secretary of the NSC, has sent an internal memo to the CIA and the State Department requesting "appropriate scrutiny" of visitors to the White House complex and vice presidential residence. The goal is to alert Clinton advisers to foreign nationals whose meetings with government officials might cause ethical problems. Those to be scrutinized include guests who are to be seated at official and social events with President Clinton, Hillary Clinton, Vice President Al Gore, and Tipper

Gore. White House officials say a lack of screening allowed Eric Wynn, a felon convicted of securities fraud, to meet with Clinton at one White House coffee in 1995.

Despite his calls for reform, the president argues that corruption in American politics is exaggerated. "I seriously question whether there are more people buying direct influence on direct decisions today by their contributions than in previous times," Clinton told *U.S. News* in a recent interview. "I think that we're in better shape today with the way our politics runs than we were 30 years ago. It's just that people didn't know as much about it 30 years ago."

Yet it will be hard to lower public cynicism. As Clinton had lunch at Jeveli's Restaurant in east Boston last week, bartender Sandy Kearns ventured an opinion about the fund-raising scandal swirling around the president: "They're all doing it," he said. "All this stuff, it's just normalcy." Evidence mounts that Kearns spoke the truth. ■

With Bruce B. Auster, Julian E. Barnes, Gary Cohen, and Joshua Wolf Shenk traveling with the president

BY GLORIA BORGER

Cynical, even for Congress

Back in 1986, a seat on the hot Iran-Contra committee was considered a great political gig. Press interest. National security issues. Television, gavel-to-gavel. So when Republican leader Bob Dole called Warren Rudman in New Hampshire to offer him the party's top job on the panel, Rudman was intrigued. Sure I'll do it, he said, only don't expect me to be a defender of the administration at all costs. Dole didn't and Rudman wasn't. Just ask Ollie North.

Now comes yet another blockbuster investigation, only without the Rudmanesque honesty to keep it straight. This time, it isn't about the Constitution but about something dearer to congressional hearts—campaign money. And this time, Democrats are a teeny-weeny bit defensive, given that it's hard to explain why Bill Clinton's White House and campaign committee happily invited, say, a rich Chinese arms merchant in for a presidential drop-by. And the Republicans fret that any investigation could produce an unpleasant change—real campaign finance reform. Even by congressional standards, the scheming to preserve the system while preaching reform is exquisitely cynical: Everyone wants a gold star, but they also want to keep the gold.

When senators start calling each other Machiavellian, it's time to pay attention: As Tennessee Republican Sen. Fred Thompson tries to get his investigation moving, he finds himself undercut—by both Democrats and his own Republicans. Granted, the former Watergate minority counsel erred in calling for \$6.5 million for his probe, largely to pay a staff of 80, including 35 lawyers. Given that the Justice Department's entire public-integrity section has just 30 attorneys, Thompson's request was hugely bloated. It also proved to be hugely useful for scared Democrats, who then felt free to attack his "runaway investigation." And it left Thompson's fairweather GOP friends fretting that his big budget means that he will investigate them, too. Senate Majority Leader Trent Lott publicly defends Thompson, but he doesn't like it: First, Republicans hate big budgets. Second, Lott is even less comfortable promoting Thompson, a potential presidential rival.

Where's the outrage? So for now, at least, the sideshow allows both sides to avoid the real matter, which is that neither really wants full-scale hearings. Not so, protests a top aide to Senate Minority Leader Tom Daschle. "The Republicans must just be made accountable." And what of the Democrats, who portray themselves as the angelic opponents of the cor-

rupt fund-raising system? Where is their outrage about apparent White House abuse of the system? Where is the devotion to accountability, at any cost?

It is, in fact, in short supply. "We've got to start by acknowledging there is a very real problem here," says Connecticut Democrat Joe Lieberman, who sits on the investigating panel. "You can feel the pressures and anxieties on my side. But you can run the risk of covering up the fact that there's a problem." Lieberman stands almost alone, save for New York Sen. Daniel Patrick Moynihan, who last week called for a special prosecutor to handle the mess. "[Democrats] are scared," he says.

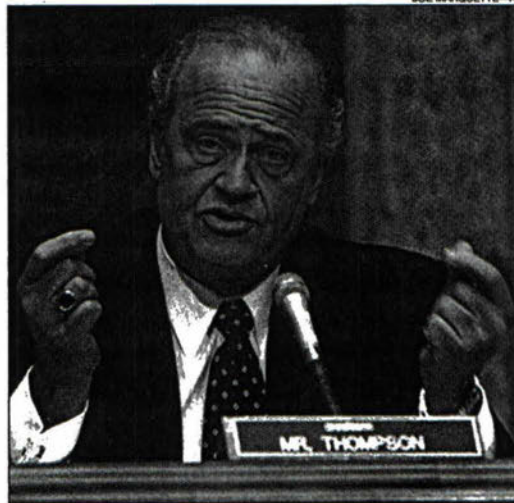
"Yet what we really should be afraid of is the judgment of the American people that we won't look into our own affairs."

But self-examination is precisely what Congress is trying to avoid. What scares Republicans is that Thompson's committee has agreed to investigate the 1996 campaign—at all levels. As in House and Senate races. Was it a coincidence that last week New York Republican Sen. Alfonse D'Amato came under attack in front-page stories for using money from a Senate campaign committee war chest for home-state local races? Call it a friendly warning from Democrats: You want to investigate Congress, fine. We'll bring the whole house down. Any doubt that Democrats would have trouble finding green-card holders who have given money to the GOP? Not a whit.

The obvious goal is real reform. In fact, the problem with this whole unseemly 1996 mess is that much of it was not against the law—which is precisely why some want to pre-

serve the status quo. If you're Kentucky Sen. Mitch McConnell, who now runs the Senate's GOP campaign committee and who may be the one person left in the universe who believes the system is perfect, why not sandbag reform? And if you're Minority Leader Daschle, looking to run the majority, wouldn't you be worried that Thompson's committee could hurt your chances of raising cash for 1998 midterm elections? "There will be more revelations that show the system is out of control," says Arizona's Sen. John McCain, who counts Thompson as his only GOP campaign-reform cosponsor. "The nervousness is increasing."

Washington, says Moynihan, "has become a fearsome place." So fearsome, in fact, that the Senate's choice comes to this: Is it worse to look cynical or to look crooked? Decisions, decisions.



Senator Thompson: Fund-raising investigator

Few senators really want full-scale hearings that could bring down the campaign system.

N A T I O N

JOHNNY COME OFTEN

Moneyman Chung came calling on the White House 49 times, often with his Asian friends, and the Democrats got \$50,000 for one visit

By MICHAEL DUFFY and MICHAEL WEISSKOPF

BILL CLINTON'S SATURDAY-morning radio broadcasts feel like messy family reunions. White House aides bring their kids and visiting in-laws over for happy snapshots with the President. No one wears a tie. For a few brief hours each week, the whole stuffy place feels more like a home than an office. So if six Chinese businessmen in dark suits standing near the back of the Oval Office looked a bit out of place on March 11, 1995, they were. Their admission had been bought and paid for.

It's one thing to pay to sleep in the Lincoln Bedroom or ride on Air Force One. It's quite another to pay \$7,000 a head to watch Bill Clinton deliver an eight-minute talk on radio. But that's what Johnny Chung, no stranger to the White House, apparently did. Democratic officials and lawyers for the California entrepreneur tell TIME that he gave \$50,000 to the Democratic National Committee in exchange for the invitation for him and six business friends from China to watch Clinton sound off on everything from welfare reform to college loans. Exactly how the deal evolved remains unclear. What is known from documents and interviews is that then D.N.C. chairman Don Fowler met with Chung in his office March 9, 1995; that he arranged for Chung and his entourage to attend the radio address two days later, even though other D.N.C. finance

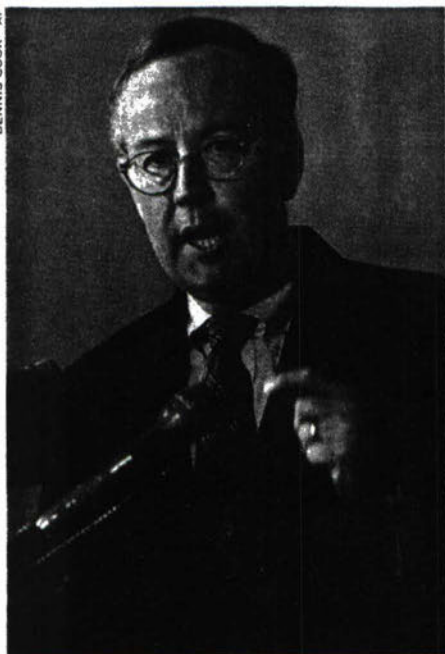
officials who had seen Chung separately had turned down his request; that the Chinese business executives Chung brought along were photographed with the President after his talk; and that the D.N.C. logged in a \$50,000 gift from Chung on March 17.

Fowler strongly denies that he personally intervened for Chung or discussed a donation in return for the invitation. Even so, Chung's Oval Office visit for the radio chat stands out even by the standards of Washington's cash-hungry politics. One of the city's enduring myths is that political contributions given on Monday have little to do with results on Wednesday. What happens between donor and recipient is often characterized as coincidental and tends to be handled with some finesse. It may defy all logic, but the myth is kept alive by the appearance of a carefully maintained barrier between quid and quo. But the alleged deal between Chung and the D.N.C. was an unusually explicit swap of money for access. And access, in this case, was literally the Oval Office. "It's not like Mr. Chung was dying to give the money," said his Los Angeles attorney, Brian Sun. "He was asked." Sun declines to provide details about who initiated the talk of a trade-off, how much was actually discussed and by whom.

Yet what is also clear—and disturbing—about this White House moment is that Chung was leading a delegation of foreigners, who by law are strictly forbidden to give money to the President's party. Did they help pony up the \$50,000, and if they didn't, did Chung get help from anyone



DENNIS COOK—AP



A SECOND STARR?

The Whitewater investigator, above, who said last week he would resign but then reversed himself, may have a counterpart in the campaign-finance scandal if Reno is persuaded by calls to expand the probe



else? White House officials deny any connection between Chung's frequent access and his contributions to the party, which total \$366,000 since 1994. They add that Clinton was puzzled by the presence of the Chinese businessmen and was uncomfortable posing with them for pictures.

The selling of the radio address is the latest setback for a White House already at the mercy of investigators it cannot control and fund raisers it claims to barely know. The White House was briefly elated last week when it learned that Whitewater special counsel Kenneth Starr was stepping down—only to discover a few days later that he had changed his mind. Even worse, Starr may soon have a doppelgänger. The Chung delegation's presence at the radio address is the most vivid in a string of possible payoffs for contributions that could compel Attorney General Janet Reno to appoint an independent counsel to investigate Democratic fund-raising practices.

And so just when Washington was trying to get a fix on John Huang and Charlie Yah Lin Trie, along comes Johnny Chung to make things really interesting. Chung, 42, who says he came to the U.S. from Taiwan with \$13 in his pocket, met Clinton in 1992, when after seeing a debate between Clinton and Bush, he got the idea that government offices could be a market for his fax

service. He went to Little Rock, Arkansas, where, according to the *Los Angeles Times*, he met Hillary Clinton after knocking on the door of the Governor's mansion.

CHUNG SOON CAME TO IDEALIZE the First Lady. He was possessed by a "Hillary fixation," a White House official says. The attention, if not the admiration, was mutual. Nearly half the 49 times Chung visited the White House, he was cleared by Hillary's office, according to Secret Service records. On the same week as the radio address, Chung brought his Chinese guests—heads of state-run petroleum and trading companies—to meet the First Lady and then eat at the White House mess.

Chung, in December 1994, escorted the executive of a Chinese beer company through the West Wing, carrying two six-packs and taking pictures as they went. His promotional brochures feature many photos of himself and the First Lady, including one with the beer executive, which, the *New York Times* reported, is on display on one of Beijing's busiest streets. "He became an irritant," says a White House official. "He took unfair advantage of the First Lady's office."

The larger, more troubling question of whether Democratic officials had illegally

seeded the campaign with foreign money was intensified by a *New York Times* examination of Chung's business income. His attorney Sun was quoted as saying that for his D.N.C. donations, Chung used some of the \$3 million he had received in consulting fees and from investors in his company, some of whom were Chinese. But Sun insisted in his interview with *TIME* that none of the \$50,000 gift exchanged for White House access came from the Chinese visitors. Instead Chung likened it to an investment—buying face for powerful business leaders who might return the favor by including Chung in deals back in their country. "He was trying to impress these guys by showing that he had contact at the White House," explained Sun. "If giving a contribution was necessary, why not?"

Either way, concern about "foreign involvement" led New York Senator Patrick Moynihan last week to become the first Democrat to call for an outside investigation. Others are certain to follow. Reno, who has already obtained the appointment of four independent counsels to probe Clinton Cabinet officers, has so far resisted in this case. She has yet to hear "allegations of criminal activity" about senior Executive Branch officials, says a Justice Department aide, which would require her to take the investigation away from a team of department

lawyers probing the fund-raising practices.

The White House no doubt agrees with her position—at least so far. But what the law requires and politics demands is often two very different things. And Clinton may find that it is simply better to bring in an outside investigator to get to the bottom of the mess than to spend some part of every week responding to the latest revelation. “An independent counsel would be a bad thing for the Administration, but this is already a bad thing,” says John Barrett, who worked for Iran-*contra* prosecutor Lawrence Walsh and now teaches law at St. John’s University in New York City.

Clinton seemed to dart back and forth last week between calm and indignation, insisting that his Administration had made no deals for dollars. He continued to call for campaign-finance reform, although at a fund raiser in New York on Tuesday, he sounded as if he were addressing Green Berets going into battle, instead of wealthy diners tucking into tenderloins, when he praised donors for being brave enough to attend a \$10,000-a-plate dinner at a businessman’s posh Upper East Side town house. “I appreciate the fact that you came here knowing you might be targeted for the exercise of your constitutional right to stand up and support the people you believe in,” Clinton said.

But if the dazed look in the eyes of White House officials is any guide, Clinton cannot let this go on indefinitely. D.N.C. chairman Roy Romer announced last week that the party will return more money to suspicious sources and donors once an internal audit has been completed. The party has already returned more than \$1.5 million, most of it raised by Huang, the zealous former D.N.C. vice chairman.

New evidence surfaces almost daily that the White House easily inserted its fund-raising interests into the policy machinery of government. The *Washington Post* reported last week that a small group of donors from the territory of Guam sent nearly \$1 million to the Democratic Party last year after Hillary visited the island briefly in 1995. Just over a year later, an Interior Department official recommended legislation that would loosen U.S. authority over the territory on such issues as immigration and labor standards—a proposal that some government officials attributed to the Guam Governor’s heroic fund-raising efforts.

The role of offshore money also might have played a part in an at-

tempt last year by the D.N.C.’s Huang to funnel \$250,000 to the Democratic Party through a Virginia-based business group. The *Washington Post* reported that Huang asked the Asian American Business Roundtable in Fairfax to act as a conduit for the money, whose source remains mysterious. For its services, the Roundtable was to receive an 18% slice, or \$45,000. But Roundtable vice president Rawlein Soberano declined Huang’s offer. Huang’s attorney has denied that the meeting ever took place.

