

Report of Possible Chinese Involvement In DNC Fund Raising Sparks a Furor

By GLENN R. SIMPSON
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Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — A newspaper report alleging possible involvement by the Chinese Embassy in Democratic National Committee fund raising prompted renewed calls from Capitol Hill for an independent counsel to probe DNC fund-raising activities in the 1996 election.

Citing law-enforcement sources, the Washington Post yesterday said federal investigators are probing possible connections between Chinese Embassy officials and DNC fund raising. The Post said information about possible Chinese Embassy involvement in DNC fund raising was electronically intercepted last year by U.S. intelligence agencies.

"This information is extremely troubling and raises serious questions about the Justice Department's independence and new questions about what high-level administration officials knew prior to the November election about alleged illegal fund raising," GOP Rep. Frank Wolf of Virginia said in a letter yesterday to Attorney General Janet Reno.

At a news conference, President Clinton expressed concern and puzzlement. "This is a serious set of questions," he said, adding, "The first I knew of any of it was last evening." The president said the allegations "obviously have to be thoroughly investigated."

FBI Investigations

The Federal Bureau of Investigation has been investigating various allegations of fund-raising abuse, including possible ties by foreign governments to large contributions to the Democratic National Committee. U.S. law bars political contributions from foreign nationals.

Previously released documents show there were communications between former DNC fund-raiser and Commerce Department official John Huang and the Chinese Embassy. Part of Mr. Huang's portfolio while he was a high-ranking official at the Commerce Department involved China. A letter written by then-Commerce Secretary Mickey Kantor last month to congressional investigators probing alleged DNC fund-raising abuses disclosed that Mr. Huang received weekly intelligence briefings while at the department "centered on the People's Republic of China." Mr. Huang also had a top-secret security clearance and was privy to sensitive trade information relating to Asia.

While at the department, Mr. Huang remained in close contact with his former employer, the Lippo Group, an Indonesian conglomerate that has a substantial financial relationship with a company controlled by Beijing.

Mr. Huang's files from the Democratic National Committee reflect numerous contacts with some embassy officials. Last October, embassy official Ma Xin wrote to inform Mr. Huang of his return to China and to thank him "for all the support and encouragement you have so kindly extended to me during my stay." Mr. Ma was involved in economic research and promotion of U.S.-China business ties.

The Chinese embassy called the Post's story "groundless and irresponsible." It said "China has not done and will never do anything of that sort." A senior embassy

official said, "I absolutely deny that [Mr. Huang's] Democratic Party activities had anything to do with the embassy."

Mr. Huang also had contacts with government and business institutions on the Chinese mainland, including the Central Institute of Finance and Banking in Beijing and the Foreign Affairs Office of the Huaiyin Municipal People's Government in Jiangsu.

Also yesterday, a Senate committee probing the fund-raising affair approved 52 subpoenas seeking a wealth of corporate and phone records from companies and individuals with ties to the Democratic fund-raising scandals. Among those on the subpoena list are DNC fund-raiser Yah Lin (Charlie) Trie and DNC donor Johnny Chung, as well as numerous individuals and entities affiliated with Lippo. Only two of the subpoenas seek information on Republican fund raising.

Numerous Business Cards

Some of the numerous business cards of Chinese government officials living in the U.S. and of mainland Chinese businessmen and government officials in Mr. Huang's files appear to be contacts passed on by Mr. Trie. Yin Jun, president and general manager of Wefang Neo-Luck (Group) Corp., a manufacturing company in China's Shandong province, said he had never given his card to Mr. Huang. He did recall having met Mr. Trie, however, "through a friend of a friend of mine."

Similarly, Li Sum, managing director of China-based Weicheng International Incorporation Ltd., said he had never heard of Mr. Huang but remembers meeting Mr. Trie in Shanghai in 1994 or 1995.

It was Mr. Trie who arranged a White House visit for Wang Jun, chairman of the Chinese-government controlled China International Trust and Investment Corp. Mr. Trie also wrote a letter recommending that a visa be issued for Mr. Wang. One of Mr. Wang's companies was indicted for arms smuggling several months after his White House visit with Mr. Trie.

The notion of a possible link between Chinese intelligence, Mr. Huang and Lippo has been promoted by conservative Republicans and by the British media. There isn't any evidence to confirm these suspicions, which are being fueled by a chain of circumstantial links.

The most eye-catching of these links are the major investments made in the Lippo Group by China Resources (Holdings) Co., set up by China's Ministry of Foreign Trade and Economic Cooperation. Western intelligence experts say China often uses China Resources for spying. However, it is a huge conglomerate engaged in legitimate activities, similar to other Chinese companies in Hong Kong.

Separately, the White House last night was preparing to release to Congress new documents related to fund-raising and intelligence matters. The documents show that the National Security Council warned Clinton officials that Mr. Chung, the DNC donor, had been using his White House access as a marketing tool, people familiar with the matter said. Mr. Chung was pursuing business in China.

Other documents include a letter that Mr. Trie wrote to President Clinton offering advice on how to handle a diplomatic crisis between Taiwan and China.

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DEM FUNDRAISING: CLINTON SAYS CHINESE ROLE "VERY SERIOUS"

At a joint WH news conference with Israeli PM Benjamin Netanyahu, Pres. Clinton called the latest allegations of campaign fundraising abuses -- that China may have sought to direct foreign contributions to the Dem Party -- a "serious matter" and called for a complete investigation. Clinton: "It would be a very serious matter for the United States if any country were to attempt to funnel funds to one of our political parties for any reason whatever. So I think we just have to let the investigation proceed and we should all support it in every way we can. It has to be vigorous and it has to be thorough" (mult., 2/14). CBS' Rather: "What was supposed to be a White House photo opportunity on the Middle East ... took a detour to the Far East and a whole other subject: big money donations in campaign '96 from Asian business interests" (2/13).

ON THE CAPITOL: While the allegations prompted renewed calls for AG Janet Reno to name an independent counsel, Dep. AG Jamie Gorelick said the DoJ has not determined that there is proper cause for such a move (Lacey, L.A. TIMES, 2/14). Gorelick: "The task force has standing instructions that if it finds any information that would lead it to believe that there

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finds any information that would lead it to believe that there should be an independent counsel, they're to bring this to our attention immediately and that's not occurred in this case" (CNN, 2/13). House Gov't Affairs chair Gerald Solomon: "It's obvious that this has gone beyond allegations." Sen. John McCain (R-AZ) and Rep. Frank Wolf (R-VA) also called for an ind. counsel. McCain, whose two earlier requests were rebuffed, said he was "not surprised by these revelations nor will I be surprised by future revelations" (Keen/Hasson, USA TODAY, 2/14). McCain, noting the new allegations were raised by W. POST's Bob Woodward: "When it's got Woodward's byline on it, it certainly opens some eyes. This is what people have been worried about -- whether money has affected our national security policy" (Orin, N.Y. POST, 2/14). CBS' Braver reported that even Dems "were troubled by the allegations." Sen. Russ Feingold (D-WI): "The mere suggestion that there may have been a connection between the goals of the People's Republic of China and the domestic election of our president and other offices in this country is very troubling to me" (2/13).

ESPIONAGE: NBC's Miklaszewski reported, "NBC News has learned that the Justice Department has expanded its investigation into John Huang and whether [he] tried to sell

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investigation into John Huang and whether [he] tried to sell political influence from the Clinton White House to the Chinese Government. ... Government records obtained by NBC News show that, on one day, Huang received a number of classified documents from the Commerce Department. Phone logs show while he possessed those documents, he then placed two calls to his former employer, the Lippo Group" and "his appointment calendar shows, on the same night, Huang met the Chinese Ambassador." House Gov't Affairs cmte chair Gerald Solomon: "We used to see this back in the Cold War, you know, with Soviet agents and how they would be planted in these countries. I'm not going to say that John Huang is a Chinese agent but the allegations are there that a pattern has been followed" (2/13). Solomon believes Huang was the link to Chinese officials in DC. Solomon: "He is evidently the one from all of the evidence that we have" (Keen/Hasson, USA TODAY, 2/14). But ABC's Douglass reported that while "ABC News has learned that the FBI has evidence that a central figure" in the controversy "may have passed classified U.S. Government information to the Chinese," his name "isn't known" (2/13). The ties binding the Riadys, Huang, the Dem Party and Clinton "are strong." So are the ties between the Chinese gov't and the Riadys. "But no one has connected these two sets of relationships" (Weiner, N.Y.

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has connected these two sets of relationships" (Weiner, N.Y. TIMES, 2/14). "The notion of a possible link between Chinese intelligence, Mr. Huang and Lippo has been promoted by conservative Republicans and the British media. There isn't any evidence to confirm these suspicions, which are being fueled by a chain of circumstantial links" (Simpson/Greenberger, W.S. JOURNAL, 2/14).

INTEL BRIEF: NBC's Miklaszewski noted, "U.S. Government officials got their latest lead on a possible Chinese connection to political fundraising the old fashioned way -- they eavesdropped" ("Today," 2/14). Reagan NSC staffer Roger Robinson raised the possibility that special hearings are needed: "Do we need closed door hearings of the Senate Intelligence Committee to learn what the American intelligence establishment knew about a Chinese connection?" ("700 Club," CBN, 2/14). ABC's Douglass reported the NSA "has been asked to evaluate its intercepts of telephone and other communications for further evidence" to back up the electronic intelligence already gathered by various federal agencies (2/13).

EMBASSY RESPONSE: CBS' Braver: "A Chinese Embassy spokesman called the allegations 'groundless and absurd'" (2/13). CNN's Franken noted the embassy also called the allegations "another

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example of demonizing China" (2/13).

WH IMPACT: CBS' Braver reported, "White House insiders are genuinely puzzled and concerned about this report, especially the possibility that it may yet be another indirect result of their aggressive fundraising tactics" (2/13). BOSTON GLOBE editorial: "If the Beijing bosses were able to acquire classified information about U.S. China policy through Democratic fund-raisers indirectly connected to them, or if they used Clinton's fund-raisers to influence American policy in China's favor, then the selling of the president amounted to a selling out of the country" (2/14).

52 PICKUP: The new allegations came as the Senate Gov't Affairs cmte voted to issue 52 subpoenas seeking documents and phone records from most of the prominent figures and corporations tied to the growing controversy. Senate Dems "reluctantly went along" with most of the subpoenas. Subpoenas that were not issued immediately include one aimed at the president's legal defense fund and others targeting the Clinton and Bob Dole pres. campaigns, the DNC and the RNC. Aides said some of these are likely to be sent out in the coming weeks (L.A. TIMES, 2/14). NPR's Overby: "Those subpoenas could take the investigation from the [DNC] right into the White House" (2/13).

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NOMINATIONS: CLINTON SAYS HE'LL FIGHT FOR LAKE

At a press conference with Israeli PM Benjamin Netanyahu, Pres. Clinton gave an "unsolicited defense" of CIA dir.-designate Anthony Lake and urged the Senate to begin confirmation hearings. His comments were part of a WH campaign "to show continued and enthusiastic support" for Lake's nomination (Shogren, L.A. TIMES, 2/14). Clinton said Lake is "superbly qualified" and cited his role in "crafting a strategy that led to a peace settlement" in Bosnia. Clinton: "In view of his service, not to me, but to this country, he deserves a hearing and a vote" (Strobel, W. TIMES, 2/14). "Softly but intently pounding his fist on a lectern," Clinton "seemed irritated and impatient" with the postponement of the hearings: "If someone has some reason to oppose him, let them oppose him in a hearing and then in a vote on the floor." Senate Intelligence chair Richard Shelby (R-AL) has pushed hearings back from 2/25 to 3/11. Among the "biggest concerns" over Lake's confirmation have been his "failure to promptly sell stock" in four energy companies and his "disputed testimony about Iranian arm sales to Bosnian Muslims." Senate Maj. Leader Trent Lott said he was "unsure of Lake's chances" for confirmation: "I think it is in some trouble, but I really don't know how to assess it at this point." But Sens. John McCain (R-AZ), "a leading GOP

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at this point." But Sens. John McCain (R-AZ), "a leading GOP supporter" of Lake, and Bob Kerrey (D-NE), ranking Dem on Intelligence, "predicted that he will eventually be confirmed." McCain: "He still has difficulties, but he overcame major obstacles with the results of the investigations, both clearing him of wrongdoing on the Iranian arms deals and the stock question. ... While it's by no means a sure thing, I think his chances are enhanced by both of those findings" (Baker/Dewar, W. POST, 2/14).

NO LAKE PLACID: An Intelligence cmte staffer said the panel "wants to know what Lake knew about intelligence agency electronic surveillance that turned up evidence" of Chinese gov't officials "trying to steer" campaign contributions to the Dems (see #1). The official "asked whether approval for the surveillance ... was sought through official channels or kept entirely secret" (W. POST, 2/14).

RESERVATIONS: A W. POST editorial contends that while Lake "did not lie to Congress" about the Iranian arms deal, "he and others kept it in the dark in a crucial episode. ... The head of a still largely secret government agency really has nothing more important to offer than confidence. ... As the Senate gets to hearings on the Lake nomination -- and the president was right

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hearings on the Lake nomination -- and the president was right yesterday to protest the latest postponement -- this is where the emphasis should go" (2/14). A N.Y. POST editorial maintains that Lake "seems an odd choice to head the intelligence agency" and Senate GOPers "would do well to make no haste in confirming" him and other nominees. "Making it known that unqualified or extremist nominees will be blocked would be beneficial -- particularly if done before the president is in position to fill a vacancy on the Supreme Court" (2/14).

LET SAIGONS BE SAIGONS: Ex-Rep. Pete Peterson (D-FL) "appears likely" to win confirmation as U.S. Amb. to Vietnam, "but not before a Senate panel could entangle him" in the WH fund-raising controversy. On 2/13 Peterson "finally got a chance" to tell the Senate Foreign Relations Cmte that "this is the time to mend frayed relations" with Vietnam, where he was a POW for over six years. Peterson "expects to be confirmed" by the end of next month and become the first amb. there since '75, when the U.S. closed its South Vietnam embassy. But "while it seemed probable" at the hearing that Peterson "will soon set up shop" in Vietnam, "it also became clear" that the WH's fund-raising controversies were wiggling their way into seemingly unrelated facets" of politics (Gazella, ST. PETE TIMES, 2/14).

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WH 2000: PROBE COULD MAKE OR BREAK THOMPSON'S CHANCES

A USA TODAY cover story profiling Fred Thompson says he is approaching "political hyper-celebrity" and "president" might be the next item on his already-extensive resume. GOP "starmakers" are keeping an eye on him, "as are potential rivals in both parties," including fellow Tennesseans Lamar Alexander and Al Gore. There is "universal agreement that Thompson would be a formidable contender." His charisma and communication skills are "at the mega-star level," comparable to those of Pres. Clinton and Ronald Reagan. He often wins support from people who disagree with him on issues but who are "drawn by his down-home manner and dependable air." Thompson also has appeal to both women and men -- "a political talent his party badly needs." While these "strengths set many a GOP heart racing," Thompson also has "vulnerabilities." He is seen as a "moderate," but he "disconcerted some voters" with a conservative voting record. He "talks like an outsider," but Thompson has been in DC since the '70s. In the GOP, where there is much emphasis on "strong traditional values," Thompson is divorced. And he also is "sensitive" about what people are writing and saying about him, a quality "that would be a disadvantage for a national candidate."

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quality "that would be a disadvantage for a national candidate." The upcoming fundraising inquiry will see Thompson investigating Gore, a potential 2000 rival, a situation that makes Dems "anxious and combative." GOPers "could get that way if Thompson finds evidence of problems on their side." Thompson "pledged" to be fair, but the investigation is seen by some as a possible "field of land mines that could just as easily destroy Fred Thompson's career as make it." Ex-Sen. Howard Baker (R-TN), Thompson's "close friend and mentor": "It may turn out to be a big thing for Fred Thompson. It may turn out to be extremely unfortunate for Fred Thompson. ... It may be his political undoing" (Lawrence, USA TODAY, 2/14).

OTHERS: W.S. JOURNAL's Shafer writes Pat Buchanan is predicting a "grass-roots rebellion" should cong. party leaders "embrace a free-trade agenda." Buchanan said that if Jack Kemp endorses free trade, "it will cost him union support, conservative support" and GOP support. Kemp responds: "It's a global economy, whether Pat Buchanan wants to realize it or not. ... Whoever leads our party has to build on the Reagan legacy of leadership, not retreat." Steve Forbes will begin radio ads 2/15 in AZ promoting the flat tax. The ads are run by Forbes' "Americans for Hope, Growth and Opportunity." In one ad, Forbes

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Divider Title: **Feb. 13, 1997**

Start the Hearings on Mr. Lake

The Senate's consideration of the nomination of Anthony Lake to be Director of Central Intelligence is beginning to look more like a demolition job than a reasoned review of his qualifications. Senator Richard Shelby of Alabama, chairman of the Intelligence Committee, has an obligation to examine Mr. Lake's fitness to run one of the Government's most sensitive and troubled agencies. But Mr. Shelby keeps postponing hearings and raising new issues, leaving the impression that he would rather undermine the nomination than vote on it.