For the White House, its best advantage at the moment is the setbacks the Republicans have suffered in their efforts to make something of Clinton’s fund-raising transgressions. Last week Huang and for-

mer Justice Department official Webster Hubbell, pleading the Fifth Amendment, declined to provide documents subpoenaed by the House investigation led by Representative Dan Burton of Indiana. In the Senate, Democrats and even some G.O.P. moderates have complained that Senator Fred Thompson badly overplayed his hand when he asked for a \$6.5 million hearing budget. Majority leader Trent Lott is already worried that the public sees the Hill probes as witch-hunts; he may, in a deal with Democratic minority leader Tom Daschle, end up shrinking the scope and duration of Thompson’s hearings.

But the White House’s biggest victory last week was delivered by its nemesis, independent counsel Starr. On Monday, Pepperdine University in Malibu, California, announced that it had hired Starr to be dean of its law and public-policy schools starting in August. That surprise cheered the White House and infuriated Republicans, many of whom had hoped Starr could slowly undo the Clintons’ grip on power with a string of indictments in the Whitewater affair later this year. Starr insisted that the investigation would go on without him, but well-placed sources noted that without the cooperation of Hubbell, Hillary’s former law partner in Little Rock, and of Whitewater partner Susan McDougal, Starr had been stymied. In other words, it was unlikely he would indict the President or his wife without the whole story.

Then, just as that deduction was sinking in, Starr reversed himself and decided to stay on as counsel indefinitely. “I think there was a fairly broad-based sense that I had made a mistake,” Starr said by way of explanation. But the damage had already been done. “He spilt the milk,” said former federal prosecutor Joseph DiGenova. “He’s picking it up.”

And that, as the proverb suggests, is almost impossible. Starr may yet bring indictments against Clinton aides who participated in a possible cover-up during the first term or perjured themselves in sworn testimony. But attention is shifting—from a scandal based partly on the hard-to-believe idea that Clinton tried to enrich himself to the easy-to-believe idea that he wanted to get re-elected. Clinton, everyone knows, cares little about making money. But when it comes to winning, he takes no prisoners. —With reporting by James Carney, Viveca Novak and Karen Tumulty/Washington

TALES FROM THE MONEY TRAIL

Donors and recipients try to make it appear that there is nothing between the quid and the quo



HILLARY AND GUAM A group from the island territory sent nearly \$1 million to the Democrats after the First Lady visited. The Administration later proposed loosening U.S. authority there



A GENEROUS CUT Did John Huang offer \$45,000 to Rawlein Soberano, left, to use his Asian American Business Roundtable as the conduit for \$250,000 in mysterious offshore money?

White House link to Paraguay probed

By Tom Squitieri
USA TODAY

A Miami businessman who has helped raise more than \$800,000 for Democrats visited the White House at least 12 times since April 1994.

In at least seven of those visits, businessman Mark Jimenez saw President Clinton, according to records obtained by USA TODAY. He also used the visits to lobby for continued administration support for Paraguay's government from a possible coup, the records show.

Since 1993 Jimenez and employees at his company, Future Tech International, have given more than \$800,000 to the Democratic Party, the Clinton/Gore campaign and other funds, White House and Democratic officials said. That includes \$100,000 to help restore Clinton's birthplace in Hope, Ark.

Jimenez, 50, was born in the Philippines. He is a legal resident of the United States and, therefore, permitted to make political campaign donations.

But the extraordinary access given to Jimenez underscores how big donors to the Democrats were able to gain access to Clinton's top advisers and, in some cases, attempt to influ-

ence U.S. foreign policy.

Congressional investigators are looking at three areas:

► Jimenez's links to the Paraguay government and his boasting of clout in influencing U.S. policy to that nation.

► The timing of Jimenez's contributions. ► Jimenez's association with Mark Middleton, an Arkansas businessman and former White House aide now active in U.S.-Taiwan trade. Middleton helped get Jimenez's access to the White House, Secret Service records show.

Middleton's name has repeatedly surfaced in links to several individuals under investigation in the growing fund-raising furor. A Senate committee has sent two subpoenas to Middleton seeking information.

Jimenez's name is listed prominently in those subpoenas as part of the Senate panel's demand for information. Information on Jimenez is also being demanded through 18 other subpoenas the panel sent out to others.

USA TODAY made repeated calls to the offices of both Middleton and Jimenez. Neither was available for comment.

Middleton first accompanied Jimenez to the White House on Sept. 15, 1995, and introduced

him to Thomas "Mack" McLarty, Clinton's first White House chief of staff.

Jimenez was described to McLarty as a businessman active in Latin America. His company sells millions of dollars of computer parts in Latin America, primarily in Paraguay.

That meeting made it easy for Jimenez to arrange other meetings with McLarty, White House officials said.

Congressional investigators have focused on Jimenez's White House visits in February and April 1996. They are looking to see whether Jimenez used those visits to lobby for U.S. support for Paraguay's President Juan Carlos Wasmosy, then followed up with campaign contributions to the Democratic National Committee (DNC).

The timetable according to White House notes and other DNC documents:

► On Feb. 5, 1996, Jimenez goes to the White House with Middleton. Also along is Carlos Mersan, adviser to Wasmosy. Information on Mersan is being sought in Senate panel subpoenas.

► On Feb. 6, Jimenez and Mersan return to the White House and meet with McLarty.



By Tim Dillon, USA TODAY

McLarty: Former Clinton aide introduced to Miami businessman.



By Sebastian Cozores, AP

Wasmosy: Aides sought U.S. support during coup attempt.

After about 15 minutes, McLarty calls in a State Department specialist on Paraguay.

► On April 4, Jimenez again meets McLarty and the State Department specialist. They are joined by another State Department person and a National Security Council expert to discuss a possible threat to Paraguay's democracy. Jimenez asks whether he can come back if he gets more information. "Of course," McLarty says, according to White House notes.

► On April 11, Jimenez returns, this time with Paraguay's ambassador to the United States. They tell McLarty a coup in Paraguay is imminent and ask for U.S. help in supporting Wasmosy. "No action resulted from these two meetings," according to White House notes.

► On April 22, a military coup begins against Wasmosy. Clinton calls Wasmosy, the first

civilian elected president of Paraguay in more than 40 years. Wasmosy goes to the U.S. Embassy in Asuncion, the capital of Paraguay, for protection. The White House issues a press statement in support of Wasmosy. The coup fails.

That same day, Jimenez sends \$100,000 to the DNC.

"Mr. McLarty met with Mr. Jimenez because he was an American businessman with substantial business activity in Latin America," White House spokesman Lanny Davis said. "Mr. McLarty legitimately and appropriately was interested in any information Mr. Jimenez might have about current events in Latin America."

Jimenez also uses the Miami law firm of Greenberg, Traurig, Hoffman, Lipoff, Rosen and Quantel. One of those partners is Marvin Rosen, who headed the DNC's finance operations.

MONDAY, FEBRUARY 24, 1997

USA TODAY

Essay

WILLIAM SAFIRE

Clintons' Data Base

WASHINGTON

You've long heard about "Emily's List" — a legitimate fund-raising operation created to elect women.

You'll soon be hearing more about "Hillary's List" — an unprecedented abuse of Federal power in political fund-raising. Officially called the White House Data Base (WhoDB), this computerized list of 355,000 names was compiled over the past four years at taxpayer expense to help the Clintons raise money to stay in power.

This political cybercorruption was directed from the top: "Both the President and the First Lady have asked me to make this my top priority," wrote White House aide Marsha Scott on Dec. 7, 1993. "Bruce [Lindsey] will be kept fully informed."

Fifteen months later, Mrs. Clinton's personal involvement in building her base is documented in a staff memo to Ms. Scott: "During the demo the First Lady mentioned that she would like to see the Miles Rubin rapid response list in the database."

Everybody who got favors or gave money was inputted. Lincoln bedroom overnights, Democratic National Committee fat cats in the Kennedy Center box, private guests at radio talks — all are still going in at a rate of 10,000 a month, many with children's names, dietary restrictions, special interests, and almost all with Social Security numbers and addresses.

Never has technology been married to power greed to produce such political gain. Despite an early planner's assurance that the data base was "government property and cannot be given to or used by a campaign entity," its central purpose has been fund-raising, and it has been wrongfully used by D.N.C.-paid White House "volunteers" to get payment for Clinton favors bestowed.

Representative David McIntosh told NBC's Lisa Myers "the taxpayer was fleeced"; his committee will focus on how Erskine Bowles built the Mailing List From Hell. But misappropriating \$1.5 million to match donors with favors is not all. What has gone unremarked is the rape of individual privacy.

Coded notations on thousands of files indicate whether somebody on the WhoDB is black, Jewish, Catholic, Hispanic, of Ukrainian or Chinese or other ethnic descent. You want a printout of Italian Jews from California who are gay and got a Clinton

holiday greeting? Just click on the demographic icon and cross the religious and ethnicity fields.

If you are in her data base, you may think that surely your file, containing private information about race and religion that universities and companies are prohibited from collecting about you, will be denied to anybody outside the White House.

You may be mistaken. Clinton lawyers have written Congress repeatedly that "the Privacy Act [5 U.S.C. 552a] does not apply" to the White House Office.

Unless successfully challenged,

Big Sister is watching you.

that means that the data will go on to the Clinton Library in 2001. There it will be available to all.

Think about that. Maybe you don't want everybody to know you're a Buddhist, or that you were in Washington on a certain weekend, or that you could afford a \$100,000 night in Lincoln's bed. Too bad: Hillary's list was created by public money and is a public record.

Think further. Suppose some unscrupulous Republican is elected President next time. He would have, by modem to the library, a vast and instantly retrievable "enemies list" — and know whom not to invite to a state dinner, or whom to solicit for how much to "get well" with him.

Ah, but maybe some upright archivist will insist the vulnerable half-million listees be protected from scholars, journalists, reformers and right-wing kooks.

Too late; I'll bet Hillary's data already have been copied to other CD-ROM's. And some mean hacker is getting set to attack the White House data base to download all the dossiers to the Internet's webhubbelsite.

If you're on Hillary's list, at best you'll be getting legal defense fund solicitations and offers to buy Clinton memoirs at irresistible discounts. At worst you'll be harassed by global telemarketers who will know your political inclinations, children's nicknames and donor history.

Enjoy it. You'll know which First Lady to thank. □

The New York Times

MONDAY, FEBRUARY 24, 1997

Burton Says White House Sought a 'Heads Up'

By Susan Schmidt
Washington Post Staff Writer

The chairman of a House committee investigating campaign finance abuses yesterday accused the White House of seeking a "heads up" from the Justice Department on investigative information that could involve top administration officials.

House Government Reform and Oversight Committee Chairman Dan Burton (R-Ind.) said he was "gravely concerned" to read over the weekend that the White House, citing diplomatic and national security concerns, recently sought and received information on whether the Chinese government had tried to illegally funnel money to the Democratic National Committee.

A Justice Department task force is investigating campaign contributions that may have been donated illegally by foreign sources. The DNC already has returned \$1.6 million in donations from questionable sources since last fall.

"Why is the Justice Department providing open case file information to the White House when the nature and extent of contacts between Clinton administration officials and foreign fund sources is not fully understood?" Burton wrote Attorney General Janet Reno yesterday.

"Certainly if the individuals at the Justice Department or any other agency or department who had this

information thought there was a need for the White House to have this information for national security reasons, they would have notified the White House on their own through the proper chain of command independent from pressure from the White House counsel's office."

But Bert Brandenburg, a spokesman for Reno, said "there was not a scrap of information that had a nexus with the criminal investigation" in the material sent to the White House. All the materials already had been supplied once in the course of routine transmissions of foreign counterintelligence by the FBI, he said. He refused to comment on whether the Justice Department withheld information relating to Chinese government attempts to direct political contributions.

White House spokesman Michael McCurry, responding to a similar letter from Burton, said the counsel's office had "sought information that would allow the president to carry out his national security and foreign policy responsibilities." The White House, he said, had asked that the information be "simultaneously provided to relevant congressional committees."

Brandenburg said he did not know whether that has been done.

In letters to Reno and White House counsel Charles F.C. Ruff, Burton asked for any records the Justice Department had provided

and all documents relating to brokering the release of the information to the White House. He asked for the records by Tuesday. A committee spokesman said Burton expects voluntary compliance but will issue subpoenas if the deadline is not met.

The Washington Post reported Saturday that the White House, citing foreign policy concerns, sought information about attempts by the Chinese government to direct foreign funds into DNC coffers. After protracted negotiations designed to protect the integrity of the criminal investigation, the Justice Department on Friday provided some materials to the counsel's office. A source familiar with the materials said they "shed no light" on whether the Chinese government was involved in such an effort.

The White House asked for the information as new Secretary of State Madeleine K. Albright was about to embark on a diplomatic mission to China, where she is scheduled to arrive today. The Chinese Embassy has denied trying to direct foreign money to the DNC.

In a letter faxed yesterday to Ruff, Burton charged that the Justice Department "inexplicably and in short order" provided records sought by the White House, giving officials there a "heads up in an open criminal investigation that potentially involved senior Clinton administration officials."

The Washington Post

MONDAY, FEBRUARY 24, 1997

Top of page:

Col 1: For the first time in known history, thousands of children are being charged with crimes against humanity; their role in the 1994 Rwanda genocide raises questions that may long haunt the blood-stained country. (RWANDA-CHILDREN, moving Monday).

Col 2: When researchers announced the first successful cloning of an adult mammal, they took a major, and by some reckonings a troubling tabloid step in the science of sex by breaking one of nature's basic biological taboos, scientists and medical ethicists say. (CLONE-TIMES, moved).

Cols 3-5: Photo of UCLA-Duke basketball game.

Col 6: Russian President Boris N. Yeltsin says he remains opposed to the expansion of NATO but predicts he will strike a compromise with President Clinton on the volatile issue when the two meet next month in Finland. (RUSSIA, moved).

Above fold:

Col 2: Gay men arrested by police in the 1940s, '50s and '60s for seeking consensual sex with other adult men have become the subject of law enforcement inquiry again as the result of California's recently enacted Megan's Law because they were required to register as sex offenders decades ago. (MEGANSLAW, moving Monday).

Cols 3-4: Extensive interviews with Democratic Party officials and finance workers indicate that the Democratic National Committee methodically hawked the opportunity to chat with President Clinton in the White House Map Room and sought specific sums from prospective participants, often as much as \$50,000. (DONATE-COFFEES, moved).

Col 5: A gunman opens fire on the crowded observation deck of the Empire State Building 86 floors above Manhattan, turning a Sunday of sightseeing into sheer terror; one person was killed and six others were wounded before the gunman turned his weapon on himself. (EMPIRE, moving).

Below fold:

Col 4: Colombians are doing in the international heroin market what they did with cocaine: lowering the price and raising the quality to capture a broad customer base. (COLOMBIA-HEROIN, moving Monday).

Bottom of page:

Cols 1-2: Local feature on state highways.