The dynamic of a damaged nomination is hard to reverse in Washington once it gains momentum. It is unfair to Mr. Lake and unworthy of the Senate to conduct the confirmation process by innuendo and cryptic comment, which has been Mr. Shelby's recent practice.

Some questions about Mr. Lake's suitability deserve careful review, including the issues of his independence, management skills and commitment to reform the C.I.A. and other intelligence organizations. Mr. Shelby, quite properly, wants to know whether Mr. Lake and his staff became involved in political fund-raising activities while serving as

White House national security aides the last four years.

Mr. Lake's failure to sell stock holdings as directed by the White House while he was President Clinton's national security adviser is troubling, even though the Justice Department found the lapse unintentional. His decision to keep Congress uninformed about the 1994 acquiescence in Iran's arming of the Bosnian Army was wrong.

Mr. Shelby complains that some of the committee's questions remain unanswered by Mr. Lake and the White House. That can be remedied quickly in a public hearing, where any dodging by the nominee will be obvious to the senators who must vote on his appointment. Senator Shelby has also raised a slew of foreign policy issues, ranging from Haiti to Somalia, as if this were a review of Mr. Clinton's first term rather than an examination of one man's qualifications.

Mr. Lake deserves a chance to address the criticisms and to make the case for confirmation. Hearings should commence this month, not in March or on some other date that suits a strategy of attrition.

The Ebbing Hudson River Park

The edge of Manhattan along the Hudson River may be one of the most precious strips of land in the nation. Ever since the Manhattan waterfront became moribund, New Yorkers have dreamed about its potential for open parkland and recreational use. But that promise is slipping away.

The riverside between Battery Park and 59th Street is owned by the state and the city. For years it has contained a depressing mixture of ruined piers and unlovely facilities like a cement plant and a parking lot for sanitation trucks. The city and state agreed long ago that when a new highway was built along the West Side, the waterfront would be recaptured for a mixture of open space and ball fields. The new park would be maintained with income from a modest amount of recreation-based business development.

Now the road is being built, but the park is floating in a vacuum. Gov. George Pataki says he supports the project, but he has neither publicly endorsed the park plan nor included any money for it in his budget. The Governor says there will be time for that once an environmental impact statement is completed.

A \$200 million project that is moving forward

Piers recreational facility wants to use a slice of the intended parkland for a traffic rotary. Restaurants are being given temporary leases along the water in lower Manhattan.

Unlike the state, New York City has made a clear economic commitment to the park, including its share of the construction cost in its long-term budget. But in the absence of strong state leadership, it has not been acting as though it believes the project will really happen.

The initiative should come from Mr. Pataki. Skeptics have a right to be dubious about his commitment since he has never publicly endorsed the park plan. A press conference about the waterfront would take care of that problem. The Governor should also include the state's \$100 million share of the construction price in his long-term budget.

The future Hudson River Park's promise is too great to be frittered away. Every city resident or tourist who has visited Battery Park in Lower Manhattan realizes what a resource the Manhattan waterfront can be, and how little use New York has ever made of this precious asset. Saving the park will reinforce Mr. Pataki's reputation as an environmentalist and boost Mayor Rudolph Giuliani's ef-

Chinese Embassy Role In Contributions Probed

Planning of Foreign Donations to DNC Indicated

A1

DNC, From A1

By Bob Woodward and Brian Duffy
Washington Post Staff Writers

A Justice Department investigation into improper political fund-raising activities has uncovered evidence that representatives of the People's Republic of China sought to direct contributions from foreign sources to the Democratic National Committee before the 1996 presidential campaign, officials familiar with the inquiry said.

Sensitive intelligence information shows that the Chinese Embassy on Connecticut Avenue NW here was used for planning contributions to the DNC, the sources said. Some information was obtained through electronic eavesdropping conducted by federal agencies.

The information gives the Justice Department inquiry what is known as a foreign counterintelligence component, elevating the seriousness of the fund-raising controversy, according to some officials.

The sources declined to provide details about the scope of the evidence relating to the alleged efforts by the Chinese representatives. They also declined to specify what foreign contributions might have been involved, but they said the new evidence now being scrutinized in the inquiry is serious.

A Chinese Embassy spokesman denied yesterday that his government had anything to do with improper efforts to influence the administration. "We have done nothing of that sort," the spokesman said.

White House press secretary Michael McCurry said yesterday that "to the best of my knowledge, no one here had any knowledge of" the allegations concerning the Chinese. He said the White House would have no further comment.

The evidence relating to the Chinese government led Justice Department lawyers and FBI executives to increase the number of FBI special agents working on a special investigative task force from a handful to 25, including several specialists in foreign counterintelligence investigations, sources said. Laura Ingersoll, a Justice Department attorney assigned a leading role on the fund-raising task force, has security clearances to investigate a variety of sensitive intelligence matters, officials said.

The new dimension to the fund-
See DNC, A9, Col. 1

raising investigation could result in Attorney General Janet Reno eventually recommending that the matter be turned over to an independent counsel, according to one well-placed source. Reno so far has declined requests for an independent counsel, saying that the Justice Department task force can conduct a full and independent inquiry and that there is no specific and credible allegation of wrongdoing against any of the senior executive branch officials covered by the Independent Counsel Act. Such a finding would have to be made by the Justice Department task force before Reno could recommend appointment of an independent counsel.

Washington and Beijing have been at odds over human rights and trade issues, but the Clinton White House has been seeking recently to improve relations. Secretary of State Madeleine K. Albright is traveling to Beijing later this month, and President Clinton announced in his State of the Union message that he also would visit. He has extended an invitation to Chinese President Jiang Zemin to come to Washington.

The Chinese effort to win influence with the Clinton administration can be traced to 1993, one source said. During the Reagan and Bush administrations, the Chinese government felt comfortable dealing with Washington. During the 1992 presidential campaign, authorities in Beijing spoke openly about wanting Bush to win reelection because he was an "old friend" of China. Clinton had criticized the Bush administration during the campaign for "coddling" Beijing and giving China most-favored-nation trade status after the 1989 crackdown in Tiananmen Square.

After Clinton defeated Bush, Chinese officials were uncertain about how to deal with the new administration, officials said, even though as president, Clinton essentially adopted the Bush policy toward Beijing. The Chinese Foreign Ministry has long urged the leadership in Beijing to increase its lobbying efforts in Washington, arguing that China has lagged behind Taiwan and Israel in trying to influence U.S. policy.

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The Washington Post

THURSDAY, FEBRUARY 13, 1997

FINAL

Some investigators suspected a Chinese connection to the current fund-raising scandal because several DNC contributors and major fund-raisers had ties to Beijing. Last February, Charles Yah Lin Trie, a fundraiser for the Democratic National Committee, used his influence with party officials to bring Wang Jun, head of a weapons trading company owned by the Chinese military, to a White House coffee with Clinton.

Wang also heads a prominent, state-owned investment conglomerate. Clinton has since said he should not have met with Wang, and \$640,000 in checks that Trie delivered to president's legal defense fund has been returned because of questions about the source of the funds.

Another reason investigators suspected a Chinese connection was the role of John Huang, a former Commerce Department official and DNC fund-raiser now at the center of the campaign controversy. An American citizen born in China and raised in Taiwan, Huang has said he now has no friends or relatives in China. But Huang is a former executive of the Lippo Group, a highly profitable Indonesian conglomerate owned by the Riady family, who are ethnic Chinese. Lippo has extensive interests in China, including approval to build a power plant in Fujian Province, Huang's place of birth.

In 1993, Lippo sold 50 percent of its holdings in one of its banks, Hong Kong Chinese Bank—where Huang was a vice president in the mid-1980s—to a corporation run by the Chinese government.

Huang was not the only Lippo executive to get a job with the Clinton administration. In December 1994, U.S. Trade Representative Mickey Kantor named Lippo's president of securities, Charles De Queljoe, to the Investment and Services Advisory Committee. Huang had sought jobs at the State Department and the National Security Council staff for De Queljoe, a big Democratic giver, in an early 1993 letter to the White House.

Last month, Rep. Gerald B.H. Solomon (R-N.Y.), chairman of the House Rules Committee, asked FBI

Director Louis J. Freeh to investigate Huang and the Lippo Group, with an eye to "potential economic espionage against the United States by a foreign corporation having direct ties to the People's Republic of China."

Solomon said then that he was concerned about Huang's access to intelligence information and dozens of calls Huang made from Commerce to the Lippo Group. He also asked Freeh to investigate apparent discrepancies in the birth date listed on Huang's visa application forms and his government employment forms.

Huang was employed at Lippo for nine years before he joined the Commerce Department as deputy assistant secretary for international economic policy. His severance package from Lippo totaled \$788,750.

Huang was given a top-secret clearance at Commerce after what Republicans have called a lax background investigation. Despite Huang's extensive ties to Lippo, the background investigation was limited to his activities in the United States because he had lived here for more than five years. Commerce officials now say they wish a foreign background check had been done, even though it was not required.

In preparation for his job at Commerce, Huang received an interim security clearance while he was still working at Lippo. But Commerce Department officials said that did not entitle him to see any classified information, and they maintain he saw none. Because of a bureaucratic error, the officials said, Huang retained his top-secret clearance after he left the Commerce Department to become a DNC vice chairman in December 1995.

During his 18 months at Commerce, Huang was scheduled to attend 37 intelligence briefings, including briefings on China, and saw more than two dozen intelligence reports.

From his Commerce Department office, Huang made more than 70 phone calls to a Lippo-controlled bank in Los Angeles. The calls are now being scrutinized by the Justice Department task force.

Huang's message slips from the Commerce Department also show a call from one Chinese Embassy official in February 1995 and three calls from the embassy's commercial minister in June and August of that year.

According to Huang's Commerce Department desk calendar entries, obtained by The Washington Post, he had three meetings scheduled with Chinese government officials. He was slated to go on a U.S. government-sponsored trip to China in June 1995 that was canceled. He attended a policy breakfast at the Chinese Embassy in October 1995 and a dinner there the same month, his calendar shows.

One of the many unexplained records from Huang's files shows an unusual travel pattern in the fall of 1995. His expense account records show he left his Commerce Department office to visit the Indonesian Embassy on Massachusetts Avenue NW on Oct. 11, claiming a \$5 reimbursement for taxicab fare. The expense records indicate Huang did not return to his office at Commerce until the following day—when he took another \$5 cab ride, not from the Indonesian Embassy but, according to his records, from the "residence of the Chinese ambassador."

Staff writers Susan Schmidt, Sharon LaFraniere and Lena H. Sun, special correspondent Anne Farris and research assistant Jeff Glasser contributed to this report.

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New DNC Chief Criticizes Campaign Financing, but Hedges About Some Practices

By Dan Balz
Washington Post Staff Writer

Colorado Gov. Roy Romer, the new general chairman of the Democratic Party, yesterday condemned the current system of financing political campaigns as a threat to democracy but offered few assurances that he could clean up the White House coffees with donors that have created such controversy.

Romer said his reaction to the decision by President Clinton and Republican congressional leaders to leave campaign finance reform off their list of legislative priorities was "disappointment," adding that such far-reaching reforms as the elimination of "soft money"—huge contributions to the two parties that are not federally regulated—and public financing of campaigns are needed.

"The whole government is going to get corroded if we don't come to terms with the

influence of money and television in campaigns," Romer said at a luncheon with Washington Post reporters and editors.

Romer said he believes Clinton and Vice President Gore remain committed to passing legislation to change the system, but that the president perhaps could do more to encourage other Democratic Party entities to take voluntary steps to limit questionable fund-raising practices.

The Democratic National Committee (DNC) recently announced several changes, including a ceiling on annual soft money donations, but the Democratic Senatorial Campaign Committee and the Democratic Congressional Campaign Committee have said they will not follow suit.

Arguing that the president cannot order the Senate and House campaign committees to make the changes, Romer said, "I wish he would be active in doing it but I don't know if

he could be more active because I don't know the degree to which he did it."

Throughout the lunch, Romer openly wrestled with the challenge of cleaning up the DNC's fund-raising operations at the same time he must help raise \$50 million to keep Democrats competitive in upcoming elections. Saying Democrats are "in tough shape" because of illegal and questionable fund-raising practices in 1996, Romer also said, "As the leader of this party, I've got to keep us competitive under the existing rules."

Romer, acknowledging that he is still learning the intricacies of campaign finance law, promised that the DNC would release its internal audit of what went wrong in 1996 within the next two weeks and that a new 22-page manual will guide future fund-raising practices at the committee. The committee has returned about \$1.5 million in illegal or questionable contributions.

"I want to get it all on the table," Romer said of the upcoming audit release.

But when asked a series of questions about how the DNC would change the practice of hosting White House coffees that included donors, he hedged repeatedly, saying some of the issues fell into gray areas and that, until he has more time to consider the issues, he will not make definitive judgments about what to do.

"The president has to have coffees," Romer said, arguing it is important for the president to meet informally with people and hear their views about issues. He added that attendance "ought not to be based on who gives money," but then said, "You ought not to be excluded if you give money."

Romer suggested that it might be better to shift such events outside the White House. But he said he was not prepared now to offer guidelines about solicitations after

the coffees, which was a regular practice by the DNC during the past two years.

The Colorado governor said both parties had abused the system and indirectly blamed the White House for some of the problems at the DNC, saying: "They put such pressure on the DNC to raise money . . . they made mistakes. The system tried to squeeze too much out of too few."

Romer was asked about the fact that the new DNC finance chairman, Alan D. Solomont of Massachusetts, had lobbied Health and Human Services Secretary Donna E. Shalala on nursing home regulations at a time he was raising big money for the party.

He said Solomont had done "a noble thing" to help the party and has "legitimate interests" before the government affecting his business, but added, "Mixing these two roles is not a good mix."

The Washington Post

THURSDAY, FEBRUARY 13, 1997

Hubbell Vows No More Cooperation

Freed Ex-Justice Official Says He Has Offered Enough to Investigators

By Susan Schmidt
Washington Post Staff Writer

Webster L. Hubbell, a former top Justice Department official who spent 15 months in prison in a legal billing fraud scheme, vowed upon his release from custody yesterday that he will not cooperate in the ongoing criminal investigations into Whitewater or campaign financing abuses.

Hubbell, a former law partner of first lady Hillary Rodham Clinton at the Rose Law Firm in Little Rock who pleaded guilty in 1994 to defrauding his clients and the firm of \$473,000, said in a written statement that he already has spent "an extraordinary amount of time voluntarily cooperating" with investigators in Congress and in the office of Whitewater independent counsel Kenneth W. Starr.

"My answers did not always please the investigators, but they were always truthful," said Hubbell. "That cooperation has not benefited me at all. In return, I was subjected only to more investigations. There is no apparent purpose in continuing down this path."

Hubbell, a central figure in the long-running Whitewater investigation because of his long association with both the first lady and President Clinton, has also surfaced in the investigations into foreign contributions to the Democratic National Committee because of his ties to former DNC fund-raiser John Huang and Huang's one-time employer, the Indonesia-based Lippo Group.

Lippo hired Hubbell as a consultant for an undisclosed fee during the period in 1994 when Hubbell was weighing whether to plead guilty in the billing fraud investigation being pursued by Starr and cooperate with Starr's larger investigation of the Clintons.

According to a source close to the Clinton administration, Hubbell also received funds during that period from Texarkana, Tex., oilman Truman Arnold, who served as the DNC finance director in 1995. Arnold recently acknowledged—then denied—that the DNC used a White House database for political fund-raising purposes while he was serving as its chief fund-raiser.

Richard Ben-Veniste, Arnold's attorney, declined to comment on the payment to Hubbell yesterday or to describe what if any services Hubbell provided in return.

Last week, Starr's office brought several witnesses before a Little Rock grand jury to answer questions about other payments to Hubbell during the 1994 period—one for \$24,750 from

the Los Angeles Airport Commission, another for \$45,000 from a nonprofit foundation. Time-Warner disclosed this week that it briefly employed Hubbell in fall 1994 for an antitrust matter upon a recommendation from Washington lobbyist Michael Berman, a close friend of the Clintons.

Starr is looking into whether White House aides or Clinton associates helped arrange for the payments as an inducement to buy Hubbell's silence in the Whitewater investigation, sources said. Hubbell was brought before the same Little Rock grand jury late last year for questioning about the payments, sources said.

Hubbell did not say yesterday what he would do in the face of continuing questions from Starr, but he refused through his attorney, John Nields, to voluntarily turn over documents to the House Government Reform and Oversight Committee, which is investigating the fund-raising controversy.

The panel's chairman, Rep. Dan Burton (R-Ind.), yesterday said he will issue document subpoenas to Hubbell, Huang, DNC fund-raiser Charles Yah Lin Trie and former White House aide Mark E. Middleton after all four refused to voluntarily provide the documents.