Cols 4-6: China's development has brought today's youth a sense of confidence and entitlement along with hints of alienation that is envied and resented by their elders. (CHINA-YOUTH, moving Monday).

The Fund-Raising Spotlight Shines on A
(Washn) By Doyle McManus and Alan C.

(c) 1997, Los Angeles Times 2/24/97

WASHINGTON When House and Senate committees conduct hearings on campaign finance abuses later this year, their main focus will be the Clinton presidential campaign of 1996. But Republican congressional leaders also have another target in mind: the Gore presidential campaign of 2000.

Vice President Al Gore, who hopes to succeed his boss as president, raised millions of dollars in "soft money" for the Democratic National Committee last year an effort that put him together with some questionable donors whose money since has been returned by the party and with some of those who solicited the funds.

Gore was embarrassed last year when it was disclosed that he appeared at a fund-raising lunch at the Hsi Lai Buddhist Temple in Los Angeles an event that the Democrats acknowledged should not have occurred at a place of worship and that also raised some questionable donations.

Now the vice president and his supporters are bracing for more congressional scrutiny of that incident and others from two years of determined fund-raising on his party's behalf.

Gore presided over 23 of the now famous White House "coffees" that were staged for big donors and other supporters; his wife, Tipper Gore, held at least four similar events at the vice president's government-owned residence. Among the guests at Gore's coffees in his office in the Old Executive Office Building in the White House complex: Roger Tamraz, a fugitive Lebanese businessman sought by Interpol on embezzlement charges stemming from the collapse of a Beirut bank he once chaired.

Gore presided over 23 of the now famous White House "coffees" that were staged for big donors and other supporters. His wife, Tipper Gore, was hostess for at least four similar events at the vice president's government-owned residence. Among the guests at Gore's coffees in his office in the Old Executive Office Building in the White House complex: Roger Tamraz, a businessman sought by Lebanese authorities on conspiracy charges.

A star attraction at DNC fund-raisers, Gore met with or spoke to some of the foreign-linked donors whose enormous contributions subsequently were returned, including Thai businesswoman Pauline Kanchanalak and Indonesian citizens Arief and Soraya Wiradinata. The vice president has known John Huang, the fund-raiser who brought in many of the troublesome Asian contributions, since 1989, when Gore then a U.S. senator met him in Taiwan.

The vice president wrote a warm letter on White House stationery praising a venture of the Lippo Group, the Indonesian company that once employed Huang and that has been at the center of the fund-raising storm. The Gore supporter who requested the letter said it would help cement a Lippo joint venture with his American company in China. A Gore spokeswoman described the letter as routine.

Aides to the Senate and House panels investigating the campaign finance issue said they plan to look into Gore's role and acknowledged that the inquiry could become an early skirmish in the next presidential campaign.

Sen. Fred Thompson, R-Tenn., chairman of the Senate Government Operations Committee and a potential GOP presidential candidate already has fired a shot across the vice president's bow. Subpoenas issued by Thompson's committee to dozens of potential witnesses two weeks ago demanded documents related to the Hsi Lai Temple event, at least one of Gore's coffees and Gore's letter praising the Lippo venture.

Gore is keeping a low profile on the issue, speaking out in favor of the campaign finance reforms that President Clinton has endorsed but avoiding questions about his own role. He declined to be interviewed for this article.

His spokeswoman, Lorraine Voles, said: "The vice president attended a number of fund-raisers that were sponsored by the DNC, and he relied on the DNC to (check) participants in those fund-raisers. Obviously, there have been a number of problems. The president and the vice president have asked the DNC to tighten up its procedures."

Voles said Gore views the issue as "a distraction from the real work he and the president are doing."

"He knows that members of the opposition will use these events to exploit the issue," she said. "When someone questions your reputation, that's painful. But he has a very solid reputation in this town and it's intact. So he's just going to continue working in the best interests of the American people."

"Gore's got a pretty thick shield in terms of integrity," said Carter Eskew, a Democratic media consultant who has worked closely with

people think he's an honest guy." NBC News-Wall Street Journal poll found that 45 respondents rated Gore's ethical standards as "high" or very high." On the same question, Clinton scored 31 percent. But some Gore supporters worry that the campaign finance issue could puncture the vice president's armor.

"The damage that's been done to him is that you have someone who was so pristine ... that any allegation is in stark relief to the view that people hold of him," one said.

"Obviously Fred Thompson has a major goal and a minor goal," said another. "His major goal is to catapult himself into stardom on the national political stage. His minor goal is to destroy the person he may see as his principal opponent in 2000, Al Gore."

The Hsi Lai Temple event on April 29, 1996, was sponsored by the party's Asian Pacific American Leadership Council. Members contributed at least \$2,500 each to join the group. Gore had met with the council's members at least once before, at a fund-raising breakfast in Washington.

The two principal organizers of the temple visit were familiar faces to Gore as Democratic fund-raisers: Huang and Los Angeles entrepreneur Maria Hsia.

When the temple event became public knowledge, Gore initially said he believed that it was merely "a community event." But later, after documents surfaced showing that the Democratic Party had briefed Gore aides about it in advance, the vice president's spokeswoman acknowledged: "He knew it was a finance-related event."

Supporters and foes alike agree that Gore's initial failure to be more forthcoming may be as damaging as his attendance.

Republican congressional investigators also are focusing on a 1994 episode in which Gore sent a letter to one of the top executives of Lippo the Indonesian conglomerate that then employed Huang supporting a joint venture with an American company.

The Fund-Raising Spotlight: Al Gore's Dilemma (Washn) (c) 1997, Los Angeles Times 2/24/97

WASHINGTON Vice President Al Gore's career in politics he was elected to the House in 1975 at the age of 27 embodies the dilemma of many reform-minded Democrats: He has supported changing the campaign finance system even as he raises millions of dollars under the rules he denounces.

"In Congress, he was an aggressive fund-raiser but he was also very good on the campaign finance issue," said Ann McBride, president of Common Cause, an independent lobbying group that has focused on campaign reform.

Between 1983 and 1992, Gore raised nearly \$2 million from political action committees, including substantial sums from those representing labor unions, communications and insurance companies and pro-Israel organizations.

Then-Sen. Gore met John Huang of Lippo, the Indonesian conglomerate, in 1989, when he joined a delegation of Asian-American Democratic fund-raisers on a trip to Taiwan. Huang donated \$1,000 to Gore's Senate re-election campaign later that year. Another fund-raiser who helped orchestrate the tour, Los Angeles entrepreneur Maria Hsia, donated \$2,000.

As Democratic strategists looked toward the 1996 election, they counted on the vice president to play a major role in their fund-raising efforts.

At one White House meeting, Democratic Finance Chairman Marvin Rosen said the party could reach its ambitious \$125-million "soft money" fund-raising goal only if it "had the president's time and the vice president's time," a participant recalled.

An internal Democratic National Committee document dated January 1996, proposed 49 events for Gore around the country and noted that in addition "we request two dinners in (Washington) D.C. each month."

Democratic records show that Gore appeared at 40 fund-raisers for the party, ranging from intimate dinners with fewer than 10 donors to large gatherings with 1,300. Some contributors could rub shoulders with the vice president for as little as \$1,000; others paid \$12,500 for a ticket.

Some Clinton, Gore Coffee Mates Had Brushes With the Law (Washn) (c) 1997, Los Angeles Times

WASHINGTON Those who attended the now famous White House coffee klatches got plenty of time to air their views with President Clinton and Vice President Al Gore.

Jonathan Slade, a Washington lobbyist for MWW/Strategic Communications of New Jersey, attended a reception with Gore in the Executive Office Building on May 2. The year before, Slade was hired to help obtain a visa for Zaire President Mobutu Sese Seko even though the State Department had accused the African leader's security forces of torture and "extrajudicial killings" and despite Clinton's ban against any Zairian official entering the United States. Mobutu did not get a visa. Slade emphasized his work on the Mobutu visa lasted only a month.

Records show that Slade's company gave \$4,400 to the Democratic National Committee in the months before and after the coffee.

Roger Tamraz, whose New York-based oil company gave \$50,000 to the DNC, had coffee with Gore on Oct. 5, 1995, and Clinton on April 1. Tamraz is a former financier wanted on a 1989 international warrant stemming from his tenure as the head of one of Lebanon's largest banks. The bank collapsed and Lebanese officials want him on charges of conspiracy and embezzlement. charges Tamraz has characterized as "harassment."

When news of his guests first broke, Clinton said it was "clearly inappropriate" for him to have met with Wang Jun, the head of a Chinese company that was under investigation for illicit arms trading at the time of a Feb. 6, 1996, coffee. Jun's visit was arranged by Charlie Trie, a Democratic fund-raiser who is the subject of Justice Department and congressional investigations.

White House deputy counsel Lanny Davis also has conceded that it "was not appropriate" for the president to sip coffee with Eric Wynn just a few months after his second conviction for penny-stock fraud. Wynn was fined \$50,000 and sentenced to more than four years in prison, but was free on appeal at the time of his Dec. 21, 1995, coffee.

Another coffee mate for Clinton was John Catsimatidis, a Manhattan millionaire who owns the Red Apple Cos., which control oil companies and New York's largest grocery chain. In 1991, a division of Red Apple pleaded no contest to 100 counts of possession of eavesdropping devices and paid a \$1 million fine in what was then the largest illegal-wiretapping case in Pennsylvania history one a deputy attorney general attributed to a "corporate criminal mentality."

Catsimatidis, who also appears on the White House presidential dinner list, said he had no knowledge of the bugging operation at his own company. He gave the DNC \$25,000 last June, eight months after meeting with Clinton in the Map Room.

Campaign Officials Say Coffees Were Hawked Like Products (Washn) By Glenn F. Bunting and Ralph Frammolino (c) 1997, Los Angeles Times 2/24/97

WASHINGTON After last month's disclosure that President Clinton and Vice President Al Gore had hosted 98 coffee klatches for Democratic supporters during the past two years, White House officials insisted that the private receptions were not fund-raising events and that none of those who attended were solicited in advance for contributions.

"We don't sell access," said Lanny Davis, a White House deputy counsel.

Amy Weiss Tobe, a spokeswoman for the Democratic National Committee, which sponsored most of the gatherings, was equally blunt. "There were no price tags for White House coffees," she said.

But extensive interviews with party officials and finance workers indicate that the DNC methodically hawked the opportunity to chat with Clinton in the White House Map Room and sought specific sums from prospective participants, often as much as \$50,000.

Indeed, numerous Democratic campaign officials acknowledge now that the committee's fund-raising staff under intense pressure from the White House to develop new sources of money for the high-budget national campaign last year resorted to peddling the presidential coffees like products.

"In light of new information, it appears that some may have tried to put a price tag on coffees at the White House," Tobe said Friday. "This is completely inappropriate and against DNC policy."

New accounts detailing the selling of the coffee gatherings show they went well beyond the traditional use of the White House by a sitting president to rally support for his campaign. In their zeal to raise an unprecedented \$120 million in "soft money" for a massive media blitz and other activities, officials in the administration and the

national party appear to have disregarded the line that separates the general courting of political supporters from direct marketing of White House amenities.

"It is outrageous," said Charles Lewis, executive director of the Center for Public Integrity, an independent watchdog group. "This is an example now of a quid pro quo: you give the cash, you get to see the president."

The hold use of the coffee klatches and several other kinds of presidential invitations are expected to be among the most difficult and politically embarrassing aspects of the current fund-raising controversy for the White House and Democratic leaders to explain as the Justice Department and congressional committees press investigations.

The practices may also pose a test for campaign laws.

Legal experts agree that it is a violation of federal statutes to promise a government benefit in exchange for political activity such as a contribution. However, the statutes are murky and rarely applied.

"This is unprecedented legal territory," said Trevor Potter, former chairman of the Federal Election Commission. "We have not been presented in the past with an instance of a White House putting a specific price tag on official meetings with the president and top government officials."

New accounts of the once-modest White House gatherings show how they suddenly became such a campaign phenomenon and now such a problem for the administration.

The coffee receptions were started in early 1995 as a way for Clinton to re-energize disaffected Democratic fund-raisers following the Republican landslide in the 1994 congressional elections. But as the 1996 campaign approached, Democratic staff members now acknowledge, the pressure to raise money transformed the hourlong chats with Clinton and Gore into a station in a fund-raising process in which wealthy donor candidates were systematically fed through and, in some cases, solicited for contributions.

The result was not only lucrative, according to some involved, but occasionally bizarre: sometimes the political equivalent of the bar scene in the film "Star Wars." The president and vice president were surrounded by rotating casts of rich strangers with unknown motives or backgrounds, including some from faraway places who didn't speak the same language.

Among those who sipped beverages with the nation's commander in chief were a lobbyist who fought to get Africa's most corrupt strongman into America, a Chinese arms company official, a convicted stock swindler and a multimillionaire forced to pay a huge fine for illegally wiretapping his work force.

White House officials stressed that the president neither solicited checks at any time nor knew that Democratic fund-raisers were setting prices for the coffees.

"I'm sure the president would regret any effort to market access ... to the White House (or) a coffee," said White House press secretary Mike McCurry. "But he understands that fund-raisers were working in an environment in which they thought they had to make up a disparity that existed between Democratic fund-raising and Republican fund-raising."

At the same time, White House officials are remaining mum about another part of the fund-raising machine: the "Presidential Dinner List."

Citing privacy concerns, they have refused to release the names to Rep. David M. McIntosh, R-Ind., chairman of a House subcommittee investigating political use of a White House computer database.

However, a copy of the dinner list obtained by the Los Angeles Times, dubbed "PDL" in the computer, shows nearly 900 celebrities and donors targeted for dinner invitations at the executive mansion.

They included Hollywood stars such as Glenn Close and Lauren Bacall, athletes such as Mickey Mantle and Jack Nicklaus and major DNC contributors such as film mogul Steven Spielberg, who has raised millions of dollars for Democrats; New York businessman Dirk Ziff, who gave \$380,000 to the DNC during the past two years, and San Francisco businessman Walter Shorenstein, who donated \$285,000.

"The fact is that Clinton enjoys having interesting, bright, successful people into the residence for dinner," McCurry said. He added, "The dinners also were a perk that were given to people who had demonstrated some level of support or success in building support."

But no donor perk was marketed more aggressively than the coffees. Four current or former DNC fund-raisers told the Times that committee finance staffers were instructed to try to turn invitations into donations for up to \$50,000, although many recipients would up

paying considerably less. The Times reported earlier that donors who attended the coffees contributed a total of \$1.5 million to the DNC during the 1995-96 election cycle.

Feingold Backs Independent Counsel in Fund-Raising Flap (Washn) By Melissa Healy (c) 1997, Los Angeles Times 2/24/97

WASHINGTON The Democratic co-sponsor of a sweeping campaign finance reform bill said Sunday that he supported appointing an independent counsel to investigate mushrooming allegations of fund-raising improprieties during the 1996 election cycle, including questionable practices by officials on President Clinton's White House staff and the Democratic National Committee.

"Regrettably, I think we've come to the point where, under the discretionary powers of the attorney general, we probably do have to go to a special counsel," said Sen. Russell D. Feingold, D-Wis.