Trie, a Little Rock restaurateur-turned-international businessman, delivered \$640,000 in donations to the president's legal defense fund last year. The money was returned when the fund's trustees said that they were uncertain about the true source of the money. Trie brought a Chinese arms merchant whose company was accused of smuggling guns into the United States to meet with Clinton at a White House coffee.

Middleton, who is also from Little

Rock, was an aide to Thomas F. "Mack" McLarty, who served as White House chief of staff at the beginning of the Clinton administration, until Middleton launched a consulting business two years ago. After quitting his White House job, he returned frequently, sometimes bringing his clients to the White House mess, actions the White House has since said were inappropriate.

Nields, Hubbell's lawyer, told the House committee that Hubbell's previous efforts to cooperate with congressional investigators looking into Whitewater only had brought him a referral to Starr's office for possible perjury for "alleged minor inconsistencies."

Hubbell has frustrated Starr's attorneys, who found him unable or unwilling to provide information despite his guilty plea in the billing fraud case. As a result, they refused to seek a reduced sentence for him, and he spent more than a year in a federal prison in Maryland before being moved to a halfway house in Southeast Washington late last year. He has been on home detention since last month and returned to the halfway house early yesterday morning to be freed from the electronic monitoring bracelet he has worn since then.

Hubbell is now working as a research associate at the National Center on Institutions and Alternatives, a nonprofit organization in Alexandria. In his statement yesterday, Hubbell said he intends to get on with his life. "Justice can be harsh, but it also heals," he said. "Everything can be taken from a man but one thing—the ability to choose his attitude in any given set of circumstances."

The Washington Post

THURSDAY, FEBRUARY 13, 1997

Lake confirmation lies in limbo

Caught between his own past and the Senate intelligence committee's new chairman, the man nominated to head the CIA is embroiled in controversy.

By Barbara Slavin
USA TODAY

For Anthony Lake, the stoic New Englander nominated as director of Central Intelligence, these have got to be trying days.

On Tuesday, as another of President Clinton's nominees — U.N. Ambassador Bill Richardson — was unanimously approved by the Senate, Lake's confirmation hearings were postponed a second time.

Sen. Richard Shelby, chairman of the Senate Select Committee on Intelligence, which will weigh the Lake nomination, put out a powerful statement. He said the hearings were put off until March 11 because "many unanswered, perplexing questions" about Lake remain. Shelby listed more than a dozen issues, from arms to Bosnia to Lake's stock transactions and illegal Democratic contributions from foreigners.

Why is Lake the designated target when the Senate took nary a shot at Richardson, Secretary of State Madeleine Albright or Defense Secretary William Cohen? The reasons are substantive and political.

As Clinton's national security adviser for the past four years, Republicans say, Lake bears major responsibility for a host of controversial policies.

But there are also political and personal motives. Shelby, who switched to the Republican Party in 1994 and is the new chairman of the intelligence committee, does not want to be seen as a pushover. Lake, a veteran foreign affairs specialist with a long track record, has been a target of conservative ire since he quit the White House in 1970 to protest the U.S. bombing of Cambodia. "The nomination brings a lot of controversy," Shelby says. "The CIA is under attack from within and without. Is Mr. Lake the right person for this job at this time?"

While insisting he has not made up his mind, Shelby has said the nomination is on a "slippery slope." In an interview, he questions Lake's integrity. He charges that administration policy on arms to Bosnia — turning a blind eye to Iranian arms sales in 1994 while publicly supporting a U.N. embargo against them — was "duplicitous at best." Shelby also says there have been allegations that Lake "personally squelched repeated reports" that the Chinese were selling nuclear material to Pakistan, charges that if true could have triggered U.S. trade sanctions.

Lake's defenders dismiss the charges and say they are politically motivated.

John Deutch, who left as CIA director last month, is particularly incensed at the inference that Lake suppressed information about China. "During my period as director of the CIA, nobody in the administration put pressure on us not to disseminate intelligence in a timely fashion," he says.

Shelby also has sought to link Lake to the premier domestic political scandal of the day: illegal foreign contributions to the Democratic National Committee. White House logs show that National Security Council Asia expert Sandra Kristoff met three times with a Thai businesswoman whose \$253,000 contribution was later returned as illegal. "Did Mr. Lake meet with any of these people?" Shelby asks.

One of the peculiarities of confirmation etiquette is that candidates for high office are encouraged not to speak to the press between nomination and Senate hearings, if only to protect the senators' privilege to ask the first questions.

This enforced silence opens the field "for everyone with a grievance to dominate the media," says Robert Gates, a former CIA director whose 1991 nomination twisted in the wind for months while critics blasted his record.

Gates is one of a handful of influential Republicans who has endorsed Lake's nomination. Another is Sen. John McCain of Arizona. "He has honesty, integrity, he's the president's choice, and in my view he's qualified," McCain says of the nominee.

Muzzled in the media, Lake has been making use of his time to lobby for support within the CIA. Morale there is down because of recent spy scandals and questions about the agency's post-Cold War purpose. Lake has gone to the agency in Langley, Va., nearly every day and has sought to butter up employees by quoting back their work. According to one employee, Lake went so far as to tell one mid-level analyst that he had not only read his report, but that there was a mistake on Page 17, Column 1.

Such attention to detail has had results in an agency that has had five directors in less than 10 years: CIA officials "just want someone to come over there and run the place," says Richard Stolz, former deputy director for operations.

CIA officials are said to respect Lake's experience and to appreciate that his closeness to the president, which Deutch lacked, is a political asset.

But Lake still seems to rub much of the Washington national security establishment the wrong way. At the Carabao Dinner, an annual black-tie

gathering of military officers Feb. 1, Lake got a polite but lukewarm response.

Part of Lake's problems may stem from a self-effacing personality so legendary that he has compared himself to a "potted plant" and was once described in a *New York Times* photograph caption as "unidentified" while he was standing next to Clinton.

A reporter interviewing Saudi Ambassador Prince Bandar Bin Sultan at a gathering last fall was startled when a pale hand was suddenly extended from the Saudi's side. "I'm Tony Lake," said the hand's owner. The national security adviser had literally faded from view in the presence of the dynamic diplomat.

But if he is not a vivid character, Lake, 57, is a knowledgeable one. In the 1960s, he was a foreign service officer in Vietnam and an aide to national security adviser Henry Kissinger. He quit when President Nixon expanded the Vietnam War to Cambodia. In the 1970s, Lake switched political masters. He helped Democrat Edmund Muskie in his failed presidential campaign, ran an international volunteer service and came back to government as director of policy planning in President Carter's State Department. When Carter lost, he retreated to academia. In 1992, he became a Clinton adviser.

For the first time in his long career, Lake has been tapped for a position requiring Senate confirmation. The mild-mannered intellectual will have to prove his mettle to a committee eager to exercise its constitutional prerogatives.

Chairman "Shelby may be going through a sort of territorial ritual," says Rutgers political science professor Ross Baker. "He's trying to show that (Sen. Jesse) Helms is not the only bull moose in the forest."

One thing is sure: the hearings will be a hot ticket. Lake "will be a political pinata," says Jeremy Rosner, a former colleague on the National Security Council. "A lot of Republicans will take a swing at him. But at the end of the day, their bat breaks before he does."

USA TODAY

THURSDAY, FEBRUARY 13, 1997

4 to be subpoenaed in fund-raising probe

By Judy Keen and Judi Hasson
USA TODAY

Subpoenas will be delivered today to three former Clinton administration officials and a Democratic fund-raiser. All four refused to send documents to a House committee investigating Democratic fund-raising.

The subpoenas seek information about former Justice Department official Webster Hubbell, marking the first overlap between the Whitewater criminal probe and upcoming congressional hearings into campaign financing.

The House subpoenas also signal the growing momentum of various fund-raising probes. The Senate Governmental Affairs Committee will issue dozens of subpoenas this week, and the Justice Department already has issued subpoenas.

Hubbell remains a key figure in the Whitewater probes. On Wednesday, he completed a 17-month sentence for Whitewater-related charges of tax evasion and mail fraud.

Whitewater is the wide-ranging real estate and loan controversy that has dogged the Clinton presidency.

The subpoenas, from the House Government Reform and Oversight Committee, specifically focus on Hubbell's links to the Lippo Group, an Indonesian conglomerate that has been accused of making improper donations. Whitewater independent counsel Kenneth Starr also is investigating Hubbell's links to Lippo.

House subpoenas also will be delivered today to former Commerce Department official John Huang, former White House aide Mark Middleton and fund-raiser Charles Trie.

Two weeks ago, President Clinton said he had ordered all aides to cooperate with congressional investigators.

"The president has pledged full cooperation in this matter, and I would hope that the president's appointees and friends would honor this commitment," said Rep. Dan Burton, R-Ind., chairman of the panel.

Whitewater figure Hubbell released after 17-month term

Webster Hubbell was released from a halfway house Wednesday after serving a 17-month sentence for tax evasion, but his legal woes aren't over.

On his release, Hubbell released a statement saying, "I have spent an extraordinary amount of time voluntarily cooperating with investigations. ...

"My answers did not always please the investigators but they were always truthful."

Hubbell is a close friend of President Clinton's and a former colleague of Hillary Clinton's at the Rose Law Firm in Little Rock. He was convicted of tax evasion in bilking the firm's clients.

In 1994, after resigning as associate attorney general, Hubbell received payments from a company controlled



By Joe Marquette, AP

Hubbell: 'My answers ... were always truthful.'

by Indonesian billionaire Mochtar Riady, who is part of the Lippo Group. Whitewater prosecutors are investigating that relationship, which is also the target of a House panel investigating Democratic fund-raising.

Today's subpoenas target:

► Hubbell, once Hillary Clinton's law partner and a former associate attorney general.

He worked for Lippo after leaving the Justice Department. He has refused to say how much he was paid or what he did for the company.

His lawyer, John Nields, said Hubbell is "disinclined to voluntarily participate in a new round of congressional investigations" because he was accused of perjury in the congressional Whitewater probe.

► Middleton, an international businessman and former White House aide who solicited funds in Asia for a foundation refurbishing Clinton's childhood home in Hope, Ark.

► Trie, who once owned a Little Rock restaurant where Clinton often dined. He delivered \$640,000 in questionable donations to the Clintons' Whitewater legal defense fund that was later returned.

► Huang, chief of U.S. opera-

tions for Lippo before being appointed to a senior Commerce Department position.

He later raised \$3.4 million for the Democratic National Committee. Nearly half of the money was returned because of questions about its source.

Letters detailing the House requests reveal that investigators want to know whether Hubbell went to Indonesia to arrange meetings between Lippo executives and Clinton.

They also are focusing on a fund-raising dinner in Washington July 30 where Clinton met with three Taiwanese businessmen. The dinner resulted in \$488,000 in contributions.

Meanwhile, the Senate committee has agreed on 25 subpoenas and is still debating whether to issue 30 more.

The Senate panel's subpoena list also indicates that it is investigating Vice President Gore's attendance at fund-raiser at a Buddhist temple in Los Angeles in April 1996.

USA TODAY

THURSDAY, FEBRUARY 13, 1997

Subpoenas Issued to 4 as Part of Fund-Raising Investigation (Washn) By Sara Fritz

(c) 1997, Los Angeles Times 2/13/97

WASHINGTON A Republican-led House committee investigating the Democratic Party fund-raising said Wednesday that four figures in the controversy have refused to cooperate, including former Associate Attorney General Webster Hubbell and former Democratic fund-raiser John Huang.

As a result, Rep. Dan Burton, R-Ind., chairman of the House Committee on Government Reform and Oversight, said the panel had issued subpoenas to the four.

The subpoenas were issued to Hubbell, Huang, former White House aide Mark Middleton and Charlie Trie, a former Little Rock, Ark., restaurant owner and friend of President Clinton. The four have refused to provide documents requested by the committee.

"I am disappointed that these individuals, some of whom were high ranking Clinton administration officials have declined to cooperate with the committee," Burton said in a statement. "The president has pledged full cooperation in this matter, and I would hope that the president's appointees and friends would honor his commitment."

The Senate, which is conducting its own investigation, is poised to issue nearly 50 separate subpoenas as early as Thursday, aides said. Those requests for documents will go to both political parties, the Commerce Department and many of the major figures involved, including Huang.

The Senate's investigation, by the Governmental Affairs Committee, will run concurrent with a variety of inquiries conducted on the House side. Sen. Fred Thompson, R-Tenn., chairman of the committee, has requested \$6.5 million to hire 80 attorneys, investigators and other staff members. Democrats are seeking to reduce the funding level, which they call excessive, and pushing to finish the investigation by year's end.

Senate Majority Leader Trent Lott, R-Miss., and Senate Minority Leader Tom Daschle, D-S.D., were meeting Wednesday night to try to forge a compromise to allow the Senate investigation to proceed, aides said. Daschle has vowed to stall the funding issue by filibuster if Republicans attempt to push through a plan Democrats oppose.

Huang, Middleton and Trie, all central figures in the fund-raising scandal, have admitted they were involved in soliciting contributions some of which have proved to be illegal from Asian and Asian-American donors.

Hubbell figures into the panel's investigation because he received payments from Huang's former employer, Mactar Riady of Indonesia, shortly after he resigned his Justice Department post in 1994.

Republicans have charged that the payments from Riady were designed to prevent Hubbell from cooperating with an Independent Counsel investigation of the Whitewater scandal. Hubbell subsequently served nearly two years in jail on charges brought against him by the independent counsel.

Kantor Denies Link Between Big Donors, Trade-Trip Picks (Washn) By Robert L. Jackson

(c) 1997, Los Angeles Times 2/13/97

WASHINGTON As the controversy over campaign donations continued to expand, former Commerce Secretary Mickey Kantor said Wednesday there was no connection between companies giving large donations to the Democratic Party and their selection to join in two overseas trade missions he led last year.

A study by the Boston Globe of campaign donations showed that six companies that were represented on Kantor trips to the former Yugoslavia and several Asian countries contributed \$100,000 or more apiece around the time the trips occurred.

Kantor's trade missions followed larger ones led by his predecessor, the late Ronald H. Brown, which were sharply criticized by Republican lawmakers and some public watchdog groups for allegedly mixing government business with political fund-raising.

Kantor, who served as Commerce secretary for nine months, said political donations were not sought or even hinted at from companies considered for participation on his trips.

"I had nothing to do with the selection of the 25 companies represented on those trips," Kantor said. "I had no idea who contributed and I couldn't care less."

Skeptics, however, scoffed at the suggestion the donations were a coincidence.

"Mickey Kantor is one of the smoothest politicians, short of the president, in this administration," said Larry Klayman, director of the conservative Judicial Watch group which has been critical of the

missions. "For him to claim that he didn't know about contributions is inconceivable."

Clinton administration officials have defended the series of trade missions, which included top Commerce officials and delegations of business people, as valuable tools for increasing American access to overseas markets and for helping U.S. companies compete for international business. Those participating had the opportunity to meet with top government and industry officials in the host nations. Many major corporation executives angled for the chance to go along, and Commerce officials have cited a succession of multimillion dollar agreements and contracts they said were brought to fruition by the missions.

Executives reached for comment about the Kantor missions said the timing of the political donations their companies made was a coincidence and they noted that often they had given to Republicans as well.

Larry Hamilton, a spokesman for Northrop Grumman, said there was "absolutely no connection" between Northrop's participation in a Commerce Department trip to Bosnia and Croatia last July and the company's \$100,000 donation to the Democratic Party seven weeks later.

"We support the political process under current law and believe the amount contributed was proper for a company of our size," Hamilton said.

Klayman said the pattern of giving to both Democrats and Republicans did not suggest the motives were pure.

"Obviously they're trying to influence both sides," he said of the companies. "The Democrats control the executive (branch), the Republicans control Congress."

Bill Hogan, director of investigative projects for the Center for Public Integrity, also expressed skepticism. "I don't think it could be coincidental," he said.

Companies that made donations around the time of a trade mission included the Fluor Daniel Corp., which was represented on a Kantor-led June 25 trip to Korea, Thailand and Indonesia. The company sent a \$100,000 check to the Democratic National Committee on May 3, just before the invitations were extended.

Other companies represented on one or both of Kantor's trade missions who made Democratic contributions about the same time were United Technologies (\$140,000), Bechtel Corp. (\$125,000), Sprint Corp. (\$104,789) and Enron Development Corp. (\$100,000).

Betty Bowers, Washington vice president of Fluor Daniel Corp., said her company was chosen for the Korea-Thailand-Indonesia mission because a top executive belonged to the Commerce Department's Pacific Business Forum "and they were aware of our interest and our experience in the area."

The timing of the company's donation was "pure coincidence," Bowers said.

Kantor provided a copy of a memo dated June 27 from his chief of staff, Peter Scher, to another department official which reported that the Democratic National Committee "is advocating" inclusion of a particular executive "to participate in the secretary's trip to Bosnia and Croatia."

Scher's memo went on to say, "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" that participant.

According to Kantor and other Commerce officials, companies taken on the trade missions generally manufactured products considered marketable in the host countries or belonged to advisory committees the department had established for those regions.

Kantor, who has relinquished the Commerce post to incoming secretary William Daley, said he agreed that "we need to change the (campaign finance) system but it's also unfair to excoriate folks at Commerce who are trying to do their job promoting trade and bettering our country."

Press reports suggesting links between campaign gifts and trade missions or other administration benefits create "a public perception" of abuse that is misleading, he said.

"As a former board member of Common Cause, I care deeply about campaign finance reform," Kantor added. "We're very careful about this."

The contributions analysis was conducted for the Globe by the nonpartisan Campaign Study Group of Springfield, Va.

Questions linger on Hubbell payments

Whitewater figure
free after 16 months

By Jerry Seper
THE WASHINGTON TIMES

A1

Webster L. Hubbell, released yesterday after serving 16 months in prison for stealing from his law partners, was paid nearly \$325,000 by friends of President Clinton in the nine months after his resignation at the Justice Department and his promise to cooperate in the Whitewater investigation.

Independent counsel Kenneth W. Starr, according to lawyers and others close to the investigation, wants to know whether the cash — including a fee of \$45,000 for writing a paper on the ethical considerations of government service — was intended to restrain Mr. Hubbell's cooperation in the Whitewater inquiry.

The disgraced former associate attorney general, freed from a halfway house in Southeast Washington, has been questioned by the Whitewater grand jury in Little Rock, Ark., about the fees — including those from the Lippo Group, an Indonesia-based investment firm whose top executives are longtime friends and political supporters of the Clintons.

Lippo and one of its top officials, John Huang, are at the center of Justice Department and congressional probes of foreign-linked campaign donations to Mr. Clinton and the Democratic National Committee. Mr. Huang and the firm raised millions of dollars in donations to the president and the DNC during the 1996 presidential campaign, many of which were illegal and have since been returned.

The Lippo firm is said to have paid Mr. Hubbell \$250,000 in fees, although it is not clear what he did for the money. Lippo's founder, Mochtar Riady, has been a friend of Mr. Clinton's since he was Arkansas governor. James Riady, his son, has known the president for more than 20 years. Mr. Huang and the Riadys have met privately with Mr. Clinton at the White House and have contributed hun-

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HUBBELL

From page A1

dreds of thousands of dollars to him and the Democratic Party.

Mr. Hubbell also was paid \$24,750 by the Los Angeles Airport Commission, whose former president, Theodore O. Stein, was called before the Whitewater grand jury to testify. It also is not clear what Mr. Hubbell did to justify those fees, and the Los Angeles City Controller's Office is now investigating the matter.

Mr. Stein said he hired Mr. Hubbell in August 1994 on an \$8,500-a-month contract to lobby federal transportation officials.

The controller's office said Mr. Hubbell's billing invoices described him as being in "constant contact" with Los Angeles International Airport officials, although airport officials do not recall ever speaking with him, and that he spent 15 hours on the phone with Transportation Department officials, although DOT executives remember only two calls lasting about five minutes.

Mr. Stein said he hired Mr. Hubbell on the recommendation of Los Angeles Deputy Mayor Mary Leslie, who coordinated Mr. Clinton's California fund raising in the 1992 presidential campaign and worked for a year after the election at the Small Business Administration.

Mrs. Leslie, who did not return calls for comment, also testified before the grand jury. The Los Angeles contract was terminated Dec. 6, 1994, the day Mr. Hubbell pleaded guilty in the Whitewater probe.

Mr. Hubbell also signed a \$45,000 contract with the Consumer Support and Education Fund, a nonprofit foundation in Los Angeles. He was recommended for the job by former Washington lawyer John Phillips, an active Democrat and longtime friend of former Commerce Secretary Mickey Kantor.

The contract said Mr. Hubbell was to write a paper, possibly a book, on ethical concerns and difficulties of public service in America. He never submitted any writings, although he was paid the money. Mr. Phillips later reimbursed the foundation for the cash and demanded repayment from Mr. Hubbell — about \$30,000 of which he said he has received.

Mr. Phillips did not return calls to his office for comment. It was not clear yesterday how Mr. Hubbell got the job. Media in Washington, New York, Minneapolis and Los Angeles reported before his March 14, 1994, resignation that Mr. Hubbell's former law partners were considering ethics charges against him after an internal audit found he failed to document hundreds of thousands of dollars in expenses billed to clients.

Investigators from the Resolution Trust Corp. and the Federal Deposit Insurance Corp. also had already examined Mr. Hubbell's billing records and spoken pub-

licly on accusations of possible overbilling.

Mr. Hubbell also got \$5,000 as a consultant for Time Warner Inc., although records show he attended only two meetings during the four weeks he supposedly worked for the firm and did little else. Time Warner records have been subpoenaed by Whitewater prosecutors.

Mr. Hubbell was not available for comment, but he said in a statement: "I have spent an extraordinary amount of time voluntarily cooperating with investigations. My answers did not always please the investigators, but they were always truthful."

All of the jobs came after Mr. Hubbell resigned from the Justice Department and before his guilty plea in December 1994 in a deal with Mr. Starr to two felony counts of mail fraud and tax evasion. He admitted stealing \$482,410 from the Rose Law Firm and failing to pay \$143,747 in taxes, and he was sentenced in June 1995. He began his prison term two months later.

His promised cooperation in the Whitewater probe, the source said, never met with prosecutors' expectations. At Mr. Hubbell's sentencing, Mr. Starr made no effort to endorse a leniency plea by Mr. Hubbell, who promised to cooperate to avoid a possible 10-year prison sentence on his felony convictions and fines of \$500,000.

The Washington Times
THURSDAY, FEBRUARY 13, 1997

Fear of abuse cuts data to White House

By Paul Bedard
THE WASHINGTON TIMES

The Secret Service abruptly curbed access to its list of White House pass holders recently amid concern over misuse of its sensitive information, according to newly released documents.

The policy change came as the White House was grappling with the FBI files dispute, in which White House security aides and Clinton friends were accused of rummaging through secret files of former Bush and Reagan aides.

The General Accounting Office at the time was also raising questions about inadequate security protection of the tax-funded 350,000-name White House database that has been linked to the Democratic fund-raising scandal.

Letters from the Secret Service provided to The Washington Times show the agency expressed dismay in July 1996 that the White House was using its security lists to determine which White House pass holders would get gifts and mementos, such as its popular wooden Easter eggs.

In a tartly worded July 23, 1996, memo, Colleen B. Callahan, special agent in charge of the Secret Service White House division, scolded the White House and said her agency would both tighten access to and trim the information in the list of pass holders given to the White House each week.

"The [Secret Service] database

Secret Service cites use in politics

should not be used or relied upon for any other unintended use" than security, the Secret Service official wrote.

Ms. Callahan was answering a memo from Jodie R. Torkelson, director of management and administration, in which she said the information was needed "to provide mementos, memos and invitations" to people in the so-called WAVES system.

WAVES is the Secret Service system of identifying everyone with White House security passes. It is also the system the Secret Service uses to clear in visitors.

In her July 3, 1996 memo, Mrs. Torkelson said WAVES information was needed to help "assure that invitations to events and similar matters reach everyone."

Mrs. Torkelson also said the WAVES data was used to see who was involved in the White House drug-testing program and on the administration's payroll.

While the White House had historically received a weekly update of Secret Service-approved pass holders, Mrs. Torkelson's description of how it was being used appeared to anger the agency.

In a July 22, 1996, letter to a congressional panel probing the White House database, William H. Pickel, executive assistant to the Secret Service director, said the

agency was "unaware" that the data was being used by the White House Office of Management and Administration "as a source of comparison to White House personnel/payroll files, for identifying who should receive mementos and invitations to White House events, as well as, a means of monitoring the White House drug program."

The House Government Reform and Oversight Committee is investigating allegations that the White House database was used for political purposes in violation of government rules. The White House denies that it misused the database.

Deputy spokesman Barry Toiv said the White House has not used its database for political purposes. He explained that the WAVES list is needed to make sure that the administration's count of current employees parallels those the Secret Service lists as pass holders.

While it expressed concern about how its security list was being used, the Secret Service did agree to turn over an abbreviated list containing basic information such as the name, employer and pass type of everyone on its list. The Secret Service said it would only provide it to the White House Security Office.

The Secret Service refused to

comment on the dispute with the White House while the House Government Reform and Oversight Committee investigates the database system and wraps up its probe of the FBI files case.

The agency and the White House last year often sparred during the FBI files case. For example, the White House complained that the Secret Service had an outdated list of facility pass holders, charges the agency denied.

It is still not clear if the Secret Service was retaliating against the White House because of allegations in the FBI files case or out of security concerns regarding the White House database.

The Secret Service tightened its policy just a month before the GAO and private security experts expressed worries that the White House database suffered from security shortfalls.

Internal White House documents show that the WAVES list was used to help develop the larger White House database although they are not directly linked.

Only 150 White House aides have access to the database, but the GAO told the House committee that "none of these users reported having training concerning the security of the system."

Among those with access were interns and volunteers, according to White House documents. The White House instituted new security practices in reaction to the GAO charges.

The Washington Times
THURSDAY, FEBRUARY 13, 1997

House subpoenas to answer refusal of four to aid probe

By Jerry Seper
THE WASHINGTON TIMES

The chairman of a House committee yesterday promised subpoenas for records from three former Clinton administration officials and a top Democratic fundraiser after they refused to cooperate in an investigation of campaign fund raising.

Former Associate Attorney General Webster L. Hubbell, former Deputy Assistant Commerce Secretary John Huang, former White House aide Mark Middleton and Arkansas businessman Charles Yah Lin Trie all refused to cooperate in the probe.

"I am disappointed that these individuals, some of whom were high-ranking Clinton administration officials, have declined to co-

operate with the committee," said Rep. Dan Burton, Indiana Republican and chairman of the House Government Reform and Oversight Committee.

"The president has pledged full cooperation in this matter, and I would hope that the president's appointees and friends would honor this commitment," he said.

The chairman can issue the subpoenas without a committee vote. They are expected by tomorrow.

In the Senate, Republicans on the Governmental Affairs Committee notified Democrats they want to issue 54 subpoenas in an investigation of campaign fund raising. Sources said the Democrats have agreed to support 40 of the subpoenas but are reviewing the other 14.

The House committee has is-

sued more than 50 document requests to people and government agencies in an investigation into questionable campaign contributions to Mr. Clinton and the Democratic National Committee and into the activities of key DNC fundraisers and administration officials.

White House special counsel Lanny Davis, assigned to respond to questions on administration scandals, did not return calls to his office yesterday.

The subpoenas were sought after the four men declined to cooperate in the House panel's inquiry. Mr. Hubbell, longtime friend of the president's and former law partner of first lady Hillary Rodham Clinton's, is "disinclined to participate voluntarily in the committee's investigation,"

Hubbell attorney John W. Nields Jr. said in a letter.

Mr. Hubbell was released from a federal halfway house yesterday after completing a 16-month sentence for fraud and tax evasion in the bilking of his former partners at Little Rock's Rose Law Firm. Whitewater prosecutors now want to know what he did to earn nearly \$325,000 in legal fees after his Justice Department resignation in March 1994 and his December 1994 guilty plea.

The expected Hubbell subpoena will seek records concerning his contacts with the Lippo Group and top executives Mochtar and James Riady; payments he received from the Indonesian company and other businesses; contacts he had with Mr. Huang, Mr. Trie, former Arkansas Gov. Jim Guy Tucker, Little

Rock businessmen Mark Grobmyer and Joe Giroir, and others; and his involvement with the president's legal defense fund.

The subpoena also will target documents showing Mr. Hubbell's ties to the Asian Pacific Advisory Council, the San Kip International Trading Corp. and Daihatsu International Trading Co. and records on a November 1994 trip to Jakarta, where the Lippo Group is based.

Lippo has figured prominently in the committee's probe and is believed to be key to a vigorous Justice Department investigation into campaign finance irregularities.

The House committee asked Messrs. Huang, Trie and Middleton for records showing their contacts with the Riadys and Lippo, their DNC fund-raising activities,

meetings they had with the president and Vice President Al Gore, and meetings with others, including White House and Commerce Department officials.

The panel also will seek records showing their involvement in efforts to maintain China's most-favored-nation trade status with the United States and their ties to trade and business issues concerning the normalization of relations with Vietnam.

Huang attorney John C. Kenney Jr. told the committee his client looks forward to working with the panel but first needs an agreement that would enable him to fully cooperate. "Circumstances currently do not permit Mr. Huang to produce the materials requested by the committee," Mr. Kenney said.

The Washington Times

THURSDAY, FEBRUARY 13, 1997

American scene

Union official named to gambling panel

House Minority Leader Richard A. Gephardt named a union official close to the gambling industry to a national panel that will study the impact of legalized gambling.

The Missouri Democrat nominated John Wilhelm, secretary-treasurer of the Hotel Employees and Restaurant Employees International Union, saying, "It's important for the workers to have a voice in this process."

Homosexual 'marriage' banned in Mississippi

JACKSON, Miss. — Republican Gov. Kirk Fordice yesterday signed a law making Mississippi the 17th state in a year to outlaw homosexual "marriages," which he called "perverse."

The statute also denies local recognition of such unions performed in other states, and Mr. Fordice said it would ensure that homosexual couples do not enjoy benefits of marriage, such as health insurance.

3 Coast Guardsmen die in rescue

SEATTLE — Three Coast Guard crewmen on a rescue mission died when raging seas capsized their motorized lifeboat and threw them into frigid waters yesterday, officials said.

A fourth crew member survived the accident near the Olympic Peninsula town of La Push with only minor injuries, Petty Officer Steve Carlton said.

The accident occurred shortly after two boats and a helicopter were sent out at 12:30 a.m. PST (3:30 a.m. EST) in response to a distress call from two persons in a sailboat taking on water in seas of up to 25 feet.

The couple were rescued by helicopter shortly before their vessel was smashed on the rocks.

Blacks less likely

A review of records at Duke University Medical Center found that black people were 32 percent less likely to have bypass surgery and 13 percent less likely to undergo angioplasty, even after differences in the severity of their disease were taken into account. Both procedures open up clogged heart arteries.

Although the study could not determine why blacks were less likely to have the operations, researchers speculated one reason may be that many blacks prefer less invasive approaches to their disease. The results are published in today's issue of the New England Journal of Medicine.

Judicial Watch charges 'holdup' for documents

Judicial Watch, the watchdog group seeking administration documents that link government trade missions overseas to Democratic Party political fundraising, yesterday charged the Commerce Department in court papers with attempting "a \$4 million holdup" for the documents.

In a federal lawsuit filed yesterday, Larry Klayman, the group's general counsel, asked U.S. District Judge Royce C. Lamberth to declare unlawful the department's demand that Judicial Watch pay \$4 million for a worldwide search of all Commerce offices to locate documents involving the Indonesia's Lippo financial conglomerate, Riady family members who control Lippo, and former Commerce trade official John Huang, who previously worked for Lippo and collected more than \$1.5 million in illegal contributions as a Democratic National Committee fund-raiser during the 1996 election campaign.

Commerce lawyer Barbara S. Fredericks demanded the \$4 million payment in a Feb. 3 letter to Mr. Klayman.

Woman jailed in plot to burn abortion clinics

NORFOLK — An anti-abortion activist who once had an abortion was sentenced yesterday to 30 months in prison for a plot to burn two women's clinics.

Jennifer Patterson Sperle, 24, who had pleaded guilty to conspiracy to commit arson, was also ordered by U.S. District Judge Raymond Jackson to pay \$1,355 in restitution to one of the clinics. Defense psychiatrists said Mrs.

Study equates car phone hazard to driving drunk

The researchers studied 699 Toronto-area drivers who had cell phones.

Industry Association in Washington.

ting into an accident is about the same as the increased risk involved in driving with a blood-alcohol level right at the legal limit, the researchers noted that callers' extra risk drops back to normal as soon as they hang up, while nearly drunken drivers may be a menace for hours.

in the Washington-Baltimore area have a cellular phone, according to a recent survey by ComWatch, an Atlanta research company. And 10 percent of homes have more than one cell-phone subscription, the company said.

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showed that having lots of experience with a cell phone — or using a hands-free model — didn't lower people's risk.

However, the organization also pointed out that even while the number of cell-phone users in the United States grew 1,685 percent from 1986 to 1995 to 34 million subscribers, auto-accidents during the same period fell 17 percent and fatalities dropped 26 percent.

Dr. Redelmeier, a researcher at Sunnybrook Health-Science Center in North York, Ontario, conducted the study with Robert J. Tibshirani.

"I think this is probably something we all know in our gut. When you're driving, you really have to keep your attention on the road," said Tim Ayers, vice president of the Cellular Telecommunications

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laws against using hand-held phones while driving.