Feingold was joined in his approval of an independent counsel by the campaign finance bill's GOP co-sponsor, Sen. John McCain of Arizona, as well as Sen. Mitch McConnell, a Kentucky Republican who heads his party's senatorial fund-raising efforts. All appeared on NBC-TV's "Meet the Press."

A White House spokeswoman Sunday declined comment on Feingold's call for an independent counsel.

So far, Attorney General Janet Reno has refused to transfer the fund-raising investigation out of her office. But Feingold joined a growing chorus of Clinton allies calling for an independent counsel. Earlier this week, Sen. Daniel Patrick Moynihan, D-N.Y., said he believes that only such a counsel can credibly investigate whether laws were broken by senior Clinton administration officials.

McCain, who previously has urged Reno to appoint an independent counsel, Sunday termed such a move "inevitable."

He also predicted there would be a political price to pay if Congress fails to pass a campaign finance bill this year, given the escalating controversy surrounding the issue.

"A lot of my colleagues say they're for campaign finance reform, only not ours," McCain said, referring to the measure he authored with Feingold. "We're willing to sit down and negotiate."

But the impetus for such reform, McCain added, "is not going to come from inside the Republicans in the Senate, because they're the majority party, to be very frank.... It's going to come ... from outside the Beltway in the disgust and anger and cynicism of the American people."

The McCain-Feingold bill would create voluntary campaign-spending limits; candidates acceding to the restrictions and who agree to raise 60 percent of their funds from within their own state would be rewarded with free television time and reduced postal rates for advertising.

The bill also would ban so-called soft money, the unlimited contributions allowed to party committees and the practice at the heart of the controversy. Additionally, the measure would prohibit political action committees from contributing to candidates for federal office.

A glimpse of the struggle the bill may face was provided Sunday by McConnell, who is one of Congress' most vocal foes of campaign finance reform.

McConnell, head of the Republican Senate Campaign Committee, called the McCain-Feingold bill "well-intentioned," but "blatantly and thoroughly unconstitutional." He vowed to filibuster the measure if it ever comes to the Senate floor for a vote.

The bill's provisions, McConnell argued, would "actually take a hunk out of the First Amendment for the first time in 200 years ... (and) put the government in charge of political discourse, political speech, in this country. That's really a Draconian step in the wrong direction, and I'm unalterably opposed to it and I don't believe it will pass."

A filibuster by McConnell would require backers to have 60 votes to proceed. Feingold said additional co-sponsors have been added in recent months, boosting the measure's likelihood of passage.

Also Sunday, Colorado Gov. Roy Romer, the new chairman of the Democratic National Committee, acknowledged that three people on the group's payroll are still doing advance work for the White House, but he said he hopes such co-mingling of responsibilities will be halted.

Last week, the White House, under fire for its problems in keeping political and official activities separate, announced that it would stop paying five employees from DNC political funds. They were shifted to the White House payroll.

But Romer said on ABC-TV's "This Week" that the White House and DNC have yet to decide about three others who do advance work

administration but are paid by the Democratic

Albright Gets Off to Flying Start as Secretary of State (Tokyo) By Tyler Marshall (c) 1997, Los Angeles Times

TOKYO If part of successful diplomacy is creating the right atmospherics, Madeleine Albright is off to a great start.

One month into her job as secretary of state, she has capitalized on her star quality, plain talk (in several languages), savvy and a slight seasoning of what the British would call cheek to charm her counterparts from Rome to Tokyo on her first foreign trip—a foray that is laying the groundwork for the United States global agenda under her leadership.

Monday she completes an 11-day, nine-nation tour in Beijing, where she will meet Chinese leaders on the eve of "paramount leader" Deng Xiaoping's funeral. The Chinese signaled they want the visit to go ahead but also want it completed in one day rather than two so she can leave before the ceremony from which foreigners are excluded.

Albright said Sunday that she will complain to the Chinese leaders about the country's record of violating human rights, but she added that the United States must continue to do business with Beijing despite its repressive policies. Appearing on ABC-TV's "This Week," she said the Chinese "expect me to raise human rights and I will."

So far, Albright's profile could hardly be higher or the pace of her journey quicker. At one point, she quipped that she was moving so quickly from country to country that her soul and body were in different places. Along the way, her countenance has graced the front pages of major newspapers at virtually every stop.

"Welcome to Brussels, Madeleine!" shouted Belgium's leading French-language daily, *Le Soir*, as she arrived there, while the conservative *Le Figaro* in Paris commented simply, "Red Carpet in Paris for Madeleine Albright."

Albright's penchant for plain speaking led the media in several countries to dub her "the Iron Lady," a sobriquet once associated with former British Prime Minister Margaret Thatcher. But Albright's style is not so much iron as an amalgam of several components, both soft and hard.

After more than four hours of meetings with Albright in Moscow, Russia's normally sardonic foreign minister, Yevgeny M. Primakov, smiled briefly as he referred to Albright as "an iron lady, but a constructive lady."

Whatever its components, Albright's way of doing business, her language skills she has spoken four on this trip: French, Russian, Czech and English and the sparkle she brings to the normally staid blue-suit world of diplomacy have all helped warm the atmosphere.

Thousands of People Mass for Deng Funeral Cortège (Beijing) By Rone Tempest (c) 1997, Los Angeles Times

BELJING, Feb. 24 Thousands of people massed outside the 301 Military Hospital on the western edge of Beijing Monday morning as the family of Deng Xiaoping and a small group of senior leaders and friends paid their final respects to China's paramount leader in a private funeral ceremony.

Shortly after 9:30 a.m., military pallbearers placed the casket containing the leader's remains into a waiting Toyota van. Then the 30-car cortège, led by a Mercedes limousine containing Deng's family, began the 1.5-mile journey along the capital's central Changan Boulevard to Babaoshan, the Beijing cemetery reserved for revolutionary heroes, where Deng was to be cremated later in the morning.

Along the route, tens of thousands more people—many wearing white paper flowers, which are a symbol of mourning, or holding up portraits of the dead leader—lined the sidewalks eight and nine deep as the cortège filed past under heavy security. Several raised banners, including one that said, "Let's Say One Last Time: Hello Xiaoping."

The slogan repeated the phrase that greeted Deng, at the height of his glory as China's paramount leader in 1984, when he rode in an open car in a National Day parade at Beijing's Tiananmen Square before an adoring populace of several hundred thousand.

Outside the ornate gate of Babaoshan "Eight Treasures Mountain" a hushed crowd of at least 20,000 people craned to view the procession as it entered the heavily guarded grounds. Some climbed into cottonwood trees across the street from the cemetery or stood on the seats of their propped-up bicycles. Men raised children on their

shoulders to witness the procession.

The private funeral ceremony at the elite military hospital, to be followed by a nationally televised memorial at the Great Hall of the People on Tuesday, was not officially announced by the government. Officials are mindful that the death of another senior leader, Hu Yaobang, sparked massive demonstrations in Tiananmen Square in 1989.

At the hospital, one wheelchair-bound man, Wang Yongbin, tearfully watched the cortège depart. "I'm seriously ill," he said, "but I wanted to say goodbye to the leader who brought us so many changes."

Many of the mourners lining the route appeared to be organized by Communist Party work units bused in for the occasion. Plainclothes police mixed among the crowd, which swelled as commuters and workers exited from a nearby subway station.

"Deng Xiaoping was a great man who survived many hardships to lead our country," said Hu Ziyong, owner of Love Heart (Ai Xin) restaurant near the military hospital, where Deng died Wednesday at 92. Deng is survived by his wife and five children, including a son, Deng Pufong, who was paralyzed after he was thrown from a window at Beijing University during the turmoil of the 1966-76 Cultural Revolution.

Yeltsin Predicts Compromise Over NATO Expansion (Moscow) By Richard C. Paddock (c) 1997, Los Angeles Times

MOSCOW Russian President Boris N. Yeltsin said Sunday he remains opposed to the expansion of NATO but predicted he will strike a compromise with President Clinton on the volatile issue when the two meet next month in Finland.

Declaring himself "fully recovered" from the ailments that have sidelined him since last summer, Yeltsin chose the occasion of an important military holiday—the Day of the Defender of the Fatherland—to reassert his power and Russia's position in international affairs.

"We must not allow confrontation between East and West during this period," he said during a rare encounter with reporters. "It has already happened more than once that we failed to find a chance to make peace with each other. This opportunity should not be missed."

Walking steadily, speaking clearly and appearing more vigorous than he has in many months, Yeltsin laid a wreath at Russia's Tomb of the Unknown Soldier and then answered reporters' questions for the first time this year.

While opening the door to a compromise with Clinton, Yeltsin insisted he has no intention of yielding in his opposition to the eastward expansion of NATO. Among the countries under consideration for membership in NATO are Poland, Hungary and the Czech Republic.

"We are against NATO's expansion to the east, in the direction of the borders of the Russian Federation," he said. "We are firm in our position. Our task now is to stall it as long as possible."

By delaying a decision to expand NATO, Yeltsin said he hopes to "erode" the drive to add new members to the Western military alliance.

Nevertheless, Yeltsin said he will keep the commitment he made Friday to visiting Secretary of State Madeleine Albright that he will seek to reach a compromise on NATO at the Helsinki meeting, scheduled for March 20-21.

"We have agreed to look for a compromise," he said, "and I think we will find this compromise at the summit we are holding with President Clinton."

Yeltsin, declaring that his period of illness is over, said he lost 57 pounds as a result of his November heart bypass surgery and a subsequent bout with double pneumonia.

"You can now say my sickness has passed," he said. "Now I just need to regain some of my strength. I am fully recovered. That's it."

Deflecting calls for his resignation, the 66-year-old president sought to demonstrate that he is back in charge and suggested he may seek revenge against those who tried to oust him during his recuperation.

"I feel that my head is thinking well and clearly," said Yeltsin, standing hatless in the freezing weather. "They should know I am a fighter and I remain a fighter. They shouldn't attack me too hard because I can hit back."

Later in the day, thousands of Communists and nationalists critical of Yeltsin marched through central Moscow in honor of the popular holiday, once known as Red Army Day. Many carried banners with such slogans as "Ban NATO" and "Yankee Go Home From Europe."

In recent weeks, Yeltsin's top defense officials have said the once-proud military is in such a state of disintegration that it could

DNC employees still on White House rolls

By Lance Gay
SCRIPPS HOWARD NEWS SERVICE

Democratic National Committee payroll records show three additional party employees are still working with the White House arranging President Clinton's trips, said committee Co-Chairman Roy Romer yesterday.

Mr. Romer, the governor of Colorado, said he only learned that DNC employees were working at the White House after reviewing the DNC budget when he and Co-Chairman Steve Grossman took over the party's top post last month.

The White House announced last week that it was transferring

four DNC employees to the president's payroll, but Mr. Romer said yesterday on ABC's "This Week" that there are three additional DNC employees working with the president's advance teams, which set up trips for Mr. Clinton, Vice President Gore and their wives.

"There are others; there are not just four. There are, I think, two or three people who are not in the White House but are out doing advance work," Mr. Romer said.

White House spokeswoman Mary Ellen Glynn said the three DNC employees are used "more sporadically than anything else," now that the campaign is over and presidential political trips are not as common as they were last year.

Unlike the four other DNC employees, she said, the three still paid by the DNC don't have office space at the White House, don't use the White House computer system and don't have regular White House passes.

Mr. Romer said he didn't think it was proper for DNC employees to be working in government agencies, although he noted the White House had produced an opinion from a Reagan administration counsel that says the practice is legal.

"We ought not do it," Mr. Romer said. "I think it's best that you not have people on the DNC payroll over in the White House, where people are going to say, 'Well,

what's this? Are they doing political work or government work?'"

Miss Glynn said the White House is examining the status of the three DNC employees, but noted that Mr. Clinton still occasionally presides over Democratic fund-raisers on his trips. During a trip to New York last week, Mr. Clinton appeared at a \$1.2 million fund-raiser sponsored by the Democratic Senatorial Campaign Committee.

The dispute has touched off a controversy on Capitol Hill, where Rep. David McIntosh, Indiana Republican, is investigating charges that DNC fund-raisers had access to a White House computer system.

The Washington Times

MONDAY, FEBRUARY 24, 1997

The hero Anthony Lake has forgotten

By R.T. Davies

National Security Adviser W. Anthony Lake and his sponsors have launched a campaign to assure his confirmation as Director of Central Intelligence. According to press reports, Mr. Lake is lobbying influential retired CIA officials and promising to revitalize that agency's covert-operations directorate. These reports do not, however, mention a responsibility of Mr. Lake, the neglect of which throws a sharp light on his attitude towards those who choose to help our government gather intelligence, and, in particular, towards a man who rendered enormous service to CIA and now looks to that agency and the U.S. government for their assistance. Since 1994, Mr. Lake and his National Security Council have been responsible for that man's case, but have failed to help him.

The man is Col. Ryszard J. Kuklinski, who, in 1972-1981, turned over to CIA more than 30,000 Soviet documents, containing the highest secrets of the Soviet and Warsaw Pact military establishments: They included the full battle plans for the invasion of NATO territory; in 1980-81, the contingency plans for Warsaw Pact invasion of Polish territory, to be used if the introduction of martial law had led to extended armed resistance within Poland; and the order of battle that Gen. Wojciech Jaruzelski, the last dictator of communist Poland, had approved for the war he declared in December, 1981, on the Polish people and Solidarity.

For nearly 10 years, Col. Kuklinski risked his life day in, day out because he was convinced the national interests of Poland were not served by plans that would pit Polish troops against NATO forces and open Polish territory to nuclear attack. He risked his life and jeopardized the futures of his wife and

R.T. Davies, a retired Foreign Service Officer, was ambassador to Poland from 1973 to 1978 and director of the HUMINT Tasking Office, National Intelligence Tasking Center, 1979-1980.

children without asking his American collaborators for anything—not for money nor for eventual asylum in the United States. Finally, in 1981, he was forced to leave his homeland one step ahead of the counterintelligence agents who, by that time and through no misstep of his own, were hot on his heels. He now lives in the U.S. and is an American citizen.

But this man has now apparently

He risked his life without asking his American collaborators for anything.

been relegated to the memory hole by the government he served so exceptionally — our own — as well as to continuing obloquy and pursuit by the government of the state he sought to protect by making known to the West the plans of its Soviet overlord and that overlord's Polish subordinates.

In 1984, a tribunal of the Warsaw Military District condemned Col. Kuklinski to death for treason. Former Polish ambassador to the U.S. Romuald Spasowski, former Polish ambassador to Japan Zdzislaw Rurarz, the former Director of the Polish Service of Radio Free Europe Zdzislaw Najder, all of whom had defected after the imposition of martial law, were given the same sentence by civil courts. After the fall of Polish communism in 1989, the sentences on Spasowski, Rurarz, and Najder were annulled and they were rehabilitated. The sentence on Col. Kuklinski, however, was commuted to 25 years of imprisonment.

In 1995, the acting president of the Polish Supreme Court reviewed the sentence on Col. Kuklinski and found it was based on insufficient evidence. He remanded the case to the military procurator, the equivalent of our judge advocate general, for such further action as he deemed fit. In November, 1996, the

Procuracy summoned Col. Kuklinski to come to Warsaw for interrogation. When he declined, the investigating officer told his Warsaw lawyer that the Procuracy intended to pursue him vigorously on a charge of espionage.