Dr. Redelmeier said his study does not suggest car phones should be banned. For one thing, they also have significant benefits. Indeed, 39 percent of the people in the study used their phones to dial 911 after their accidents.

Malcolm MacLure and Dr. Murray A. Mittleman, who developed the research method used by the Canadian team, calculated that if one in 10 vehicles has a cell phone, by the year 2000, between 0.6 percent and 1.2 percent of all accidents may be caused by their use.

Dr. Redelmeier said the findings suggest that losing concentration, not fiddling with the phone itself, is what makes cellular calls a highway hazard.

Brazil, Israel, Switzerland and two Australian states have passed

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Hotline 2/13/97

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FUNDRAISING: CHINESE EMBASSY ROLE PROBED BY DOJ

W. POST's Woodward & Duffy report a DoJ investigation has uncovered evidence that representatives of the People's Republic of China "sought to direct contributions from foreign sources" to the DNC before the '96 pres. campaign. "Sensitive" intelligence information, some "obtained through electronic eavesdropping" by federal agencies, shows that the Chinese Embassy in D.C. was "used for planning contributions to the DNC." The information gives the DoJ inquiry "a foreign counterintelligence component, elevating the seriousness of the fund-raising controversy." Sources "declined to provide details about the scope of the evidence relating to the alleged efforts by the Chinese." They also "declined to specify what foreign contributions might have been involved, but they said the new evidence now being scrutinized in the inquiry is serious." A Chinese Embassy spokesman denied 2/12 "that his government had anything to do with improper efforts to influence" the admin.: "We have done nothing of that sort." WH press sec. Mike McCurry said, "To the best of my knowledge, no one here had any knowledge" of the allegations. He said the WH would have no further comment. This "new dimension" to the fundraising investigation "could result"

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"new dimension" to the fundraising investigation "could result" in AG Janet Reno recommending the matter be turned over to an independent counsel, according to a "well-placed" source (2/13).

THE TIES THAT BIND US: "Some investigators suspected a Chinese connection" to the fund-raising scandal "because several DNC contributors and major fundraisers had ties to Beijing," including AR businessman Charles Yah Lin Trie and ex-DNC finance vice chair John Huang. As previously reported, Trie "used his influence" with Dem officials to bring Chinese gov't arms dealer Wang Jun to a WH coffee. Jun also heads a "prominent" state-owned investment conglomerate. "Another reason investigators suspected a Chinese connection" was Huang's role. Huang is an American citizen born in China and raised in Taiwan; he says he has no relatives in China, but his ex-employer, the Lippo Group, is owned by the Riady family, who are ethnic Chinese. In '93, Lippo sold 50% of its holdings in one of its banks, Hong Kong Chinese Bank -- where Huang was a VP in the mid-'80s -- to a corp. run by the Chinese gov't. During his 18 months at the Commerce Dept., Huang was scheduled to attend 37 intelligence briefings, "including briefings on China," saw "more than two dozen" intelligence reports. Huang's phone records are being scrutinized by the DoJ task force, and have revealed more than 70

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scrutinized by the DoJ task force, and have revealed more than 70 calls to a Lippo-controlled bank in L.A. and a total of four calls from different Chinese embassy officials. Last month, House Rules cmte chair Gerald Solomon asked FBI dir. Louis Freeh to investigate Huang and the Lippo Group, with an eye toward "potential economic espionage" against the U.S. "by a foreign corporation having direct ties" to China (2/13).

KERRY PROPOSAL: Sen. John Kerry (D-MA) said he will propose legislation to "create a new system for financing political campaigns" through annual fees charged to users of the public airwaves, such as TV and radio broadcasters. Kerry "acknowledged" that any campaign finance reform legislation "faces long odds in Congress this year," but said, "We've got to turn up the heat" on Congress (Black, BOSTON GLOBE, 2/13).

MAYBE NEXT YEAR: AP's John King noted, "The Republican leadership ... simply does not want to bring this to a floor vote. ... For all the focus on the president and Democratic fundraising, the Republicans believe they'd benefit more in the current system because they can raise even more of this big soft money than the Democrats can. They don't want to change the rules before 1998 because they think they're going to make big gains in 1998" ("IP," CNN, 2/12). Sen. John McCain (R-AZ) agrees

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rules before 1998 because they think they're going to make big gains in 1998" ("IP," CNN, 2/12). Sen. John McCain (R-AZ) agrees the odds are long for reform this year: "It's clear that the leadership on both sides of the aisle are not committed. I've always believed it would require outside pressure, and continuing scandals that will continue, in order to bring sufficient pressure on incumbents who support a system that ensures a system of incumbency. ... It is possible that the anger and cynicism will mount as continuing revelations are made public. At the same time it may not" (NPR, 2/12). DNC Chair/CO Gov. Roy Romer: "The whole government is going to get corroded if we don't come to terms with the influence of money and television in campaigns." He believes Pres. Clinton and VP Gore are "committed" to passing reform legislation, but they "could do more to encourage" other Dem party entities "to take voluntary steps to limit questionable fundraising practices" (Balz, W. POST, 2/13). A W. POST editorial says if the focus of the Hill hearings "can be kept on the presidential campaign, so much the better for Congress, whose own practices will escape equal scrutiny" (2/13).

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WHITEWATER: HUBBELL SAYS HE WON'T COOPERATE

After almost 18 months in federal custody, ex-assoc. AG Web Hubbell "left a ramshackle halfway house" 2/12 in southeast D.C. and "became a free man again." Hubbell emerged with a warning that he would no longer cooperate with Whitewater prosecutors or Hill investigations. Hubbell, who had cooperated with investigators after pleading guilty in 12/94 to mail fraud and tax evasion in connection with Rose Law Firm client billings, said 2/13, "My answers did not always please the investigators, but they were always truthful. That cooperation has not benefited me at all. In return, I was subjected only to more investigations. There is no apparent purpose in continuing down this path" (Lemmons, AR DEM-GAZETTE, 2/13). Hubbell, on not talking: "I'm going to respect my friends and I'm not going to talk about my work for them. I'm never going to be in a position where I'm going to take a confidential relationship and then tell everybody about that. ... If you hired a lawyer, you would hope that whatever he was doing for you would be confidential" (FOX News Channel, 2/12). ABC's Judd: "A source says White House officials are worried that, no matter what Hubbell proclaims today, he may eventually change his mind and say anything to

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today, he may eventually change his mind and say anything to escape future prosecution" (2/12). Hubbell: "My own attitude is, I just want to get on with my life. ... Y'all can worry about politics. I promise you, at Cumberland prison camp I raised no funds for the President of the United States. At eleven cents an hour not many people were interested in raising and giving money to the president and none of us got a furlough to the White House for coffee" (CBS, 2/12).

ONE SUBPOENA, TWO SUBPOENA: Within hours of Hubbell's release, the House Gov't Reform & Oversight cmte revealed plans to subpoena him on another matter -- his work for the Lipppo Group. After refusing to voluntarily produce documents for an investigation into alleged fund-raising abuses, cmte chair Dan Burton said he would issue subpoenas to not only Hubbell, but also to three others: ex-DNC finance vice chair John Huang, ex-WH aide Mark Middleton and AR businessman Charles Yah Lin Trie. The Senate Gov't Affairs Cmte also could move forward this week with 40 other subpoenas -- with Hubbell, Huang and Trie among the potential targets (Lemmons, AR DEM-GAZETTE, 2/13). Burton: "I am disappointed that these individuals, some of whom were high-ranking Clinton administration officials, have declined to cooperate with the committee. The president pledged full

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cooperate with the committee. The president pledged full cooperation in this matter, and I would hope that the president's appointees and friends would honor his commitment" (L.A. TIMES, 2/13). CNN's Franken: "Congressional subpoenas were inevitable and so were the recipients" ("IP," 2/12).

STARR PROBE: ABC's Judd: "Sources tell ABC News [Whitewater Ind. Counsel Kenneth] Starr actually is accelerating his probe into a series of payments to Hubbell" from the Lippo Group, the Consumer Support and Education Fund, the L.A. Airport Commission and Time-Warner (2/12).

HALE TALKS WHITEWATER: When Jim McDougal told "Blood Sport" author James Stewart --writing for the New Yorker -- that he is now convinced Pres. Clinton was present at an '86 meeting between ex-AR judge David Hale and himself, McDougal inevitably "corroborated" Hale's testimony from the spring of '96 that ex-AR Gov. Bill Clinton had encouraged him to make an illegal \$300,000 loan. Now serving a 28-month sentence for conspiracy and mail fraud in Texarkana, TX, Hale spoke more about the Whitewater case with AP's Yost. The interview was only his second with the news media since he began cooperating with Whitewater prosecutors three years ago. Hale: "Only a small, small part of what I know about Whitewater came out. A lot more information will come out

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BETTER LAKE THAN NEVER? USA TODAY's Slavin looks at the "substantive and political" reasons why NSA Anthony Lake's confirmation hearings as CIA dir. have been delayed; one is that Senate Intelligence chair Richard Shelby "does not want to be seen as a pushover." Shelby: "The nomination brings a lot of controversy. The CIA is under attack from within and without. Is Mr. Lake the right person for this job at the this time?" (2/13). An L.A. TIMES editorial says Shelby's "tactics strongly suggest he is less interested in getting responses to the detailed questions he has raised than he is in dragging things out to a point where Clinton will ultimately be forced to withdraw Lake's nomination. This is political gamesmanship, not a responsible approach to providing senatorial advice and consent on a key nomination" (2/13). N.Y. TIMES editorial: "Lake deserves a chance to address the criticisms and to make the case for confirmation. Hearings should commence this month, not in March or on some other date that suits a strategy of attrition" (2/13).

CALL WAITING: The Senate "headed toward a big scrap" as ranking Senate Judiciary cmte Dem Pat Leahy accused GOPers of the "worst kind of politicizing of the federal judiciary" by delaying the confirmation of Clinton's nominations to the federal bench.

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CLINTON: CORDIAL MEETING, BUT WHERE WAS CAMPAIGN REFORM?

In an "unusual gesture of bipartisanship," Pres. Clinton met with cong. leaders "on their turf" and together produced a list of topics on which they might reach agreement in advance of a balanced-budget deal. During the session in the President's Room off the Senate chamber, the participants, which included Dem Hill leaders, "found enough common ground" on five issues -- education reform, tax cuts, juvenile crime, jobs for welfare recipients and DC -- "to designate them for high-level talks that might lead" to early agreements. But they "pointedly kept off their list topics on which they sharply disagree": campaign finance reform, Medicare overhaul, and expanding health care coverage for uninsured children (Hosler, Balto. SUN, 2/12). "Except for education," the issues on the bipartisan priority list "are the ones Republicans hoped to address" in the 105th Congress (Blomquist/Kellman, W. TIMES, 2/12). CBS' Rather: "Clinton and Republican congressional leaders sought common ground on balancing the budget and a whole lot more" (2/11). CNN's Crowley: "Apparently no food fights, but beyond that achievements were modest" ("IP," 2/11). COPLEY's Bayer writes, "Miss Manners could scarcely have scripted better-behaved budget talks than

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the Rubin appearance "a testy clash" over Clinton's balanced-budget plan (2/12).

CAMPAIGN FINANCE REFORM: Before the meeting with Hill leaders, Clinton met at the WH with about 20 of the House sponsors of a bipartisan campaign-finance bill and vowed to do "whatever I can" to ensure its passage by 7/4. The House members were led by Reps. Martin Meehan (D-MA) and Chris Shays (R-CT), who support the House version of McCain-Feingold (Black, BOSTON GLOBE, 2/12). Shays is "seen" in DC "as a voice of reform who has managed to remain close" to Gingrich (Lightman, HARTFORD COURANT, 2/12). N.Y. TIMES' Apple reports campaign finance reform "is losing its urgency on Capitol Hill." Sen. John McCain (R-AZ) has so far lined up only one other Senate GOPer -- TN's Fred Thompson -- to support his bill. "Unless he can persuade more of his colleagues to back him," the bill "has little chance of passage, since many" Dems "have also made their opposition clear" (2/12). Gingrich told the W. TIMES he "expects" that the House Gov't Reform & Oversight cmte "will need to spend about as much" as the Senate Governmental Affairs cmte (\$6.5M) for its probe into Dem fund-raising (Kellman, 2/12).

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NOMINATIONS: "MAJOR SETBACK" FOR LAKE

Anthony Lake's nomination to be CIA dir. "suffered a major setback" 2/11 when Senate GOPers delayed his confirmation hearings once again. The delay "is another strong signal of Republicans displeasure" with Lake's nomination and was a "surprise" to the WH (Risen/Bunting, L.A. TIMES, 2/12). Sen. Select cmte on Intelligence chair Richard Shelby (AL) said "questions had not been answered" about foreign campaign contributions and Lake's "divestiture of four energy stocks." Shelby has postponed the hearings until 3/11. It is the second time the hearings, originally scheduled for 2/11 and rescheduled for 2/25, have been delayed. Shelby said "one unanswered question involved" Nat'l Security Council "who may have met with foreign political donors" when Lake headed the NSC. The Select Cmte on Intelligence has asked why senior dir. of Asian affairs Sandra Kristoff met with Thai businesswoman Pauline Kanchanalak. Kanchanalak is a "political donor" whose \$253,000 contribution to the DNC was returned last year "after she said it came from her mother-in-law." Sources indicate Shelby "wants to know whether Lake was aware" of the meetings, what their outcome was and if he approved them (Pincus/Thomas, W. POST, 2/12). A WH official said

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approved them (Pincus/Thomas, W. POST, 2/12). A WH official said the WH is "still investigating" the meetings, "but there is no evidence Lake had anything to do with them or with other figures who have surfaced in the scandal over" DNC fund-raising techniques (Gertz, W. TIMES, 2/12).

DEM REAX: Cmte vice-chair Bob Kerrey (D-NE) "objected strongly" to the delay and said the decision "is at best premature [and] at worst it risks turning a position that is extremely important to the nation's safety into a political football." Kerrey: "I feel quite strongly there's no solid basis for the delay. Let the opponents come out. ... If it goes on too much longer, it's going to reduce the pool of people who are willing to run this gantlet." Clinton and Shelby spoke "briefly" 2/11 to discuss the nomination in a phone call set up by Kerrey. When asked what he said when the president asked about the delay, Shelby told reporters he replied that moving the hearings forward "might depend on what the White House did as far as helping Mr. Lake ... on these questions and a lot of information we're trying to get in the investigation" (W. POST, 2/12). CNN's Blitzer: "They insist, here at the White House, they're not overly concerned about this. They think that Tony Lake will be able to come forward and make a clean case for himself when all is said

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come forward and make a clean case for himself when all is said and done. This does, though, represent yet another obstacle for Tony Lake in getting his own confirmation through" ("IP," 2/11).

WH WAVERING SUPPORT? If there is a "strategy behind the delay, it appears to rest on the hope that further investigation will reveal damning evidence" against Lake, or that Clinton's "support for Lake will waver" (Weiner, N.Y. TIMES, 2/12). A spokesperson for Shelby "downplayed the significance" of the phone call between Shelby and Clinton and "suggested that Shelby does not believe Clinton has mounted a vigorous effort to save the nomination." The spokesperson said that Clinton and Shelby "spent more time talking about other things besides the Lake nomination" and added that Clinton "has not placed any separate calls [to Shelby] about this nomination that I am aware of" (L.A. TIMES, 2/12). But AP's Diamond reports Clinton has "urged" the Senate to confirm Lake and has "pledged" to "go to the mat" to defend Lake (ASBURY PARK PRESS, 2/12).

A LOOK AT THE HEARINGS: Shelby "made it clear" the hearings would "examine many of the most contentious issues" about Clinton's foreign policy and Lake's handling of four energy stocks he held on to after being advised to divest them. But the "single most contentious issue of the day" was the contributions

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EDITORIAL: The Manchester UNION LEADER says Clinton "should withdraw his nomination." The CIA "has had its share of troubles in recent years. It could use an infusion of credibility, a credibility sadly lacking in Anthony Lake" (2/12).

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DEM FUNDRAISING: ICKES ADMITS MISSTEPS, BUT NO APOLOGIES

"Alternately defiant and contrite," ex-WH dep. CoS Harold Ickes took responsibility 2/11 "for some fundraising missteps but insisted that he broke no laws" and that Pres. Clinton's "courtship" of Dem donors "was no different from the practices of his predecessors." Although he acknowledged in an interview he should not have sought to steer more than \$1M in donations from TX businessman William Morgan to the DNC and other groups, Ickes said his actions were not illegal because he did not solicit the money, which he was prohibited from doing as a federal employee. He said he had "erred" in using a gov't fax machine and telephone to contact the intermediary about the donation. Ickes defended the party's overall fund-raising record compared "with what he described as pervasive abuses when he first got involved in politics": "The system is a lot cleaner and a lot less subject to abuse than it was 20 years ago. So I make no apologies for either the amounts of money we raised or basically the way we raised it." In particular, Ickes "ridiculed the attention given to perquisites provided to major" Dem donors, such as invitations to WH coffees and Lincoln bedroom overnights. His voice "tinged with sarcasm," Ickes said the media is acting as though it has

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st-like matter is given off by the burning of coal and other fuels. Pieces as little as 28 times smaller than the human hair can lodge in the lungs and reduce their capacity of often-extreme concern during periods of air-pollution or people with respiratory systems already weakened by

the proposal, particles 2.5 microns or larger could not exceed micrograms per cubic meter of air in a day, or an average of 15 micrograms per cubic meter on an annual average.