The Polish government wants above all else to join NATO. Why does the U.S. government not use this enormous point of leverage to obtain a discontinuance of the proceedings of the Military Procurator and the same kind of rehabilitation of Col. Kuklinski as was granted the two ambassadors and Prof. Najder?

In June, 1994, before President Clinton visited Warsaw, an official of Mr. Lake's NSC, Ambassador Richard Schifter, telephoned me to say he was in charge of the Kuklinski case. I suggested the president raise with President Lech Walesa the question of doing justice to Col. Kuklinski, who had become an American citizen in 1986. The president did not do so. Instead, Amb. Schifter took his case up with the Polish minister of national defense, Adm. Kolodziejczyk, one of Gen. Jaruzelski's closest associates, who was not inclined to be responsive. Last month, I asked Daniel Fried, the NSC official now responsible for relations with Poland, whether our government is prepared to give the case the necessary priority to get it resolved. Mr. Fried said "we" have other objectives we wish to attain with the Poles, but he would "continue to follow" it.

Low-level representations, like those of Amb. Schifter and Mr. Fried, simply signal the Polish government that the United States is not prepared to use its muscle and does not care enough to offer effective opposition to the efforts of Gen. Jaruzelski and his comrades-in-arms to avenge themselves on Col. Kuklinski.

For there is no doubt that the instigators of the continuing pursuit of Col. Kuklinski are Gen. Jaruzelski and his colleagues, retired and active, from the leadership of the armed forces molded by the Soviet marshal, Konstantin Rokossovski, who was Polish minister of national defense from 1949 to 1956. Gen. Jaruzelski is responsible for giving the orders that resulted in the deaths

of 44 striking workers in Gdansk in December, 1970, and of some two dozen workers who protested the imposition of martial law in December, 1981. In 1989, when he was compelled to agree to free multi-party elections, he began to fashion a public image for himself as the man who saved Poland from Soviet invasion by declaring martial law. In fact, in December, 1981, he was still pleading with Soviet leader Leonid Brezhnev to guarantee a Soviet invasion if martial law should evoke a violent popular response by Polish workers. Gen. Jaruzelski did exactly what his Soviet masters wanted him to: used his army to "restore order" and saved the Soviets from the very risky necessity of having to expose their troops to infection with the "Polish disease."

This is the man whom the NATO ambassadors in Warsaw now invite to their diplomatic receptions, as the American ambassador did to his election-day vigil last November.

Who is our friend — Col. Kuklinski or Gen. Jaruzelski? Devious Central-European minds wonder whether the U.S. government, cognizant of the great influence Gen. Jaruzelski and his comrades-in-arms still wield over the Polish military, has decided to make its peace with them and drop Kuklinski down the memory hole.

Is Mr. Lake seeking confirmation as Director of Central Intelligence while consigning one of the bravest and most productive intelligence sources in CIA history to oblivion? Is this a harbinger of his attitude towards those who choose to help the United States? What kind of message would this send such invaluable human sources in the future?

There should be an opportunity to explore these questions at the confirmation hearings scheduled to be held next month by the Senate Select Committee on Intelligence. We owe it to Col. Kuklinski to help him get back his good name and enable him, without fear of arrest and imprisonment, to visit the homeland he served so valiantly. We also owe it to our own standards of loyalty and responsibility to those who have risked their lives for us. It is high time we paid those debts.

The Washington Times

MONDAY, FEBRUARY 24, 1997

Hotline 2/24/97

DOMESTIC AFFAIRS: A GREEN MONEY MACHINE?

BOSTON GLOBE's Kranish reports that "at least" two Hill cmtes are investigating whether Lehman Brothers DC dir. Ernest Green, was involved in arranging a meeting between Chinese arms dealer Wang Jun and Pres. Clinton. Investigators for the House Rules cmte and Senate Gov't Affairs cmte are "interested in Green in part because Green initially denied that he had met" with Wang. Now GOPers say a letter from Green to Wang written in 11/95 demonstrates the two met in Hong Kong on business before a 2/96 WH meeting. The letter by Green was also used by Wang to get a U.S. visa. The day after Wang met with Clinton at a 2/6/96 coffee, Green gave \$50,000 to the DNC (2/24).

DODD-HUANG LINKED: CT businessman James Belcher, who donated \$50,000 to the DNC, says his contribution was solicited through ex-DNC fund-raiser John Huang -- and ex-DNC chair/Sen. Chris Dodd (D-CT) was his link to Huang. Dodd has "repeatedly denied having anything to do with Huang's efforts." But Belcher has told "two separate sources that Dodd brought him together with Huang." Belcher, to the Hartford Courant: "Huang followed up on my request to Dodd. I got involved with the whole thing through Dodd." On 2/21, Dodd spokeswoman Jennifer Greeson "insisted that Dodd had nothing to do with bringing Belcher and Huang together." Roll Call reported on 2/20 that Belcvher's \$120,000 in contributions to the DNC last cycle "came after Dodd intervened on his behalf" with the State Dept. (Henry, ROLL CALL, 2/24). ROLL CALL editorial: "Despite diligent efforts to keep himself clear of the fundraising scandals besetting the [DNC] ... Dodd is being drawn into the morass -- partly owing to his lack of candor. ... That sucking sound you hear is reaching for Chris Dodd" (2/24). The conservative & non-profit Landmark Legal Foundation (LLF) filed a complaint against Dodd, accusing him "of improperly trying to influence" the Senate investigation of Den fund-raising. LLF pres. Mark Levin said because Dodd was general DNC chair "at a time when it is accused of accepting illegal foreign contributions," Dodd should recuse himself from all Senate proceedings related to the investigation. Dodd is not a member of the Senate Governmental Affairs cmte conducting the probe, but he sits on the Senate's rules and admin. panel, which has jurisdiction on every other cmte's budget. Dodd spokesperson Marvin Fast "said he hasn't seen the complaint but called the demand for Dodd to recuse himself premature" (AP/HARTFORD COURANT, 2/22). W. TIMES editorial: "It is abundantly clear that in this case a conflict has undoubtedly ocured and that the appropriate action would be to keep a decent distance between Mr. Dodd and Fred Thompson's investigation -- at least until he's called to testify. If Mr. Dodd finds himself unable to reach that rather obvious conclusion on his own, it seem only right that the Senate Ethics Committee should do it for him" (2/24).

FOLLOW THE MONEY: "Even as he decries the system," Clinton is planning at least six major Dem fund-raisers in the next two months, including a DC reception for Dem business leaders this week, a DC dinner for the DNC 3/11, and a Miami party for Sen. Bob Graham (D-FL) on 3/13 (Walsh, US NEWS, 3/3 issue). Despite a "promised appearance" by Clinton, a 3/24 DSCC fund-raiser in L.A. "is drawing little response from Hollywood's big party donors." Why? It's the same night as the Academy Awards (Stanglin, "Washington Whispers," US NEWS, 3/3 issue).

"VOLUNTEERS": On ABC's "This Week," Romer was asked if DNC people are still working in the WH: "There are I think two or

three people who are not in the White House but are out doing advance work. ... My advice on that would be that it would be better that we have no one over there on the DNC payroll because, even though it is legal, it is a matter you've got to continue to explain are you doing government work or are you doing political work. And I believe we ought to keep a bright line between them if we can" (2/23). NPR's Linda Wertheimer: "It's not a good thing, to have the Democratic National Committee staffers working at the White House. That's the story of this whole administration. There is no veil; there is no membrane; there is no nothing between this White House and fund-raising. And it went right into the Oval Office and sat down" ("FOX News Sunday," 2/23). GANNETT's Deborah Mathis: "It just doesn't seem to stop for the White House, in terms of at least improprieties if not illegalities" ("Inside Washington," 2/22). ABC's Davis: "The White House does still list three workers who are paid by the DNC. They are low clearance advance people with little or no direct access to the White House. Use of these part-time workers by the Clinton Administration is a practice that even some Republican critics say is not of major importance. ... This is an issue that normally would not trouble the DNC, but in efforts to clean up even the hint of impropriety, it has become yet another matter under review" (2/23).

ACCESS DENIED: Romer, asked about ex-DNC chair Don Fowler's comments that he thought his job was to put contributors in touch with officials of the Clinton administration: "I think Don Fowler's a very well-intentioned person who was doing the best he could. But I don't think that the DNC ought to be a conduit to agencies. ... I don't think that I ought to be writing letters saying fix this particular problem" ("This Week," ABC, 2/23). NEWSWEEK's Howard Fineman: "That was a startling admission and -- and really underplayed. We're chasing all these little details about Johnnie Chung and John Huang, all of which are important. But they laid it right out there" ("FOX News Sunday," 2/23).

AND DON'T FORGET THE GOP: L.A. TIMES' Fulwood reports the NRCC "is being pressed to defend" a solicitation letter that offers a program of private dinners and sessions with top GOP lawmakers and Hill cmte chairs "in exchange for different levels of political contributions." The mailing, distributed throughout last year and into the first part of this year, cited a private dinner with Speaker Newt Gingrich and monthly dinners with the chairs of key cmte as "benefits of membership" for supporters who gave at least \$15,000 in individual contributions or a minimum of \$25,000 in corporate contributions to "directly fund House races" (2/22). NEWSWEEK's "CW Watch" gives Senate Maj. Leader Trent Lott a down-arrow: "Says influence-buying soft money is the 'American way.' So was slavery" (3/3 issue). Mark Shields, on Senate Maj. Leader Trent Lott's "It's the American way" comment: "Trent Lott will live to regret that" ("NewsHour," PBS, 2/21).

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Divider Title: Feb. 23, 1997

Peña Cleared of Accusations Over Contract

WASHINGTON, Feb. 22 (AP) — Federal investigators have cleared Federico F. Peña, the former Transportation Secretary, of accusations that he improperly intervened in a Coast Guard contract. The Justice Department said it would not prosecute.

A whistleblower had complained that Mr. Peña and other officials had improperly intervened in an effort to get a contract restored to a Fort Lauderdale, Fla., company after the deal had been canceled for nonperformance.

An investigation by the Transportation Department's inspector general found that Mr. Peña had no

involvement in the contract and that "there is no factual basis for his asserted liability under the False Claims Act," the Justice Department said in papers filed on Friday in Federal District Court.

The Justice Department said it would not proceed against Mr. Peña and another department official, Luz Araoz Hopewell, in the case.

The issue became public at Mr. Peña's confirmation hearing to become Secretary of Energy. A vote on his confirmation was delayed, though Senate sources said at the time it appeared unlikely the controversy would prevent approval.

Threat of Contempt Charges in House Inquiry

By TIM WEINER

WASHINGTON, Feb. 22 — The chairman of a House panel investigating Democratic Party fund raising said on Friday that he would seek contempt citations against two former Clinton Administration officials for refusing to hand over subpoenaed documents.

The chairman, Representative Dan Burton, Republican of Indiana, said he would ask the House Government Reform and Oversight Committee to consider contempt of Congress charges against Webster L. Hubbell, the former Associate Attorney General who pleaded guilty to fraud, and John Huang, the former Commerce Department official who became a Democratic National Committee vice chairman.

Both men have said they will not

turn over documents subpoenaed by the committee.

The committee wants Mr. Hubbell to document precisely what he did to earn a retainer of more than \$100,000 from the Lippo Group, a company owned by the Riady family, Indonesian billionaires and longtime political allies of President Clinton.

Mr. Hubbell received the retainer in 1994, after resigning from the Justice Department while under criminal investigation for defrauding clients of the law firm in Little Rock, Ark., where he and Hillary Rodham Clinton once were partners.

The committee also wants Mr. Huang, the Riadys' senior American executive before joining the Commerce Department in 1994, to document his work as a Democratic Party fund-raiser in 1995 and 1996. Mr.

Huang raised \$1.2 million in questionable campaign contributions, money that the Democratic National Committee has since returned.

Through a lawyer, Mr. Huang has said he might invoke his Fifth Amendment right against involuntary self-incrimination. He also said he might turn over some documents in exchange for a limited grant of immunity from prosecution.

Strains within the committee are showing. Its ranking Democrat, Representative Henry A. Waxman of California, on Friday made public a letter to Mr. Burton saying the chairman had arrogated subpoena power for himself. Mr. Waxman disputed his colleague's "right to issue subpoenas unilaterally," calling it "an extraordinary assertion of power" that went beyond panel rules.

The New York Times

SUNDAY, FEBRUARY 23, 1997 |

Dialing the Cabinet's Extension

Helping DNC Donors Reach Officials Was Part of Job, Fowler Says

By Sharon LaFraniere
Washington Post Staff Writer

One political contributor wanted the federal government to help with a patent problem in a foreign country. Another wanted a seat on a trade mission. A third wanted the head of a federal agency to meet with a friend.

As co-chair of the Democratic National Committee, Donald L. Fowler was more than happy to ring up a Cabinet secretary's office and convey those and other requests. He saw that as part of his job, he said in an interview last week. "I would ask somebody to look at the case, without [making] any suggestion of what they should do with it," he said.

If Fowler saw no harm in the practice, though, some federal officials did, including former commerce secretary Mickey Kantor, who complained to the White House. "I was deeply concerned," Kantor said in an interview Friday. "I didn't consider it then, nor do I consider it now, to be appropriate."

The complaints reached White House political affairs director Douglas B. Sosnik, who repeatedly cautioned Fowler that it was not wise to contact government agencies on behalf of donors, a White House official said. Still, the complaints continued, according to that official. Fowler said he was simply "cautioned to be careful."

The DNC's unseemly efforts on be-

half of donors is another example of what critics see as the excesses in Democratic fund-raising that occurred during the past two years. As party chair, Fowler was supposed to ride herd on the donors and fund-raisers who might try to exploit their political connections and embarrass the president; instead, he tried to help some of them.

Fowler's defense is he never promised anyone favored treatment in exchange for a political donation. At the most, he said, he would ask a federal agency to review a request: "I was so sensitive to that one thing, tying any benefit to a contribution, any quid pro quo. That was anathema."

The fallacy in Fowler's argument, according to Fred Wertheimer, former president of the watchdog group, Common Cause, who now runs a Washington-based public policy group, is that access itself is worth nothing. "This notion that all we're doing is providing access is ridiculous in the sense that access begets influence, and influence begets results, and it comes at the expense of the average citizen," Wertheimer said. "When a party official asks the government to consider the concerns of a huge donor, this is clearly going to be seen as an attempt to obtain special access and consideration."

Gov. Roy Romer (D-Colo.), who became general chairman of the DNC in January, said in a recent interview that

under his stewardship the party will not try to intercede with federal agencies on behalf of donors. "I don't think that's the role of the DNC," he said. "We just can't be a conduit for individuals with the U.S. government."

In a sense, Fowler's attitude reflects his background. A public relations executive from South Carolina, he was known for his personal touch during the three decades he labored behind the scenes, deep within the state and national party machinery. "He is an insider's insider," said one party official in 1995 when President Clinton appointed Fowler as DNC chairman, along with Sen. Christopher J. Dodd (Conn.) as general chairman.

But while party regulars loved Fowler—and still speak highly of him—White House officials now describe Fowler as blind to the ethical minefields that lace political fund-raising.

Fowler said his policy until he left the DNC post in January was to be accessible to donors and nondonors alike, and to pass on what seemed to be legitimate requests to federal agencies. "Most of the things, I didn't have enough knowledge or expertise to suggest how it should be settled," he said.

When Kantor was U.S. trade representative between 1993 and 1996, Fowler sent him two requests. He wanted help for a donor who had a patent problem in a foreign country. He

See FOWLER, A7, Col. 3

FOWLER, From A6

also asked that a DNC official be included in a discussion Kantor had planned with California business leaders, according to former Kantor aides.

Kantor said he informed Fowler he could not condone such requests. "Twice I'm sure I wrote back. We were adamant that we would not operate in that way," Kantor said.

When Kantor became commerce secretary, Fowler pressed him to include Marilyn J. Parker, a Florida businesswoman and DNC donor, on a July 1996 trade mission to Bosnia. Fowler said his letter to Kantor focused "strictly on her qualifications as a woman leader in business" and made no mention of more than \$50,000 in political donations from her engineering and construction firm.

Peter L. Scher, Kantor's chief of staff, warned an aide in a June 1996 memo to pay Fowler no heed. "I would like to make it clear that the Department of Commerce mission does not allow for this type of intervention and therefore we cannot include Ms. Parker on this trip or any future trips," Scher wrote.

In early 1995, Fowler also tried to help five Minnesota and Wisconsin Indian tribes that wanted the Interior Department to kill a proposal by other tribes to open a rival gambling casino. The tribes were substantial DNC donors.

"They wanted me to help. I told them I was not in that business," Fowler said. "But they did seem to have a cause. I did talk to [deputy White

House chief of staff Harold Ickes] about it, that these people seem to have a cause, and it should be reviewed, or it would be good if it were reviewed. . . . I talked to someone at Interior. I don't know how I got a name, but I got a name. They said they would take it under consideration." Interior Secretary Bruce Babbitt later told Congress political considerations played no role in the department's decision to reject the casino proposal.

In October 1995 Fowler wrote Energy Secretary Hazel R. O'Leary, at the request of DNC contributor Johnny Chung, asking her to meet with a Chinese petrochemical executive. O'Leary talked briefly to the man, whom she had already met in China.

When another donor wanted to meet some Clinton administration officials last September, DNC staffer William M. Kaneko followed Fowler's example. Kaneko, DNC's director of Asian Pacific affairs, wrote business executive Huu Dinh in September that "as requested" he had scheduled meetings for him with DNC fund-raiser John Huang, presidential aide Doris Matsui and Assistant Defense Secretary Fred Pang.

Dinh's engineering company in Knoxville has some federal contracts, but Pang said he has no contracting authority and his visit with Dinh was purely social. His only concern, Pang said, was that Kaneko, an acquaintance of his, did not tell him Dinh had given nearly \$4,000 to the DNC in the previous three months. "If this had to do with fund-raising, then I would feel I have been used," Pang said.

White House quid pro quo

“There’s no policy affected by contributions to this president,” Special White House Counsel Lanny Davis assured his inquisitors on “Meet the Press” last Sunday. “There’s no governmental actions affected by contributions to this president.” President Clinton himself insists that major donors to the Democratic National Committee (DNC) who have visited the White House received in exchange only “a respectful hearing if they had a concern about the issues.” Such bold-faced denials of influence peddling have become the standard response of the administration as circumstantial evidence of one quid pro quo after another continues to pile up.

On the very day Mr. Davis denied any cause-and-effect relationship between money and policy, The Washington Post cited no fewer than four government officials who insisted that U.S. policy toward Guam changed significantly as a direct response to donations totalling \$892,000 from Guam’s businessmen to the Clinton-Gore campaign and the Democratic Party. “We had always opposed giving Guam authority over its own immigration,” one senior official said. “But when that [money] was paid, the political side switched” — and so did the policy. Even Guam’s governor, Carl Gutierrez, who had been lobbying for the change in policy over control of immigration, acknowledged the central role of money: “Only when we showed Washington that there were people who could write a \$1,000 check, a \$5,000 check, a \$25,000 check, did people begin to sit up and take notice.”

Last March, after Cuba’s military shot down two private U.S. planes piloted by exiles, killing four people, Mr. Clinton banned direct relief flights carrying food and medicine to Cuba. On Oct. 22, at a Miami fund-raiser, Mr. Clinton met R. Warren Meddoff, an export manager for a for-profit company that provides supplies for humanitarian missions. Mr. Meddoff told the Boston Globe he attended the fundraiser to lobby the president to resume Miami-to-Cuba relief flights. After Mr. Meddoff handed the president a business card on which he had written, “My associate has \$5 million he is prepared to donate to the DNC,” Mr. Clinton asked for another card and then engaged in a discussion about the relief flights. That very day the White House announced that the relief flights would resume. Four days later more than 70,000 pounds of emergency supplies arrived in Cuba. Less than a week later, then-Deputy White House Chief of Staff Harold Ickes faxed a letter to Mr. Meddoff telling him how his associate should allocate his donation, emphasizing tax-exempt get-out-the-vote organizations (making such donations tax-deductible, as the donor had insisted) and thoughtfully providing the bank-account numbers to which the funds should be wired. In the end, the donations were not made, though not for a lack of Mr. Ickes’ illegal effort to solicit them. As for the fact that the policy change was made on the same day the \$5 million was offered, the White House claims this is a mere coincidence.

Coincidental, too, was the selection of Energy Capital Partners as the first — and only — pre-approved company to participate in a risk-free \$208-million lending program for energy efficiency administered by the Department of Housing and Urban Development (HUD). As it happens, the firm’s owners, Alan Leventhal and Fred Siegel, raised \$3 million for the president’s campaign after they were invited to a White House coffee in early 1995. After the Wall Street Journal exposed the deal and the political dough, the stench was so overpowering that HUD canceled it and referred the matter to the department’s Inspector General. In fact, the firm would have had a near monopoly servicing the loan program, whose funds were to have been provided by the Federal National Mortgage Association, thus guaranteeing Energy Capital Partners millions of risk-free dollars in fees and interest income.

In an exhaustive analysis of political contributions by executives and their firms participating in highly coveted Commerce Department-organized trade missions from 1993 to 1995, the Boston Globe reported that the DNC during Mr. Clinton’s first term reaped \$15 million in donations from those who accompanied former Commerce Secretary Ron Brown. Interestingly, the Globe found that the number of executives traveling with Mr. Brown more than quadrupled from 1993 to 1995 (the year the Democrats embarked on their full-court press for money after losing the Congress), as did their donations to the principal Democratic Party fund-raising committees. In 1996 alone, those who traveled with Mr. Brown the three previous years ponied up a staggering \$7.6 million. Judicial Watch, a public-

interest watchdog group suing Commerce to obtain records of the trade missions, has uncovered a Commerce document quoting a top political aide of Mr. Brown acknowledging that politics played an integral role in selecting who would fill the prized seats on trade missions abroad.

On the foreign-policy front, Mr. Clinton has changed several policies in Asia, though the White House insists, of course, that sizable donations from legal aliens and their families, who sought the policy changes, never affected the president’s judgment. Accusing the Bush administration of “coddling dictators” in Beijing, Mr. Clinton promised to give much more consideration to human rights in evaluating China’s most-favorite-nation trade status. Heavily lobbied about easing trade policy with China by the Riady family of Indonesia, whose business associates have donated about \$1 million to Mr. Clinton since 1991 and whose Lippo Group has substantial interests in China, the president reversed his trade policy with China, removing human rights from consideration. To be sure, many American businessmen were lobbying for the same outcome. But now we learn that the Justice Department has obtained evidence that the Chinese embassy may have been involved in directing contributions from foreign sources to the DNC for the 1996 elections. Meanwhile, the FBI is investigating possible economic espionage involving China and Lippo’s former top U.S. executive and Commerce official, John Huang, who has been tied to more than \$1 million in questionable or illegal political donations during a stint as the DNC’s vice chairman of finance.

In 1992, candidate Clinton described as “unconscionable” Indonesia’s treatment of the East Timorese, 200,000 of whom have perished since Indonesia annexed East Timor 20 years ago. In April, 1993, Lippo executives James Riady and Mr. Huang and Arkansas crony Mark Grobmyer, after touring East Timor the month before, visited the president in the White House. Human rights activists claim that administration concern for East Timor waned soon thereafter. Moreover, after Mr. Riady personally lobbied the chief U.S. trade negotiators for Indonesia in 1993 and 1994, the administration suspended a review of Indonesia’s egregious violations of international labor standards, permitting Indonesia to retain its trade privileges, including exporting to the United States more than \$600 million of duty-free products each year.

Thursday, the Wall Street Journal reported that Florida computer executive Mark Jimenez visited the White House 12 times since 1994 and met with the National Security Council’s chief Latin American specialist, former White House Chief of Staff Mack McLarty and an assistant secretary of state. Last April, Mr. Jimenez, whose firm has extensive dealings in Paraguay, warned the White House of a potential coup there, prompting Mr. Clinton to intervene by making a supportive telephone call to Paraguay’s president and providing a safe haven for him in the U.S. embassy. Mr. Jimenez made a \$100,000 donation to the DNC the day the coup attempt began. Since 1993, Mr. Jimenez, his firm and its employees have donated more than \$800,000 to the Clinton-Gore campaign, the DNC and other Democratic affiliations, the Journal reported. The White House denies Mr. Jimenez’s donations influenced policy. However, it is indisputable that this private businessman’s mind-boggling contributions bought extraordinary access to the Clinton foreign-policy team in an area that was commercially pivotal to the success of his firm, the ultimate source of the money.

Coincidences, all, the White House insists. No matter what additional evidence is uncovered, however, don’t expect the White House to change its long-entrenched pattern of total denial. From the moment the fund-raising scandal erupted, evidence has never mattered to this White House. Vice President Gore appeared on “Meet the Press” last October, knowing that he personally had participated in an illegal fund-raising event at a tax-exempt Buddhist temple. And he was confronted with evidence of a patently illegal \$250,000 donation. Nevertheless, he insisted, time and again, “We have strictly abided by all of the campaign finance laws, strictly. There’ve been no violations.” Surely there is enough smoke here for Congress to pursue its investigations — indeed, for Attorney General Janet Reno to seek the appointment of an independent counsel, as Democratic Sen. Daniel Patrick Moynihan recommended last week — to determine to what extent contracts and policy changes may have been for sale. If evidence matters not to the administration, it will matter to congressional investigators and an independent counsel.

The Washington Times
SUNDAY, FEBRUARY 23, 1997

Michael Kelly

China in the White House

In an unfortunate effort to bolster the reputation of CIA Director-designate Anthony Lake, the White House, on Feb. 14, released documents intended to show that Lake, as national security adviser, had run an honest and apolitical brokerage of advice to the president.

The helpful documents included an exchange of messages on April 7, 1995, between Melanie B. Darby and Robert L. Suettinger, both of the National Security Council. A problem had arisen, Darby wrote Suettinger. A few weeks before, the Democratic National Committee had requested that the White House invite several people to attend President Clinton's weekly radio address. "They did so," Darby wrote, "not knowing anything about them except that they were DNC contributors." Now, the visitors wanted copies of the photographs that had been taken of themselves with the president, and the president "wasn't sure we'd want photos of him with these people circulating around." Still, Darby wrote, "these people are major DNC contributors, and if we can give them the photos, the president's office would like to do so." She appended a list of the contributors in question, their titles and their occupations. There were seven people on the list. All except one of them were Chinese nationals. The one exception was the man who put the visit together, Johnny Chung, a Californian who seems to operate as a middleman between Asians and American politicians.

In his reply, Suettinger remarked on "the joys of balancing foreign policy considerations against domestic politics," and went on to say that, if it would motivate "continued contributing to the DNC," it wouldn't do "any lasting damage to U.S. foreign policy" to give the fellows their delicatessen pictures. He added that, with one or two excep-

tions, the people Darby had listed as major contributors to the DNC all "seemed to be bona fide [present or former] Chinese officials" who would "all hang the pictures on the wall and feel grateful for a memory."

The press reported heavily on the Darby-Suettinger exchange, focusing on the fact that Suettinger had warned Darby about keeping company with "hustler" Johnny Chung. But the reports mostly missed the essential, and explosive, point of the exchange. What the Darby-Suettinger exchange tells us is that, according to two White House officials, a group of "major DNC contributors" were not only foreign nationals, but also "bona fide [present or former] Chinese officials," and that the idea that officials of the People's Republic of China were major contributors to the Democratic National Committee did not strike two members of Clinton's national security staff as a problem.

It is against the law for a foreign national to give money to an American political party. It is also against the law for a non-American representative of a foreign government to contribute to an American political party. And China, of course, is not just any foreign government. We are not talking Canada. We are talking the People's Republic of China, the last great communist power in the world, a totalitarian state where power is transferred not by elections but—as we saw this past week—from the hands of one dead old communist to another live old communist; a state that in the not-distant past starved 30 million of its citizens to death; that fought America, by proxy and other means, for nearly half a century of cold and sometimes hot war; that jails, tortures and murders its political dissidents; that employs slave labor; that promotes nuclear proliferation; that forces abortion on women; that is committed to chal-

lenging the United States as the dominant military and economic power in the East.

Can it be that, as Suettinger describes them, bona fide (present or former) officials of this regime were, as Darby describes them, major contributors to the DNC?

Well, the first half of the proposition is demonstrably true. At least four of the people who met with Clinton, and who are described as DNC donors, are Communist Party big shots who work indirectly—but absolutely—for the People's Republic of China. The people on Darby's list, apart from Johnny Chung, were: Hongye Zheng, chairman of the China Council for the Promotion of International Trade (CCPIT) and chairman of the China Chamber of International Commerce (CCOIC); Yan Sanzhong, president of the China Petro-Chemical Corp.; Jichun Huang, vice president of the China International Trust and Investment Corp.; Renzhong Wang, vice chairman and president of the Shanghai AJ Shareholding Corp.; James J. Sun, of the Urumqi Talhe Industry Co.; and Jianiong Yu, who is with the liaison department of the CCPIT and CCOIC.

Four of these six men work ultimately for the Chinese government, through state-run industries. CCPIT, which Hongye Zheng headed and Jianiong Yu works for, is a state-controlled, state-funded body responsible for promoting China's trade interests. It maintains a semi-independent front, but is wholly a creature of the government. The Chinese Petro-Chemical Corp., which Yan Sanzhong runs, is a huge conglomerate that manages China's oil fields and refineries. It has relations with many multinational companies and is currently attempting to persuade foreign interests to bid on Chinese oil drilling sites.

It is entirely and directly controlled by the government.