Under existing law, the threshold is 10 microns. Particles less than 10 microns cannot exceed 150 micrograms per cubic meter of air in a day or 50 micrograms on an annual average.

In addition to saving lives, the EPA has estimated that the more stringent standards would reduce serious respiratory problems among children in 250,000 cases a year.

The standards are not actual regulations. But states would use them as goals to continue the improvement in air quality that has been occurring in much of the country for the past two decades.

The EPA developed the proposal under a court order, and has until July 19 to prepare final standards. Congress can vote to approve the proposal, change it or ignore it in which case the final standards would take effect without changes.

Repeal of Medicaid 'Granny Go to Jail' Provision Is Urged (Washn) By Robert A. Rosenblatt (c) 1997, Los Angeles Times

WASHINGTON Responding to widespread fears among the elderly, the Clinton administration Tuesday called for repeal of a "granny go to felony to hide financial assets to qualify for Medicaid coverage in nursing homes.

Several senators, citing the worries of constituents, unexpectedly raised the issue at a hearing Tuesday on government rules to carry out the 1996 health insurance portability law.

Bruce Vladeck, the administration official who runs Medicare and Medicaid, agreed with the senators and invited Congress to get rid of the section of law at issue. Vladeck also said the federal government will not take any steps to encourage states to enforce the provision.

"There has been a lot of fear and anxiety created by this provision," Vladeck said. Section 217 of the 1996 health insurance law makes it a crime punishable by a prison term of up to five years and a fine of \$25,000 to commit fraud by hiding assets to qualify for Medicaid, which pays for poor people in nursing homes.

The new law took effect Jan. 1.

"We got calls from older persons afraid if they gave their grandchildren a Christmas gift, they would be committing a federal crime," said Gregory French, director of Pro Seniors, a nonprofit organization in Cincinnati that runs a statewide hot line giving legal advice to the elderly.

Older couples, where one spouse faces likelihood of going into a nursing home, also are frightened they could be headed for prison, French said.

Rep. Steven C. LaTourette, R-Ohio, has introduced a bill in the House to repeal the provision, and is gathering strong bipartisan support.

The fear among seniors was fanned, he said, by estate planners and financial counselors eager to get new business.

"The Republican estate planners would run ads saying, 'Bill Clinton wants you to go to jail unless you take our seminar,' while the Democratic estate planners would say, 'Newt Gingrich wants you to go to jail unless you take the seminar,'" said LaTourette.

By making the transfer of assets a potential crime, the provision is a "flashing yellow light" telling Congress to take action, Sen. Barbara Mikulski, D-Md., said at a Senate Labor Committee meeting.

"No one wants to generate concern among the elderly," Sen. Jack Reed, D-R.I., said.

Vladeck said "there needs to be a vehicle to significantly change or repeal" the provision. "We will certainly not be pressing the states to enforce this."

The fear stems from the complex nature of Medicaid, which pays medical bills for the poor. Medicaid pays for indigent elderly persons in custodial care in nursing homes.

With nursing homes costing \$40,000 a year and more, many middle class people enter nursing homes as paying patients and exhaust their money, becoming eligible for Medicaid.

A person qualifies if financial assets are \$2,000 or less. The home and car are excluded. If there is a married couple, and one person goes into a nursing home, the spouse remaining at home can keep assets up to \$79,020, and an income of at least \$1,295 a month.

Persons can give away assets, but any gifts made within three years of entering a nursing home will delay eligibility. For example, suppose a nursing home in the state costs an average of \$4,000 a month. If someone gives away \$40,000 and goes into a nursing home the next month, claiming poverty, the money given away is counted as an asset, and the patient must pay \$4,000 a month for 10 months before becoming eligible for Medicaid.

Before last year, when state investigators found people who attempted to conceal that they had given money away, they were simply declared ineligible for Medicaid. The only penalty would be a delay in eligibility.

The 1996 law included a provision which would add a federal criminal penalty. States who found people concealing the transfer of assets could forward their names to the U.S. attorney for criminal prosecution.

Keeping Campaign Watchdog Tethered to Congress Questioned (Washn) By Robert Shogan (c) 1997, Los Angeles Times

WASHINGTON During most of its history, the Federal Election Commission, charged with enforcing the campaign finance laws, has acquired an unenviable image as a somnolent watchdog.

But faced with a crisis in public confidence over the funding of political campaigns, the watchdog suddenly woke up and barked, sounding an alarm that focused attention on what many believe to be the root cause of the commission's defects: its uneasy relationship with Capitol Hill.

Citing allegations of campaign finance law violations "on an unparalleled scale," including charges that the Democrats collected foreign and other illegal contributions to aid President Clinton's re-election, the agency told Congress it needs a hefty boost in funding to do its job.

On most cases the agency moves slowly, if at all a style that rarely inspires scrupulous adherence to the jots and titles of campaign finance law.

"They're not even a factor, from where I sit," a senior national party fund-raiser said, reflecting the attitude of many political pros.

"Knowing that there may be a fine (for violating the law) but that it will be three years away" is hardly a deterrent to playing fast and loose with the rules.

A shortage of funding is only part of the reason for the commission's unfavorable reputation. A more fundamental cause is the determination of many members of Congress, wary of interference with their own fund-raising, to keep the watchdog on a short leash.

Indeed, when they created the agency in 1974, in the wake of the Watergate scandal, lawmakers insisted on having the right to appoint four of its six commissioners. This provision was overturned by the Supreme Court as a legislative intrusion on the executive authority of the president.

But critics claim that presidents of both parties have tended to pay unusual deference to Congress in nominating the commissioners, thus giving the lawmakers, at least in part, what they wanted in the first place.

Despite this, commissioners at times have behaved too independently to suit the lawmakers. So in 1979, Congress stripped away the agency's authority to conduct random audits of congressional campaigns. Instead, the agency must have hard-to-come-by evidence of possible wrongdoing before audits.

In the early 1980s, Congress even considered abolishing the commission.

All current commissioners have been with the agency since that period, pointed out Trevor Potter, a President Bush appointee and former FEC chairman. "They all saw the commission being threatened by Congress, and the lesson they took away was that we have to be careful what we kick over."

The 104th Congress reinforced that lesson when it made sharp cuts in an already-approved FEC budget after the commission proposed regulations to implement a congressionally mandated ban on the members' use of campaign funds for personal expenses. Few people on the Hill will concede a direct connection, but as Democratic Commissioner Scott Thomas wryly observed: "Perhaps it was a remarkable coincidence."

As it faces a bumper crop of complaints from the 1996 campaign up nearly 30 percent from 1992 the commission still is trying to live down its reputation for laggardness. A streamlined audit process now completes presidential campaign audits in no more than two years, FEC staffers brag. But they concede that settlement agreements over penalties can take months longer to consummate. And with a

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mounting backlog of cases, commissioners are leery about taking on the extra burden from the proposed bipartisan campaign finance reform legislation backed by Clinton.

In addition, no more than three of the agency's six commissioners can belong to any one party, which leads to frequent partisan deadlocks on significant issues. Some reformers suggest that appointing a seventh, independent commissioner could prevent such logjams. Republican Commissioner Joan Aikens isn't so sure. "I don't know that you can appoint someone who is truly independent."

In the end, the future of the commission is out of its hands, reformers concede. It can't get any more efficient than the Congress that funds it, and the president who appoints its members want it to be.

White House Warns Russia on Missile Assistance to Iran (Washn) By Robin Wright

(c) 1997, Los Angeles Times

WASHINGTON The Clinton administration has issued a diplomatic warning to Moscow about Russian assistance to Iran's missile program aid that potentially could threaten U.S. troops in Saudi Arabia, several Persian Gulf allies and Israel, senior administration officials say.

Intelligence reports indicate that Russia recently transferred to Iran technology on the Russian SS-4 missile, which has a range almost three times greater than any missile now in Iran's arsenal.

The warning was issued during talks last week between Vice President Al Gore and visiting Russian Prime Minister Viktor S. Chernomyrdin.

The transfer basically involves detailed instructions on how to construct the weapon's delivery system, U.S. sources said. Israeli officials said Tuesday the transfer also included some parts for an SS-4 missile.

The SS-4, with a range of 1,250 miles, carries a standard warhead that is equivalent to 3,000 pounds of TNT. The Soviet Union, however, once loaded the missile with a 1-megaton nuclear warhead.

Chernomyrdin denied that Moscow had authorized transfer of the giant missile, administration officials said. And he acknowledged that such action would amount to a violation of a 1994 pledge by Russian President Boris N. Yeltsin not to engage in further arms sales to Iran.

Administration officials are speculating about whether the missile technology could have been transferred to Iran from cash-strapped former Soviet arms producers or complexes. "How it happened is still a gray area. One possibility is that it was beyond the control of government," a senior administration source said Tuesday.

A well-placed Middle East source added: "The Russian government may not support such an export but they don't do enough to stop it.... They are not monitoring what is leaving their country."

Past reports about arms transfers to Iran often have reflected fears rather than reality. But senior U.S. sources said the intelligence evidence on the SS-4 transfer, much of which was presented to the White House by senior Israeli officials and was first reported in the Israeli media last month, is overwhelming. The Israeli claims matched U.S. intelligence gathered in recent weeks, the U.S. sources said.

The Iranian mission at the United Nations said it was unable to comment on the reports, which it said it had not seen.

The United States has reason to be more concerned about the SS-4 than the Scud missiles that have a range of about 320 miles and that

conventional strength, so it's of mass destruction and explosive technology or materials for aircraft," Cordesman said.

Iranian officials have denied intent against any party in the anniversary of Iran's revolution. United States is the party pre

Rebel Leader, Peruvia Talks (Buenos Aires) (c) 1997, Los Angeles Times

BUENOS AIRES, Argentina and a leader of the Tupac Ar first official talks on neutral long-awaited step toward res compound where the rebels h

The talks were held before house across the street from and lasted about four hours. read a brief communique to the mediatory commission.

"The preliminary conversation The procedure to be followed agreed upon. It was agreed to

Neither side provided further talks.

The face-to-face meeting weeks of virtual silence, stern near-confrontations during w

But it was a small step. The because the Tupac Amaru re more than 300 imprisoned o Fujimori refuses to consider talks as "preliminary," seem a long way off.

The negotiations began capped weeks of preparation to the International Committee the besieged residence of the

Roli Rojas, the No. 2 comm emerged from a side door and street to a house set up for tal Palermo, the government's of

Palermo met with the rebel ambassador's residence.

For Tuesday's talks, Rojas members of the mediating co Minnig and Canadian Amba watched by scores of police s on roofs and sidewalks arou

Waiting at the negotiating members of the commission: Japanese ambassador to Me outfitted with a metal detecto fortified with sandbagsthe thi

Subpoenas Ready In Senate Inquiry On Fund Raising

By DAVID ROGERS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Senate Governmental Affairs Committee Chairman Fred Thompson — not waiting for approval of his investigative budget — is pushing ahead with the first wave of subpoenas to look into campaign fund-raising scandals in last fall's election.

Forty to 50 subpoenas have been prepared by investigative staff members already hired by the Tennessee Republican, who has scheduled a meeting of the panel tomorrow to deal with the matter. While GOP records will be sought as well, the heavy emphasis is on Democratic National Committee activities related to President Clinton's re-election campaign.

Democrats, who have begun to review the subpoenas, aren't expected to raise major objections. But Sen. Thompson's decision to go ahead comes in the face of partisan fighting over his ambitious plans for the inquiry.

The Tennessean, a one-time Republican counsel to the Senate Watergate Committee, wants an investigative budget as large as \$6.5 million and has resisted, contrary to the custom in past investigations, any attempt to set deadlines for the inquiry.

Democrats — and some of Mr. Thompson's Republican colleagues — have expressed surprise. Senate Majority Leader Trent Lott of Mississippi intervened this week by hosting a meeting Monday night including Mr. Thompson, Democratic Leader Tom Daschle of South Dakota, and Ohio Sen. John Glenn, the ranking Democrat on the Governmental Affairs panel.

No immediate resolution was reached, and Mr. Thompson admits that by moving to the subpoenas he could complicate his situation. No White House records are being subpoenaed at this stage, but the chairman irritated Democrats with his decision to schedule a meeting for tomorrow instead of first seeing if Mr. Glenn would simply sign off on the subpoenas, as was often the practice in the past.

Getting on with the investigation now, however, may help both sides to overcome some of their distrust. All of the subpoenas are for documents; separately, letters have gone out to government agencies, such as the Export-Import Bank, requesting information for the inquiry.

Mr. Thompson's celebrated past — including stints as a movie actor — make him a formidable foe, and he has a history of bipartisanship on campaign-finance issues. But he is still relatively new to Senate practices and finds himself thrust into a major chairmanship just a few years after winning his seat in 1994.

Lake Hearings Postponed By Senate Panel Again

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The chairman of the Senate Intelligence Committee again postponed confirmation hearings for Anthony Lake, President Clinton's embattled nominee for the Central Intelligence Agency.

Announcing that the hearings would now begin March 11, Sen. Richard Shelby (R., Ala.) said there were still "many unanswered, perplexing questions" about Mr. Lake's financial transactions, his role in controversial foreign-policy decisions, and meetings between at least one member of his National Security Council staff and an illegal foreign contributor.

Before yesterday's announcement, President Clinton spoke with Sen. Shelby by phone and reaffirmed his support for Mr. Lake and the need to fill the CIA position swiftly. The longer the nomination hangs fire, the easier it is for opposition to build. Mr. Shelby said that Mr. Lake had so far failed to respond to 25 questions submitted by the committee and that the Federal Bureau of Investigation has yet to submit its official background report. A White House aide said that the answers would be sent within a few days and that the FBI was ready to provide a briefing as soon as Sen. Shelby requested it.

Confirmation hearings for Lake put off again

By Barbara Slavin
USA TODAY

Anthony Lake's bumpy road to become director of Central Intelligence hit another obstacle Tuesday when Senate confirmation hearings were postponed a second time.

Sen. Richard Shelby, R-Ala., chairman of the Select Committee on Intelligence, put off the hearings until March 11. "We do not have answers to 25 very complex questions regarding his (Lake's) involvement in a number of things, ranging from foreign fund-raising at the White House to missile intelligence estimates," Shelby says.

White House officials say the information Shelby has requested is nearly ready and will be sent to Capitol Hill this week. Supporters say Lake is being singled out unfairly for partisan attacks. Other nominees, they note, have sailed through. But Republicans say Lake, as national security adviser for the past four years, bears some responsibility for many of President Clinton's policies.

Among the issues Shelby cites:

► National Security Council ties to foreign contributors to the Democratic National Committee.

Republican staffers note that Thai businesswoman Pauline Kanchana-

lak attended a White House coffee klatch with Clinton on June 18 and gave the Democrats \$253,500, later returned as illegal. On three other occasions, White House logs say, Sandra Kristoff, the National Security Council's top Asia expert, met Kanchanalak at the White House, once in 1993 and twice last year. Republicans want to know whether Lake was involved.



AP
Lake: 25 questions from Republicans

► A Justice Department report that cleared Lake of criminal wrongdoing in failing to divest himself promptly of energy stocks that presented a potential conflict of interest. Shelby says last week's report was "not satisfactory" and the \$5,000 fine Lake was as-

sessed was far less than the profits he received from keeping the stocks.

Shelby says the CIA job is sensitive and requires a thorough vetting. But some Democrats on the committee express concern that he is using the process to score political points. Sen. John Glenn, D-Ohio, calls Shelby's actions "delay for the sake of delay."

White House spokesman Mike McCurry also expresses frustration. "The president has a very ambitious and active foreign policy schedule in the coming weeks and months, one in which we will need a strong and effective director of Central Intelligence."

USA TODAY

WEDNESDAY, FEBRUARY 12, 1997

...on will have to overcome deep Republican opposition to Clinton's agenda, such as his call for standardized tests to ensure academic progress on fundamentals like reading.

A bipartisan tax bill will have to bridge big differences between the parties on capital gains tax cuts. Clinton wants very narrowly focused breaks for families that sell their homes, and Republicans want broad reductions for businesses and individuals.

Conspicuously absent from the list of consensus items endorsed by the party leaders was a top Clinton administration priority campaign finance reform. "It's clear that there is a lot of work that lies ahead" on that issue, said McCurry.

Clinton Says He Respects Verdict in Simpson Civil Case (Washn) By Elizabeth Shogren

(c) 1997, Los Angeles Times

WASHINGTON President Clinton stressed Tuesday that he respects the verdict in the O.J. Simpson trial but said the gap between white and black views of it should propel Americans of different races to "spend more time listening to each other."

Clinton said he is "troubled" that "Americans see the world differently, generally based on their race," a reality that he agreed is supported by reactions to the verdicts in the O.J. Simpson trials.

"I would say that, even though it's disturbing, we have succeeded so far in managing the world's most multi-ethnic democracy better than a lot of countries that are smaller than we are with fewer differences within them," Clinton said in response to a reporter's questions.

Even so, Clinton stressed, more must be done to shrink remaining differences.

"I think the only answer to that is for us to spend more time listening to each other and try to put ourselves in each other's shoes and understand why we see the world in different ways and keep trying to overcome that," the president said.

As for the Simpson trials, both criminal and civil, Clinton urged Americans to put them in the past.

"The only people who heard all the evidence were the people who were sitting in the jury box, in both cases," Clinton said. "And civil trials and criminal trials are very different in different ways. So I have nothing to add to that. I respect the jury verdict."

Scholars who specialize in race relations had mixed reactions to the president's comments.

David J. Garrow, the Pulitzer Prize-winning author of "Bearing the Cross," a biography of Dr. Martin Luther King Jr., characterized the president's comments as "standard happy talk."

"I come to all of this with the belief that there is a very explicit, intentional White House strategy to have the president make only optimistic upbeat comments," Garrow said. "This is not Martin Luther King speaking the truth as he sees it, irrespective of the consequences it might have for his Gallup Poll ratings."

Others, however, applauded the president for using the latest Simpson trial verdict to address the politically precarious issue of the divide between the world views of whites and blacks.

"That is an issue that requires enormous further dialogue, which is hard to sustain unless the nation's leaders address it," said Larry Bobo, a UCLA professor of sociology. "I was heartened for him to speak to the disparity."

The president was correct to highlight the need for increased conversation across racial lines, Bobo said.

"Sadly, we still live in a world that is largely segregated," Bobo said. "So the sort of dialogue that would help us understand each other does not happen every day."

Ickes Insists He Violated No Laws on Fund-Raising (Washn) By David Willman and Alan C. Miller

(c) 1997, Los Angeles Times

WASHINGTON Alternately defiant and contrite, President Clinton's senior aide for his 1996 re-election campaign took responsibility Tuesday for some fund-raising missteps but insisted that he broke no laws and that Clinton's courtship of Democratic donors was no different from the practices of his predecessors.

Harold M. Ickes, the former White House deputy chief of staff, acknowledged that he should not have sought to steer more than \$1 million in donations from a Texas businessman to the Democratic National Committee and other groups in the closing days of the campaign.

But he said his actions, which are under investigation, were not illegal because he did not solicit the money which he was prohibited

from doing as a federal employee. He said he had erred in using a government fax machine and telephone to contact an intermediary about the donation.

In his most extensive interview on the controversy over the Democrats' campaign, Ickes defended the party's overall fund-raising record compared with what he described as pervasive abuses when he first got involved in politics.

"The system is a lot cleaner and a lot less subject to abuse than it was 20 years ago," said Ickes, 57. "So I make no apologies for either the amounts of money we raised or basically the way we raised it."

In particular, Ickes ridiculed the attention given to perquisites provided to major Democratic donors, such as invitations to White House coffees and overnight stays in the Lincoln bedroom.

His voice tinged with sarcasm, Ickes said that the media is acting as though it has made the "novel discovery" that "politicians raise money" and that "they don't take people who have given them money out on Pennsylvania Ave. and cane them. They're nice to them."

"I'll bet Lyndon Johnson never did it. Richard Nixon never did it. George Bush never did it. Ronald Reagan never did it.... It's a totally new phenomenon."

During a two-hour session, Ickes displayed both the sharp intellect and the profanity-laced intensity that have won him the respect of many partisan Democrats and the enmity of Republicans. He became one of the first of the major figures in the reelection drive to speak on the record and at length about the issues arising from the Democratic campaign.

Ickes, a New York labor lawyer and longtime Clinton friend, left the administration last week and is working as a consultant to the president to coordinate an international economic meeting scheduled for June in Denver. In addition to the fund-raising inquiry, he still faces possible recriminations from independent counsel Kenneth W. Starr's Whitewater investigation.

As Clinton's liaison to the re-election campaign and the Democratic National Committee, Ickes oversaw the strategy and tactics of the national effort. He was legally permitted to engage in a broad range of campaign work at the White House but said that he fully complied with the prohibition against raising funds as a public employee.

Ickes conceded, however, he "went too far" when, just days before the election, he sought to consummate what would have been a blockbuster campaign contribution.

The episode began the night of Oct. 22, when Clinton was approached by a man at a fund-raising dinner who said that a friend of his was primed to give more than \$1 million to the Democrats. Soon after the dinner, Ickes recalled, the president relayed the offer to him.

"He said: 'This guy made an offer of serious money....' I recall the president saying serious money in the neighborhood of a million bucks. And he said: 'Will you follow up on it?'"

"I should have handed this off to DNC fund-raisers."

He didn't.

Instead, Ickes engaged the donor's representative, a Fort Lauderdale, Fla., export manager named R. Warren Meddoff, in a flurry of telephone conversations. Ickes once even called Meddoff from Air Force One.

On Oct. 31, Ickes faxed Meddoff a three-page memo from the White House, telling him: "If possible, it would be greatly appreciated if the following amounts (of money) can be wired to the designated banks."

Ickes suggested that \$500,000 be given to the national committee and \$540,000 to three tax-exempt organizations, including \$250,000 to a group called Vote Now '96.

Ultimately, Ickes and then-Democratic Chairman Donald L. Fowler said they decided not to accept the money. The handling of the matter is already under examination by congressional investigators and by a separate agency that enforces the Hatch Act, the law that forbids federal employees from soliciting campaign funds.

Ickes said he believed he had complied with the law. White House lawyers advised him last week, he said, that they did not believe his actions amounted to soliciting the \$500,000.

"It would have been the better part of discretion not to be involved," Ickes said. But he added: "The question is, Did I solicit? There is absolutely no question in my mind, as a lawyer (that I did not). Others can disagree."

However, Ickes acknowledged he personally obtained and conveyed to Meddoff the bank account numbers of the Democratic National Committee and the tax-exempt groups. Ickes said he was well acquainted with two top representatives of Vote Now '96 and referred several contributors to the group during the re-election campaign.

Ickes said he accepts responsibility for the failure of the White House staff to properly screen those who attended 103 political coffees at the executive mansion, most of which were hosted by

Clinton. Among those to attend were a Chinese arms merchant, a convicted stock swindler and other individuals with checkered pasts.

"We did not protect the White House or the presidency to the extent that we should have," Ickes said. "This was on my watch. It was within my bailiwick. And I ain't duckin' it."

Ickes, whose father served in the Cabinet of Franklin D. Roosevelt, declined to speculate whether he remains an investigative target of independent counsel Starr. Referring broadly to the repeated testimony he has given to congressional committees and to grand juries since joining the Clinton administration in 1994, Ickes said that it had worn on him.

"What they're trying to do is mousetrap you into a perjury charge," Ickes said. "It is very nervous-making."

Lake's Nomination as CIA Director Comes Under New Scrutiny (Washn) By James Risen and Glenn F. Bunting (c) 1997, Los Angeles Times

WASHINGTON Anthony Lake's nomination as CIA director suffered

a major setback Tuesday when Senate Republicans delayed his confirmation hearings again and voiced concerns about yet another new issue: previously undisclosed contacts between a senior member of his National Security Council staff and a Thai businesswoman enmeshed in the Democratic campaign donations scandal.

Sen. Richard Shelby, R-Ala., chairman of the Senate Select Committee on Intelligence, delayed Lake's hearings until March 11.

Shelby complained that Lake has failed to answer 25 detailed questions about a range of sensitive subjects. Included among those questions is the committee's request for an explanation of three meetings between Pauline Kanchanalak, a lobbyist for Thai interests and formerly a major Democratic contributor, and Sandy Kristoff, a top Asian specialist on the NSC.

The delay, the second two-week postponement, is another strong signal of Republican displeasure with Lake's nomination and it came as a surprise to the White House.

The White House responded by stepping up its pro-Lake campaign Tuesday. President Clinton talked personally with Shelby about the Lake nomination for the first time, urging confirmation, the White House said.

Administration officials had thought Lake's prospects brightened following Friday's announcement by the Justice Department that it had cleared Lake of any potential charges stemming from his personal stock dealings and his testimony to Congress about his role in President Clinton's 1994 decision to give a green light to Iranian arms shipments to Bosnia.

Lake agreed to pay \$5,000 to settle the probe into whether his failure to promptly sell energy stocks was in violation of federal conflict-of-interest laws. The Justice Department concluded Lake's error was inadvertent.

But Shelby indicated that he was dissatisfied with the two Justice investigations, and that his committee was continuing to look into Lake's stock dealings and his role in Iran-Bosnia. "While the Justice Department's report issued last Friday will certainly be considered, it raises as many questions as it purported to answer, and was not as satisfactory as I had hoped," Shelby said.

"I continue to find Mr. Lake's nomination to be Director of Central Intelligence troubling," Shelby added in a detailed statement. The statement listed a wide range of unresolved issues related to Lake's four-year tenure as national security adviser.

As the administration stepped up pressure on the Senate, White House spokesman Mike McCurry told reporters that further delays could hurt Clinton's ability to gear up his "very ambitious and active foreign-policy schedule in the coming weeks and months."

Clinton will need "a strong and effective director of Central Intelligence, who can help prepare the information and analysis that's necessary for good policy-making," McCurry said. Sen. Bob Kerrey, D-Nebr., ranking Democrat on the intelligence committee, also criticized Shelby, saying the delay was "at best, premature. At worst, it risks turning a position that is extremely important to the nation's safety into a political football."

A spokeswoman for Shelby downplayed the significance of the phone conversation between Clinton and Shelby, and suggested that Shelby does not believe Clinton has mounted a vigorous effort to save the nomination.

Kanchanalak's meetings with Kristoff are an issue because last November the DNC returned \$253,500 in contributions Kanchanalak made after the Los Angeles Times reported that the money came from another source.

At the first meeting, on April 7, 1993, the two discussed related to the Asia-Pacific Economic Conference, while in the two meetings June 27 and Aug. 20, 1996 they discussed the U.S.-Thai Business Council, the White House said.

In 1994, Kanchanalak helped form the U.S.-Thai Business Council, designed to promote business ties between the two countries. At the time she and her husband also ran Ban Chang International, a consulting company that represents U.S. companies seeking business in Thailand.

In September 1994, Kanchanalak telephoned John Huang at the Commerce Department. That same day, Huang, now a central figure in the fund-raising scandal, wrote a memo urging a senior Commerce Department official to support the establishment of the business council, and to try to get Clinton to attend the first meeting.

Huang noted in the memo that NSC officials like Kristoff might object to involving the administration in promoting the council.

Initially, the NSC staff wanted to scrap a planned meeting between Clinton and the Thai prime minister, as well as a White House reception for the business council, Kanchanalak told the Times in a telephone interview from Bangkok last November. trim

But Kanchanalak said her relationship with Kristoff may have helped overcome opposition to creating the business council. "I knew Sandy Kristoff," Kanchanalak said. "She knew I was honest. That's one thing that probably saved me."

Ultimately, the council was established, and at its first meeting at the White House, Clinton and Thailand's prime minister stopped in to congratulate the group. Clinton's tacit endorsement of the council gave it extra clout in Thailand.

The White House said Tuesday that while Kanchanalak met with Kristoff, the NSC's top Asia specialist, she never met with Lake.

A White House spokesman added that Lake never attended any of the controversial White House coffee klatches with large campaign contributors that are now at the heart of the fund-raising controversy.

GOP Signals Tougher Clean Air Standards May Not Fly (Washn) By James Gerstenzang (c) 1997, Los Angeles Times

WASHINGTON On the eve of a major Senate hearing, a senior Republican senator with strong environmental credentials said the Clinton administration's proposal to toughen national air quality standards is too harsh, signaling that the plan is in serious trouble in Congress.

The comments by Sen. John Chafee, R-R.I., chairman of the Senate Environment and Public Works Committee, are the strongest indication yet that the Environmental Protection Agency will come under strong pressure from the Republican-led Congress to modify its proposal.

At the heart of Chafee's message to the administration is his concern that if the proposal is not modified, conservative senators will use complaints about it to try to weaken the underlying legislation the 1970 Clean Air Act, one of the nation's broadest, most successful environmental laws.

Opponents of the new standards say they are based on questionable science and even a lack of data. They also warn that it would add billions of dollars to industry costs, and force some regions to impose such strict regulations that smoky back yard barbecues and gasoline-powered lawn mowers would be outlawed.

The EPA says years of research support its decision, and that it would save 20,000 people a year from premature death from respiratory illness.

The competing claims will be at the center of a hearing Wednesday when Carol M. Browner, the EPA's administrator, testifies on the air standards for the first time before Chafee's committee.

Chafee's comments came as a consultant for an industry coalition fighting the plan said that the poor quality of indoor air, from dust, cooking, detergents, and drafty windows, is perhaps more of a health concern than the outdoor air the administration plan seeks to improve.

The most critical factor in respiratory issues "is indoor air ... and yet we're trying to put forward a standard based on no-data for outdoor air," said Suelen Pirages, an executive with the International Center for Toxicology and Medicine, a Rockville, Md., company. The center was hired by the Air Quality Standards Coalition, which made up largely of manufacturers and others businesses opposing the air plan.

The EPA proposal would lower the standard for ozone, or smog, a standard many metropolitan regions do not meet regularly to 0.08 parts per million when averaged over eight hours from the current 0.12 parts per million average over a single hour.

The plan would also set new standards for particulate matter, or

Hearings on Lake held off 2nd time

Fund-raising, missiles at issue

By Bill Gertz
THE WASHINGTON TIMES

The Senate Intelligence Committee announced yesterday it has postponed for a second time hearings on the nomination of Anthony Lake to be central intelligence director, citing unanswered questions about his role in Democratic Party fund raising and his handling of intelligence on Chinese missile sales.

"I would like to go forward with the hearings as soon as possible," Sen. Richard Shelby, Alabama Republican and committee chairman, told reporters. "I've postponed them now until March the 11th. ... If Mr. Lake can get the White House and other people, the Justice Department, to help him answer these questions and help us further our investigation, I think the nominee would be better served. I hope that he will do that."

President Clinton, meanwhile, telephoned Mr. Shelby yesterday to lobby for Mr. Lake, the former national security adviser who is facing an uphill confirmation battle.

Mr. Shelby said the committee has not received the FBI background investigation report on Mr. Lake or answers to 25 questions posed by the panel. The panel had asked the nominee to complete the questions by Feb. 4.

Mr. Shelby said he wants Mr. Lake to explain why Sandra Kristoff, an NSC staff aide for Asian affairs, met or planned to meet with Thai businesswoman Pauline Kanchanalak. White House logs indicated the two women had scheduled three meetings.

"What we want to know [is], did Mr. Lake meet with any of these people, and were there other staff members meeting with people that later gave a lot of money to the Democratic National Committee?" Mr. Shelby said. "These questions ought to be answered."

Another question relates to Mr. Lake's "role on the estimate of intelligence ... in the sale of Chinese missiles to Pakistan," he said.

The committee wants to know what role Mr. Lake, as national security adviser, may have played in suppressing intelligence reports that Chinese M-11 missiles are "present and deployed" in Pakistan, a status that would automatically trigger economic sanctions against China under U.S. law.

China was sanctioned for selling M-11 technology and agreed in 1994 not to export entire missiles in exchange for the lifting of the sanctions.

Intelligence agencies have received numerous reports that the M-11s are operational in Pakistan.

Hearings initially were set to begin yesterday. Last week, Mr. Shelby postponed them until Feb. 25 because of an 18-month Justice Department investigation into Mr. Lake's stock dealings had not been completed.

A White House official said the White House is still investigating the three meetings between Miss Kristoff and Miss Kanchanalak, but there is no evidence Mr. Lake had anything to do with them or with other figures who have surfaced in the scandal over Democratic National Committee fund-raising.

For example, Mr. Lake did not attend any of the coffees that brought major contributors together with the president, the official said.

A second White House official said last night that, based on the probe so far, "It appears that Chairman Shelby's comments refer to visits by Pauline Kanchanalak to Sandy Kristoff, a member of the NSC staff. It has previously and publicly been provided that, according to U.S. Secret Service WAVES records, Miss Kanchanalak met with Miss Kristoff on three occasions."

During the first visit, in 1993, the two women discussed a planned conference of the Asia Pacific Economic Cooperation group, the official said. During two visits in 1996, they discussed Miss Kanchanalak's U.S.-Thailand business council and trade between the two countries, he said.