CITIC, established in the late 1970s, is the largest state-run business in China. It is a giant holding company, with offices around the world, and it is involved in a wide array of businesses, including banking, energy production and American real estate. It also controls Poly Technologies, a Chinese arms manufacturer that was caught by the FBI last year attempting to illegally sell \$4 million in semiautomatic weapons in this country. The chairman of both CITIC and Poly is Wang Jun, who is the son of a Long March veteran and communist hard-liner, and who is also a previously reported visitor to the White House. CITIC is wholly controlled by the government. And of the remaining two Chinese nationals who met with the president, James J. Sun, of the Urumqi Talhe Industry Co., is at least vulnerable to the Chinese government's influence. Sun's base of operations is the Xinjiang Province, which is an autonomous zone run by a military regent appointed by Beijing.

As to the second half of the Darby-Suettinger characterizations, that these men were "major DNC contributors," it is of course possible that Darby was wrong, that these four visitors to the president's office were not DNC donors. But then, why did the president's office tell the NSC that they were? Wishful thinking?

Anyway, there remains this profoundly troubling fact. In Bill Clinton's White House, the idea that agents of the People's Republic of China were DNC donors who should be granted face time with the president was treated as very nearly business as usual.

Michael Kelly is editor of the New Republic, in which this article first appeared.

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Divider Title: Feb. 22, 1997

How Donor With Asian Ties Knitted Access and Success

A1

By CHRISTOPHER DREW

Continued From Page 1

WASHINGTON, Feb. 21 — On one of Beijing's busiest shopping streets, an eye-catching display for a small Chinese beer and soda company hangs in a glass case. The highlight of the display is a photograph of President Clinton and the First Lady, smiling at a White House Christmas party as they pose with the Chinese company's chairman and two other men. Beneath the photo sit an oversized beer bottle and two mugs.

The California entrepreneur who arranged the photo, and who appears in it, Johnny Chien Chuen Chung, has donated \$391,000 to the Democratic Party since mid-1994, and he has visited the White House at least 50 times, often with foreign visitors like Mr. Chen in tow.

In an interview, Mr. Chung's lawyer, Brian A. Sun, said that some of the money that Mr. Chung used to make the donations had come from more than \$3 million that he had received in consulting fees and in capital from investors in his companies over the last three years. Mr. Sun acknowledged that a number of foreigners, including the chairman of the Chinese beer company, accounted for nearly \$1.5 million of that \$3 million.

His lawyer's account of Mr. Chung's finances comes as Federal and Congressional investigators are trying to determine whether foreigners with no resident status in the United States contributed to American political campaigns, which would be illegal. The Democratic National Committee has said it is examining the contributions from the 42-year-old Mr. Chung, who had enjoyed little business success before he began to take on foreign partners.

Mr. Sun said that his client had done nothing wrong and that all the money donated to the party by Mr. Chung had been earned by him in legitimate business deals. Mr. Chung's foreign partners, Mr. Sun said, were not involved in his decision to make the contributions.

"My client was getting money in like any other businessman," Mr. Sun said, "and he was in complete control of what he did with it."

Interviews and records show that perhaps more than any other figure in the broad fund-raising controversy swirling around the Democratic Party, Mr. Chung, an engineer who was born in Taiwan and is now an American citizen, has sought to exploit his donations for commercial gain. Associates say he has used his impressive political access to cement business deals with investors from China, Taiwan and Hong Kong, squiring them to White House events and to fund raisers including a \$25,000-a-plate dinner at California home of the film maker Steven Spielberg and a birthday bash for Mr.

Continued on Page 10, Column 1

Mr. Clinton at Radio City Music Hall.

Mr. Sun said much of the \$3 million raised by Mr. Chung over the last three years had gone into his struggling fax services business, which he has gradually expanded into a consulting firm that helps foreign investors put together deals in the United States.

California state records show that over the last two years, Mr. Chung has formed at least seven other companies with foreign investors. These include two export-import companies that he has created with Chen Shizeng, the Chinese beer executive. Mr. Sun estimated that Mr. Chung had earned or raised from investors \$500,000 to \$1 million in connection with these seven ventures.

Federal election records show that several of his largest donations to the Democratic Party were made within days of the incorporation of these businesses, coinciding with his taking the investors to Democratic fund-raising events.

That Beijing 'Billboard' Irritates White House

Mr. Sun said that Mr. Chung, who declined to make any comment, was not consulted when the Chinese beer company, the Haomen Group, mounted the display with the photograph of the Clintons.

"Certainly he understood that people might use these pictures to try to make themselves look good," Mr. Sun said. "But the idea that this would be turned into some kind of billboard was not something he would have encouraged or wanted."

White House spokesmen today denounced the use of the photograph in a business promotion. They also said Mr. Chung had become "an irritant" over time and was "not welcome at the White House anymore."

But that the White House took so long to cut off Mr. Chung's access appears to be a rich symbol of how the Democrats, in the headlong rush to keep up with the Republicans in fund raising last year, ignored past safeguards that had enabled them to check on donors' backgrounds.

White House documents released last week show that Mr. Clinton himself was concerned in April 1995 about the "circulating around" of pictures that showed him meeting with Chinese businessmen whom Mr. Chung had brought to the White House to watch the President give a radio address.

In addition, Robert L. Suettinger, a China specialist on the staff of the National Security Council, cautioned a colleague in a memorandum that month that Mr. Chung "should be treated with a pinch of suspicion."

"My impression," the memo went on, "is that he is a hustler, and appears to be involved in setting up some kind of consulting operation that will thrive by bringing Chinese entrepreneurs into town for exposure to high-level U.S. officials."

The concerns grew even more intense in the summer of 1995, when Mr. Chung sought a letter of support from the President as he left for China to intervene in a high-stakes diplomatic effort to free Harry Wu, an American labor activist imprisoned by the Chinese Government.

Mr. Clinton, who had written an earlier letter thanking Mr. Chung for opening "lines of communication between our Administration and the Taiwanese-American community," did not give Mr. Chung the letter he wanted concerning Mr. Wu, who was eventually freed.

But Donald L. Fowler, then the national chairman of the Democratic Party, did give Mr. Chung a more general letter, which did not mention Mr. Wu but noted that Mr. Chung was "a friend and a great supporter of the D.N.C." At Mr. Chung's request, Mr. Fowler's office also later encouraged Energy Secretary Hazel R. O'Leary to meet a Chinese petrochemical executive, at a time when Democratic fund-raisers kept soliciting donations from Mr. Chung.

Records of the Federal Election Commission show that Mr. Chung or his fax business, Automated Intelligent Systems Inc., gave the Democratic National Committee or other party organizations \$91,000 in 1994, \$175,000 in 1995 and \$125,000 last year.

"He visited our place a lot, and he always seemed to have friends with him," said Mr. Fowler, whose office arranged for Mr. Chung to take the Chinese delegation to view the President's radio address. Mr. Fowler said that he knew nothing about Mr. Chung's business interests and that he "didn't take his effort to free Wu seriously at all." But, he added, Mr. Chung was "always energetic and enthusiastic about everything."

It Was a '92 Debate That Gave Him an Idea

Mr. Chung, who lives with his wife and three children in Artesia, Calif., a Los Angeles suburb, has said in interviews with Los Angeles business publications that he first tried to court political figures in 1992, when he was having trouble getting his fax business off the ground.

In those interviews, he said that he had sunk \$2 million into developing a computer system that could transmit a fax simultaneously to thousands of locations, and that he was having so little success that his wife had urged him to give up and get a salaried job. He also faced lawsuits from investors who had lost money through the earlier failure of a retail computer company he had owned.

It was while watching a 1992 campaign debate between Mr. Clinton and President George Bush, Mr. Chung said, that it occurred to him that government offices could be a market for his fax services. He raced to Little Rock, where he met Hillary Rodham Clinton after knocking on the door at the Governor's Mansion. That visit came to nothing more than a little encouragement.

Mr. Chung did not start making political donations until 1994. One associate said he started giving only

The New York Times

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Agence France-Presse for The New York Times

A photo of Johnny Chung, left, President Clinton, Hillary Rodham Clinton and two Chinese beer company officials — Chen Shizeng and He Yejun — is

being used in an advertising display on one of Beijing's busiest shopping streets. That use of the photo has caused consternation at the White House.

after going with a group of Taiwan-Americans to the White House to complain about Federal rules requiring people born in Taiwan to list China as their birthplace on passports.

At that meeting, Mr. Chung also met John Huang, who then worked as a trade official at the Commerce Department but would soon become a leading Democratic fund-raiser. Shortly afterward, Mr. Chung has told associates, other Democratic fund-raisers began soliciting donations from him. (Even though Mr. Chung later called Mr. Huang several times at the Commerce Department to try to set up meetings for business associates, he has said Mr. Huang himself never asked him for donations.)

Federal records show that Mr. Chung made his first donations, totaling \$11,000, in August 1994 to attend a birthday party for Mr. Clinton in Maryland. He then gave \$40,000 early that December to bring guests to a luncheon with Mrs. Clinton in Los Angeles.

At that time, Mr. Sun said, Mr. Chung's main goal was to bring investors into his sagging fax company. Much of the money so invested, the lawyer said, has come from the Taiwanese family of Liu Li Ching, who has homes in Taiwan and the United States and holds an immigration green card, making him a permanent legal resident of the United States.

But in late December 1994, which is when Mr. Chung took the Chinese beer executives to the White House to be photographed with the Clintons, he was also starting to make deals with citizens of China and Hong Kong who have no resident status at all in the United States.

Mr. Sun said that at the time of that Washington visit, Mr. Chen, the chairman of Haomen, the Chinese beer and soda company, was buying an interest in the fax business, either for himself or for other Chinese. During that trip, Mr. Chung paid \$40,000 to the Democratic National Committee for Mr. Chen and an associate to attend a fund raiser with Vice President Al Gore.

In addition, Reta Lewis, then a Presidential aide, gave the beer executives a tour of the White House. She said in an interview that she had had to stop the Chinese from posing for photos there with six-packs of Haomen beer.

Deals for Chung, Donations for the Party

By April 1995, California records show, Mr. Chung had created the first two of at least seven export-import or real-estate companies that he has formed with foreign citizens. He and Mr. Chen signed papers to incorporate the two companies that April 10. Two days earlier, Mr. Chung had taken Mr. Chen and oth-

ers to the dinner with the President at Mr. Spielberg's house, paying the Democratic Party \$125,000 to attend.

Similarly, Mr. Chung created a company on June 11, 1996, as an agent for Leung Chun Fat, a Hong Kong man who wanted to export American clothes dryers and movie videos to China. Mr. Chung donated \$20,000 that day to take Mr. Leung and his wife to a Democratic fund raiser at the home of the Hollywood executive Lew Wasserman.

The other companies also involved business people from Hong Kong, including Li Jing Wei, a wealthy real-estate investor.

Associates said Mr. Chung had played varying roles in these ventures, which have had mixed success. In some cases he was paid as a consultant, and in others he received partial ownership shares in return for his help in making American contacts. In a couple of instances, he received no compensation.

Mr. Sun said Mr. Chung had received no money from the delegation of leading Chinese executives that he brought to the White House to watch President Clinton give the radio address. That group included executives of large state-owned corporations, with interests including petrochemicals and real estate.

All in all, Mr. Sun said, "we think there is clearly evidence to show that Mr. Chung had substantial sources of money to make the donations other than what he got from the people whom he did bring to the fund raisers."

"It was his money," Mr. Sun said, "it was in his control, and he had enough money to make the donations."

The New York Times

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2/2

Ludwig Missing Record of Repaying Gift

By Clay Chandler
Washington Post Staff Writer

Eugene A. Ludwig, the federal government's top banking regulator, informed a congressional oversight panel yesterday that he could not show that he reimbursed the top executive at one of the nation's largest banks for tickets to a May 1996 opera performance costing \$2,000.

Ludwig told the panel that while he remembers instructing his staff to reimburse the banker, Bankers Trust Co. Chairman Frank Newman, for the tickets, "I have not been able to find in my records documentation that I paid Mr. Newman at the time . . . of the event as I intended."

Ludwig sent Newman a check for \$2,000 on Feb. 11, shortly before submitting his response to questions raised about the event by Rep. Spencer Bachus (R-Ala.), chairman of a House oversight committee for banking and financial services.

"I am still reviewing my records for documentation that I did in fact reimburse you for the tickets," Ludwig wrote in a Feb. 11 letter to Newman, according to documents provided to the committee. "Out of an abundance of caution, however, I am sending you a check now to make certain that what appears to be an unfortunate oversight is corrected."

The tickets were for a performance by Jose Carreras at New York's Carnegie Hall on May 19. The performance, part of a fund-raising event for Carnegie, came six days after a controversial White House coffee klatch involving Ludwig, Newman, a gaggle of executives from some of the nation's largest banks and two top fund-raising executives from the Democratic National Committee.

That meeting, which was organized and sponsored by the DNC, has raised questions about the administration's fund-raising practices. Critics have charged it was inappropriate for a top regulator to attend a meeting that was at least partly arranged to encourage political contributions. Congressional Republicans have questioned whether it put administration officials in violation of the Hatch Act, which prohibited federal officials from taking an active role in political campaigning.

Ludwig has said he regrets attending the White House meeting and should not have done so. But he has also said that, at the time, he believed the session was convened to discuss administration policy, did not know that it was sponsored by the DNC and did not recognize the DNC officials present.

In a Feb. 20 memorandum, Comptroller of the Currency Chief Counsel Julie Williams, the agency's ethics counsel, argues that because he is a political appointee and not a career bureaucrat, Ludwig would not have been in violation of the Hatch Act even if he had known that the meeting was a political event.

Ludwig accepted Newman's invitation to the opera because the two men are friends, a Ludwig spokesman said. They became acquainted two years ago while Newman served as deputy treasury secretary in the Clinton administration.

Since moving to Bankers Trust, Newman has played an active role in helping the DNC raise money from his colleagues in the banking industry. Newman, who declined comment yesterday, originally suggested the May 13 coffee gathering with bankers as a way of encouraging bankers' contributions, administration officials have said.

CORRECTIONS

An article on Thursday incorrectly listed one of the charges against Army Sgt. 1st Class Theron Brown, a former instructor at Aberdeen Proving Ground in Maryland. Brown was charged with sodomy, not forcible sodomy.

In Thursday's Washington Home, a photograph of a copper vessel including Hebrew script was reversed. An article entitled "In Search of a No-Frills Jesus" was incorrectly attributed to Harper's magazine. The article was the Atlantic Monthly's December cover story.

In Thursday's Style story about soprano Sujung Kim, one performance date

was incorrect. Kim will appear in Handel's "Julius Caesar" Sunday night, Feb. 23, at the George Mason University Center for the Arts in Fairfax.

CLARIFICATION

An article about Thread Technology Inc. of Sterling in Monday's Washington Business section stated that Robert Fullerton, the inventor of the company's main product, the Zipnut, receives royalties from the company's sale of his invention. Fullerton disputes that statement and has filed suit against the company, seeking money that he says he is owed. Thread Technology has counter-sued Fullerton and says that he has been paid royalties.

The Washington Post

SATURDAY, FEBRUARY 22, 1997

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Justice Dept. Probe of DNC Fund-Raising Moves Toward Grand Jury

By George Lardner Jr.
Washington Post Staff Writer

Prosecutors for a Justice Department task force investigating questionable campaign contributions to the Democratic National Committee are preparing to summon their first witnesses before a grand jury, officials said yesterday.

The development came as DNC officials were completing an audit that has identified contributions that will have to be returned because they came from improper or unverifiable sources.

The DNC has already sent back \$1.6 million in questionable donations since coming under fire last fall. The investigation by the Justice Department task force is focused on campaign contributions that may have been donated illegally by foreign sources. Investigators are also trying to determine whether representatives of the People's Republic of China directed campaign funds

to the DNC, an allegation a spokesman for the Chinese Embassy denied.

The White House, citing diplomatic and national security concerns, in recent days sought information from the Justice Department on whether the Chinese government tried to illegally funnel money to the DNC. After protracted negotiations designed to protect the integrity of the criminal investigation, the Justice Department yesterday provided materials to the White House counsel's office. A source familiar with those materials said yesterday they "shed no light" on whether the Chinese government, using the Chinese Embassy, attempted to direct contributions to the Democratic party.

The Justice Department has so far rejected Republican calls for appointment of an independent counsel to take over the fund-raising probe, but this week Sen. Daniel Patrick Moynihan (D-N.Y.) added his voice to those recommending an

outsider. He said he was worried about "the appearance of not doing it."

Moynihan made his remarks in an interview with the New York Post in which he took sarcastic note of the White House's controversial guest lists, such as one that included a Chinese arms dealer. "Everyone has Chinese arms merchants to lunch—don't you?" Moynihan said.

Separately, Rep. Dan Burton (R-Ind.), the chairman of the House Government Reform and Oversight Committee, said yesterday that he would seek contempt of Congress citations against former Democratic fund-raiser John Huang and former associate attorney general Webster L. Hubbell if they continue to resist subpoenas for their records.

"We are not prepared to negotiate over these documents," Burton said in a statement, adding that he would schedule a committee vote "promptly" unless Huang and Hubbell comply

with the demands, but he set no deadline.

Lawyers for Huang and Hubbell told the panel Thursday that both men were claiming a Fifth Amendment privilege against self-incrimination in declining to supply all the documents listed in committee subpoenas issued last week.

Hubbell, a former Arkansas law partner of first lady Hillary Rodham Clinton, refused to turn over any of the 25 categories of records sought from him in the burgeoning controversy over Democratic fund-raising practices. Huang produced some of the records from the 44 categories sought of him, but not others.

The documents sought by Burton's committee range from any papers concerning Indonesian billionaire Mochtar Riady and his business empire to records dealing with the Clinton Birthplace Foundation. Hubbell, recently released from a prison term for tax evasion and mail fraud, received money from one of Riady's family

businesses after resigning from the Justice Department three years ago. Riady's son, James, is a longtime friend of the president.

In a recent letter to Burton, Hubbell's lawyer, John W. Nields Jr., said his client had cooperated in various congressional investigations only to find himself, "based on alleged minor inconsistencies," accused of perjury and referred by one committee to independent counsel Kenneth W. Starr for further scrutiny.

On another front in the House investigation, attorneys for former White House aide Harold Ickes, who oversaw the DNC operations, were preparing last night to deliver documents to the committee regarding Ickes' role in party fund-raising. The committee requested the documents but had not issued a subpoena, and Ickes had pledged to respond by Friday.

Staff writers Toni Locy, John F. Harris and Pierre Thomas contributed to this report.

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The Washington Post

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O'Leary met Chinese after DNC donation

NEW YORK (Reuters) — The head of China's state-run petrochemical company secured a private meeting with Energy Secretary Hazel R. O'Leary through a Democratic Party donor described by White House aides as a "hustler," the New York Post reported yesterday.

Chinese executive Sheng Hua-ren, who the newspaper said was trying to expand the chemical company's business in the United States, had a 15-minute meeting with Mrs. O'Leary in October 1995.

The newspaper also quoted an Energy Department official as saying Mr. Sheng was a "previous acquaintance," who first met Mrs. O'Leary in China in February 1995.

The New York Post said records show that consultant Johnny Chung, who reportedly gave \$366,000 to the Democratic National Committee, arranged the meeting through the DNC.

It said that he also arranged meetings between President Clinton and other Chinese business associates.

Republicans and at least one

Democrat troubled by the possibility of foreign involvement in Democratic Party fund raising have called on Attorney General Janet Reno to support appointment of a special counsel to investigate the DNC's fund raising during last year's election campaign.

The Post said that six months before Mrs. O'Leary's meeting with the Beijing executive, National Security Council official Robert Suettinger wrote an electronic-mail message that cast Mr. Chung in unflattering terms.

Mr. Suettinger said Mr. Chung "should be treated with a pinch of suspicion" and "my impression is that [Mr. Chung] is a hustler" who intends to "continue to make efforts to bring 'friends' into contact with the [president and first lady] — to show one and all that he is a big shot, thereby enhancing his business."

The newspaper also quoted a letter written to Mrs. O'Leary and bearing then-DNC chief Donald L. Fowler's signature that mentioned Mr. Chung's support for the party in asking for the Sheng meeting.

Two days later, Mrs. O'Leary met Mr. Sheng, the Post reported.

The Washington Times

SATURDAY, FEBRUARY 22, 1997

Panel eyes contempt charge for Huang, Hubbell

By Jerry Seper and Paul Bedard
THE WASHINGTON TIMES

Subpoenas demand documents on foreign donations

Contempt charges will be sought against former Clinton administration officials John Huang and Webster L. Hubbell if they continue to stonewall a House committee over subpoenas for documents in a probe of foreign-linked campaign donations, the panel's chairman said yesterday.

Rep. Dan Burton, chairman of the House Government Reform and Oversight Committee, said he is "moving forward to compel a full and complete response" and would schedule a vote by the panel to find Mr. Huang and Mr. Hubbell in contempt of Congress, which could land both men in jail.

"We are pursuing all legal channels in our attempt to obtain these subpoenaed records," Mr. Burton said, adding that he is "not prepared" to negotiate over the sub-

poenas and would ask the committee to "vote promptly to find them in contempt of Congress."

"Disturbing new allegations are coming to light every week," the Indiana Republican said. "I am deeply troubled that former senior administration officials have refused to cooperate with this investigation."

A committee vote for contempt would have to be brought to a vote of the full House.

Mr. Huang and Mr. Hubbell, at the heart of separate Justice Department and congressional investigations in the growing campaign-finance scandal, told the House committee Thursday they would not turn over the documents and would not cooperate in the panel's inquiry.

The refusals were outlined in

letters to the committee, although Mr. Huang — who turned over some records this week — said he might be willing to release other documents in exchange for limited immunity.

Sources close to the panel said it appears Mr. Huang was looking to a guarantee that any testimony or documents he gives the committee would not be used by prosecutors in any pending criminal case, although legal experts are divided over whether the claim is valid.

Meanwhile, former GOP presidential candidate Steve Forbes joined Sen. Daniel Patrick Moynihan, New York Democrat, in calling for an independent counsel to probe the fund-raising scandal. Mr. Forbes will begin airing radio ads Monday on Washington stations attacking the president for al-

lowing his campaign to accept foreign contributions.

"Foreign contributions are illegal. If President Clinton means what he says, he would order the attorney general to appoint an independent counsel. It's dishonest for President Clinton to call for new campaign-finance laws when we don't even enforce the laws we have," he says in the ad.

Forbes spokesman Joel Rosenberg said the magazine publisher will spend \$10,000 to air the ads.

White House Press Secretary Michael McCurry said repeatedly yesterday he had "no comment" on the Forbes offensive and other calls for an independent counsel.

A senior administration official said the White House has decided

not to discuss the requests for an outside counsel. Four years ago, the administration was publicly split over the appointment of a special Whitewater counsel.

Mr. Huang, former top executive at the Lippo Group and deputy assistant secretary for international trade policy at the Commerce Department, raised about \$3.4 million for Mr. Clinton as a top Democratic National Committee fundraiser — about half of which has since been returned because of questions over its source.

The committee wants records showing Mr. Huang's role in the fund-raising efforts and is trying to determine if he knowingly solicited illegal contributions for the president and the Democratic Party. It also is looking to see if his actions in raising cash was connected to his longstanding ties to Lippo.

The Washington Times

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personal family and my official family, will be with you as you make those efforts every step of the way." Clinton reiterated his call for expanded "empowerment zones" to strengthen the city's economic base, saying: "In Detroit, one of our empowerment-zone cities, the unemployment rate was cut in half in four years -- in half. And investment was flooding back, business was coming back, people were coming back to live in the city. We can do this in every city in America, and we must."

White House Bulletin 2/22/97

- o **White House Explanation of DNC-paid Volunteers Questioned.** Following revelations that the Democratic National Committee had 20 of its paid workers serving in the Clinton White House as "volunteers," White House Press Secretary Mike McCurry defended the practice, saying a 1987 memorandum from the Justice Department's Office of Legal Counsel to the Reagan White House Counsel's Office stated that such an arrangement was acceptable and that it appeared as though the practice may have been used by Republicans as well.

A number of Reagan White House officials, however, are saying this morning they remember no such arrangement. Members of the Reagan White House Counsel's Office do not remember requesting or receiving the memo, nor do they have any recollection of a White House "volunteer" ever being paid by a Republican campaign organization. Frank Donatelli, who served as the director of the White House office of political and intergovernmental affairs at the time the memo was written in 1987, also has no recollection of a Republican-paid volunteer serving in any capacity at the White House. "My strong recollection is that we didn't have any," said Donatelli, adding: "To have an RNC person [working in the White House] would have stuck out like a sore thumb."

And according to a knowledgeable source who was apparently involved in the development of the 1987 opinion, the OLC memo released by the White House does not necessarily say that a person on the payroll of a political party is allowed to be a volunteer in the White House. Instead, the memo says an earlier 1982 opinion from the Reagan Justice Department's OLC -- which stated no party-paid worker can serve in the White House as a volunteer -- erred in claiming a higher standard applies for political organization employees than for those of other private sector employees.

The 1987 memo states "the 1982 OLC memorandum offered a 'general observation' that payment of White House volunteers by 'political organizations that were established to pursue national political objectives' would 'invariably violate the spirit if not the letter' of the regulations in several different respects. The memorandum identified two such organizations as the Republican National Committee and the National League of Cities. The memorandum recognized that employees of the White House Office are 'expected to be political,' but argued that the standards of conduct 'attempt to assure...that employees will at least be independent from the financial pressure of outside partisan organizations.' Accordingly, the memorandum suggested that 'national political organizations should not pay the salaries of White House employees under the current regulations." Added the 1987 memo, "At your request, we have reviewed the 1982 memo's discussion regarding political organizations. In essence, this discussion appears to derive from the memorandum's implicit conclusion that the financial relationship between a White House employee and a national political organization stands on an entirely different footing under standards of conduct than the financial relationship between a White House employee and any other private organization that does business with the White House Office or has interests that could be affected by the performance of the employee's duties. We see no basis for such a conclusion, either in the standards of conduct themselves or in any particular factual aspect of the relationship between a national political organization and the White House Office." Concludes the memo, "We believe that the general advice given in the 1982 OLC memorandum -- viz., that determinations respecting the employment of volunteers in the pay of private organizations are best made under the applicable standards of conduct on a case-by-case basis in the White House Office itself -- applies in such cases to the same extent that it applies in any other case."

Both the 1982 and 1987 memos make clear, however, that any White House "volunteer" should not be taking money from any outside organization if a conflict of interest, or even "the appearance of a conflict of interest," exists. Both memos say the "regulations prohibit" a White House volunteer "from accepting anything of monetary value from a person or organization which has...interests which may be substantially affected by the performance or nonperformance of his official duty." According to a source

with direct knowledge of the opinions, "There is no way the [Clinton] White House can now claim the 1987 memo says a White House volunteer can be paid by the Democratic National Committee. What the 1987 memo says is that the same standard should apply to the DNC as applies to any other organization. It says the White House must decide -- on a case-by-case basis -- whether any conflict might exist. And if even the appearance of a conflict exists, then such a person can not serve as a White House volunteer." Concluded the source, "Even without knowing all the details, it would appear that the DNC would qualify as an organization that would have interests which might be affected by somebody working in the White House -- which means a conflict would appear to exist."

- o **Progress But No Breakthrough On Russia-NATO Relations.** The Kremlin remains opposed to NATO expansion, but progress was reported today on an agreement between Russia and the alliance. Kremlin spokesman Sergei Yastrzhembsky told a news conference today after meetings between Russian officials and Secretary of State Madeleine Albright that it is "premature to talk about a breakthrough" on disagreements over NATO expansion, but he added: "I would rather say one can express cautious optimism." Yastrzhembsky also said Moscow is not particularly impressed by a proposal made by Albright to form a joint Russia-NATO brigade which would concentrate on peacekeeping issues.

Yastrzhembsky said Russia remains opposed to expansion and seeks a "legally binding" deal with NATO which would guarantee its security interests. Albright told reporters such a deal could be reached. "The issues are complex and will require a lot of work," Albright said. Albright said Foreign Minister Yevgeny Primakov made a significant concession in the negotiations, saying Russia wanted "a voice, not a veto" in the alliance. Albright added that President Clinton and Russian President Boris Yeltsin would provide their personal assurances on the charter and that US and Russian officials would work out the details.

With Yeltsin's health in question recently, Albright said after a 50-minute meeting with him that the Russian president is "at the top of his game" and ready to attend the summit with President Clinton scheduled for March 20-21 in Helsinki. Said Albright: "He was totally engaged. He was very sharp, knowing exactly what he wanted to achieve." Albright gave Yeltsin a letter from Clinton, asserting his hopes for a successful summit, and she also gave him a copy of Clinton's book, "Between Hope and History."

- o **White House Declines To Weigh In On Huang, Hubble Actions.** White House Press Secretary Mike McCurry said today President Clinton continues to urge Administration officials to cooperate with congressional investigators, but he declined to pass judgment on former Associate Attorney General Webster Hubbell and former Democratic fundraiser and Commerce Department official John Huang for their refusal to turn over to the House subpoenaed documents. Commenting on Fifth Amendment claims by Hubbell and Huang, McCurry said, "We're not in a position to understand their individual pursuit of their own rights in representations they're making to the committee."

- o **Administration Considers AFL-CIO Plan For "Workfare" Participants.** Following its annual meeting this week, the AFL-CIO has reportedly sent to the White House a draft document, detailing proposals for organization of those participating in welfare-to-work programs under the new welfare reform law. Several officials today acknowledged existence of the document, but one official emphasized that the AFL-CIO proposal has only "barely begun" to circulate amongst Administration officials.

A Labor Department source said policy makers from the Labor Department, HHS and OMB are working together to determine the status of those required under the new welfare law to participate in welfare-to-work programs. Another Administration official said: "In the welfare reform bill...welfare recipients would have to work and get jobs, and they would be paid in the form of workfare benefits. The question arises whether these workfare recipients would be regarded as 'employees' under the Fair Labor Standards Act and the National Labor Relations Act," which would permit labor organization for welfare-to-work participants.

"Our lawyers are looking at that and working with other agencies, to try to figure out how this all works, and how it all relates to the welfare reform bill," the Labor Department source said, adding that