The first official also said the FBI has completed a background check and the White House is prepared to brief Mr. Shelby and Committee Vice Chairman Bob Kerrey, Nebraska Democrat.

On Friday, the White House announced that a civil settlement had been reached with the Justice Department. The deal requires Mr. Lake to pay a \$5,000 fine for failing for two years to sell energy stocks after being told by the White House counsel to divest the holdings to avoid a conflict of interest.

• Warren P. Strobel contributed to this report.

The Washington Times

WEDNESDAY, FEBRUARY 12, 1997

More Delays In Hearings To Confirm C.I.A. Chief

By TIM WEINER

WASHINGTON, Feb. 11 — Determined to delay or derail Anthony Lake's confirmation as Director of Central Intelligence, the chairman of the Senate intelligence committee once again postponed public hearings today on Mr. Lake's nomination.

The chairman, Senator Richard Shelby, said a lot of "unanswered, perplexing questions" about Mr. Lake's conduct as President Clinton's first-term national security adviser forced him to put off the twice-postponed hearings until March 11.

Some of those questions were answered by two Justice Department investigations concluded on Friday. But the answers clearly did not satisfy Mr. Shelby, an Alabama Republican.

The Justice Department found that Mr. Lake had not lied to Congress about the Administration's tacit approval of Iran's arms shipments to Bosnia's Muslims. Mr. Shelby, who in prior statements came close to accusing Mr. Lake of being untruthful, would not accept that finding.

The Justice Department also said Mr. Lake should pay \$5,000 to settle a civil case, brought the White House counsel's office, because he failed to sell energy stocks that created potential conflicts of interest with his powers as national security adviser. Its report on the case "raises as many questions as it purported to answer, and was not as satisfactory as I had hoped," Mr. Shelby said.

Mr. Shelby called Mr. Lake's conduct a "violation of ethics laws," saying the settlement was "inconsistent" with Federal statutes. The Justice Department said his failure to sell the stocks was an oversight that he corrected as soon as he realized his broker had not sold them.

Mr. Shelby, newly appointed to head the intelligence oversight committee, said in an interview last month that he could not vote for Mr. Lake's confirmation "at this point," and that his nomination was "probably on a slippery slope."

Since then, the Senator has appeared determined to push Mr. Lake's nomination down that slope. If there is a strategy behind the delay, it appears to rest on the hope that further investigation will reveal damning evidence against Mr. Lake, or that the President's support for Mr. Lake will waver, Administration officials said.

Mr. Clinton and Senator Shelby spoke by telephone today; the President said he wanted the nomination to proceed but that Mr. Shelby had said it would be delayed, a White House official said.

If a vote were held today, Mr. Lake might narrowly win approval from the 19-member committee, members and their staffs said. But that vote will not be held for at least five more weeks, it now appears. The committee's vice chairman, Senator Bob Kerrey, a Nebraska Democrat, said today that the postponement "risks turning a position that is extremely important to the nation's safety into a political football."

Mr. Shelby made clear today that the hearings would examine many of the most contentious issues about the Clinton Administration's foreign policy — and the single most contentious issue of the day, campaign contributions from foreigners and foreign nationals.

The senator said he wants at least a dozen complex questions about Mr. Lake's record resolved before the hearings, including the Clinton Administration's handling of Iran and its missile shipments to Bosnia's Muslims; China and its missile sales to Pakistan; the debacle that ended the United States' peacekeeping mission in Somalia, and the sanctions the United States has imposed on the Sudan, which it calls a terrorist state.

These questions also include the National Security Council's contacts with "a foreign contributor who made illegal contributions to the Democratic National Committee," Mr. Shelby said.

He did not name names. But White House records show that Sandra Kristoff, now the National Security Council's regional director for Asia, met three times at the White House with a Thai businesswoman, Pauline Kanchanalak. There is no public record of what they discussed.

Ms. Kanchanalak, a former employee of the Thai Embassy in Washington, helped set up a trade organization called the United States-Thai Business Council in 1994. The council's inaugural meeting was at the White House on Oct. 6, 1994; the President and Thailand's Prime Minister dropped by to greet its members.

John Huang, then a Commerce Department official who helped organize that meeting, warned in a September 1994 memorandum that Ms. Kristoff might object to the gathering's mix of Arkansas friends of the President, business opportunities and foreign policy.

Mr. Huang later solicited large campaign contributions from Ms. Kanchanalak in his role as a Democratic Party fund-raiser. The Democratic National Committee returned \$253,000 to her after she said some of it came from her mother-in-law.

The New York Times

WEDNESDAY, FEBRUARY 12, 1997

Citing Lake's Meetings and Finances, Shelby Again Delays Hearings

The Washington Post

WEDNESDAY, FEBRUARY 12, 1997

By Walter Pincus
and Pierre Thomas
Washington Post Staff Writers

Sen. Richard C. Shelby (R-Ala.), chairman of the Senate Select Committee on Intelligence, again postponed confirmation hearings for CIA Director-designate Anthony Lake yesterday, saying questions had not been answered about foreign campaign donors and Lake's divestiture of four energy stocks.

The panel's vice chairman, Sen. Bob Kerrey (D-Neb.), objected strongly to the delay and warned against making the sensitive CIA job "a political football."

Shelby pushed the hearing back from Feb. 25 to March 11. It was the second delay of the confirmation session, which originally was scheduled for yesterday.

Lake's is the only Cabinet appointment in the national security field that has run into problems at the start of President Clinton's second term. Republicans have raised questions about a variety of issues, including positions that Lake took on policy toward Bosnia and other matters when he served as national security adviser in Clinton's first term.

Shelby said yesterday one unanswered question involved National Security Council employees who may have met with foreign political donors when Lake headed the NSC staff.

For example, according to congressional sources, the committee has asked why Sandra J. Kristoff, senior director of Asian affairs at the NSC, met with Pauline Kanchanalak, a Thai businesswoman and political donor whose \$253,000 contribution to the Democratic National Committee was returned last year after she said they came from her mother-in-law.

Shelby wants to know whether Lake was aware of Kristoff's meetings with Kanchanalak, if he approved them and what their outcomes were, if any, the sources said.

A White House official said yesterday, "It appears Shelby is reacting to information previously disclosed on Dec. 26 last year by the White House and widely published thereafter."

Documents released then showed Kanchanalak had three meetings with Kristoff: on April 7, 1993; June 27, 1996; and Aug. 20, 1996. The White House official said, "The meetings were with the U.S. Thailand-Business Council concerning expanding opportunities for trade and investment."

However, the business council was formally inaugurated in a White House ceremony on Oct. 6, 1994, or 18 months after Kristoff's first meeting with Kanchanalak.

A White House spokesman said answers to all the committee questions, including those on Kanchanalak, would be finished "soon."

Another Shelby complaint yesterday focused on a Justice Department settlement, announced Friday, of a civil complaint against Lake regarding his handling of four energy stocks. Lake agreed to make a \$5,000 payment because of his failure to sell the stocks after being told by White House lawyers that they created a potential conflict of interest for a national security adviser.

Shelby said Lake's payment "was inconsistent with profits Mr. Lake made, as well as with existing statutes."

Kerrey said Shelby's decision to delay the hearing "is at best premature [and] at worst it risks turning a position that is extremely important to the nation's safety into a political football."

He added, "I feel quite strongly there's no solid basis for the delay. Let the opponents come out. . . . If it goes on too much longer, it's going to reduce the pool of people who are willing to run this gantlet."

Clinton and Shelby spoke briefly about the Lake nomination yesterday in a telephone call arranged by Kerrey. Shelby later told reporters that when the president asked about the delay of the hearing, he replied that moving forward "might depend on what the White House did as far as helping Mr. Lake . . . on these questions and a lot of information we're trying to get in the investigation."

In a statement released later, Shelby warned that once the White House answers are received, "a follow-up . . . could take several weeks."

Shelby's delay has led the White House to begin thinking about mobilizing support for getting on with the hearings "before the CIA is damaged," one administration source said.

Another complaint raised by Shelby yesterday was that he has yet to receive Lake's official FBI background investigation. A White House spokesman responded that the bureau investigation had been completed "for months." He added that Shelby, as a new chairman of the committee, may not have known that under tradition he requests a briefing on the FBI investigation for himself and his vice chairman.

After Shelby's statement, the FBI briefing was offered yesterday to Shelby and Kerrey, an administration source said.

The dispute over Lake's divestiture of energy stocks concerns Lake's holdings of roughly \$280,000 worth of stock in Exxon Corp., Mobil Corp., Teco Energy Inc. and Duke Power Co.

Sources familiar with the Justice

Department investigation said that the value of Lake's stock grew, in appreciation and dividends, by more than \$50,000 from the date he was asked to divest the shares through the date he sold them.

Shelby, according to an aide, "is perplexed" by the \$5,000 payment since Lake made larger gains by holding onto his stock.

White House sources said the stock increased in value over the two-year period after Lake should have sold it by roughly \$26,000. One source said that had he sold the shares when he was supposed to in 1993 and reinvested the money in a stock-market-average mutual fund he would have made a total of \$42,000, not counting stock dividends.

A number of law enforcement sources, speaking on condition of anonymity, as well as Shelby have expressed concern that Lake was lax in responding to White House attorneys who told him to divest the energy stocks.

Lake was officially asked to divest the stocks in October 1993. He kept them, while receiving through June 1995 a number of documents from his financial adviser "that should have put him on notice that he still had ownership interests in the four energy stocks," according to allegations outlined by Justice in the civil complaint filed last week.

"In addition, during that same period . . . Lake had certain conversations concerning some of the four energy stocks that should have put him on notice of his continued ownership interests," the complaint said.

In his written response to the complaint, Lake acknowledged that he received financial documents, including quarterly statements, on his portfolio. But he said he "looked at them only to see the overall value, i.e., the bottom line," the Justice report said. "Mr. Lake therefore denies that these documents from his broker . . . to his knowledge contained information that he still had ownership in the four energy stocks." Lake also stated that he does not recall having conversations about the stocks that should have

put him on notice that he retained them.

The Justice Department Public Integrity section lawyers and the FBI studied Lake's financial dealings for more than a year. Investigators took great pains to reconstruct official decisions in which Lake was involved to determine whether these could have affected his financial interests.

During the period in which he retained the energy stocks "there were several issues that came before" Lake "that may have had a direct and predictable effect on Exxon Corp. and Mobil Corp.," the Justice Department civil complaint states. "Lake personally and substantially participated in at least one such issue in a particular matter concerning negotiations with a foreign country, and Exxon was a potential beneficiary of a decision regarding that issue."

But the investigation did not find evidence that Lake considered the effect of his deliberations in connection with his finances. It also did not find evidence that Lake took any action to conceal or misrepresent his financial holdings.

Justice Department public integrity lawyers ultimately concluded that while there was an infraction, there was no evidence the violation was "willful" and thus did not reach the level of a criminal offense.

Staff writers Sharon LaFraniere and Lena Sun contributed to this report.

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Divider Title: **Feb. 11, 1997**

Doing the Shuffle

After all that hoo-hah about money corrupting the recent elections, you expected the Washington crowd to plunge right in and do something about it? Of course you didn't.

That's because you are cynical. Shame! You think politicians these days can be described in the words of a Minnesota voter, whose English was still influenced by his Balkan heritage, addressed to his Congressman: "talk so much, do so nothing."

How depressing this cynicism is to Congress. It depresses the President too. He worries about "this toxic atmosphere of cynicism." And yet—

While deploring cynicism it is all very well to put on a pious face, but it

willingness to play fast and loose with the Constitution if that's what it takes to stop them from indulging their own vices.

But haven't we been given a fast shuffle here? What about that awful campaign-finance situation? Democracy, totally owned by corporations and zillionaires, even aliens. Awful. Terribly awful. President Clinton spoke of its awfulness the other evening while interrupting another O. J. Simpson show on TV.

He said everybody ought to "get behind a bill to do something about it. All Congressfolk applauded. "Right! An appalling situation. We must do something about it — someday."

Then, "Heigh-ho, heigh-ho, it's off to rewrite the Constitution we go." Without arguing the merits of the balanced-budget amendment, one point is obvious. A Congress that needs a constitutional amendment to stop its own wanton spending of tax money must also be powerless to stop its own wanton campaign spending by passing a mere law.

Well, the trick here, ladies and gents, is to stay entertained. Staying entertained by politics helps stave off cynical thoughts.

The entertainment lies in Congress's hatred of its own powers, the very powers embedded in the Constitution it now wants to amend in order to weaken itself.

Think of Congress as a human sunk in incurable vice — alcohol, narcotics, sexual lust, serial murder. It simply cannot stop itself from spending and spending again. It can balance the budget by voting against this and that, but it cannot bear to cast such votes, because folks back home want the budget balanced, but not at their expense.

So Congress votes to spend and scrawls desperate pleas to the police: "Stop me before I spend again." The balanced-budget amendment is one such plea. Maybe the Constitution will stop this terrible addiction. Last year there was the monumental surrender of a line-item veto power to the President. An incredible surrender of Congressional power. "Stop us, Mr. President, before we spend again."

Congress's power to control spending derives from the British House of Commons, which fought a civil war to win it from kings in the 17th century. Now Congress is busy trying to give it back. Why should it cost so much to keep re-electing such a meek litter of pussycats? □

The anatomy of a cynic.

can't hurt to ponder Ambrose Bierce's definition of a cynic in his "Devil's Dictionary":

"Cynic — a blackguard whose faulty vision sees things as they are, not as they ought to be."

In the world as it ought to be, Congress and Mr. Clinton would already be perspiring heavily in the struggle to save our political system from destruction by the high price of TV political ads.

At the end of that squalid 1996 Presidential campaign, politicians and press spoke of little else but the urgency of saving the democratic system from smothering in money.

Meanwhile, back at the world as it is, what is the first order of Washington business? A constitutional amendment to require perpetual balance in the Federal budget.

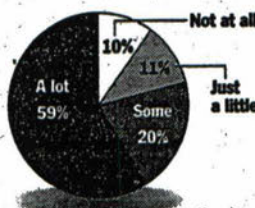
All sides had a dandy political dust-up just two years ago with this one. There has been powerful political catnip in the words "balanced budget" ever since Ross Perot disclosed that millions think balancing the budget will pull us back from the brink of destruction, and everybody, especially Republicans, wanted a colorful way — a constitutional amendment, by George! — to display their devotion to the cause.

Two years ago this popular nostrum lost by only a single vote in the Senate. Since then, new senators and new House members have come to Washington. All right, they deserve a chance to show the home folk their

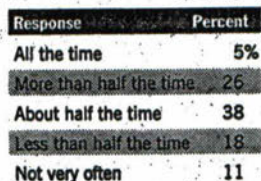
MONEY BUY INFLUENCE?

...s say yes, but that's not their intention, according to a Washington Post poll.

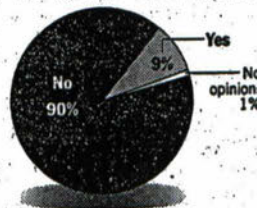
Q: How much are you bothered by political contributions from companies that do business with the government or are regulated by Congress or a government agency?



Q: How often do you think members of Congress decide what to do based on what their political contributors want, rather than what they really believe?



Q: Have you ever contributed to a candidate specifically because you hoped to influence their position on an issue or wanted them to do something specific for you?



NOTE: Percentages may not add to 100 because "no opinion" responses were omitted. The results of this Washington Post survey are based on telephone interviews with 414 randomly selected political campaign contributors based on lists obtained from the Federal Election Commission. The survey was conducted Jan. 9-23 and has a margin of sampling error of plus or minus 5 percentage points. Interviewing was done by Chilton Research of Radnor, Pa.

THE WASHINGTON POST

Individual Contributors Learn They'll Soon Be Solicited Again

Donors Tend to Give Regularly, Worry About Political Role of Business

By Mario Brossard and Richard Morin
Washington Post Staff Writers

Longtime political contributor Aurelia Little instantly knows when an election is approaching: Her mailbox fills with letters from politicians who want more than her vote.

"You ought to see my mail. One day you'd get a letter from Clinton/Gore, then the Democratic National Committee, then the Democratic Congressional Campaign Committee," said Little, 84, from Indianapolis. "I just throw them away after a while."

Ernest Phillips, who gives to Republican candidates, knows the feeling. "If I see Al D'Amato's name on another piece of mail in my mailbox, I'm going to scream," said Phillips, 50, an air traffic controller from Great Falls, Mont.

"There's no end," said Lucille Koehler, 75, a retired homemaker in Jefferson, Wis. "And the more you give, the more they want."

Little, Phillips and Koehler are not unique, according to a Washington Post survey of 414 randomly selected contributors to presidential and congressional candidates who ran in 1996.

A majority of donors surveyed said they give to candidates mainly because they were solicited for donations. About a third said this happens frequently.

But not all are annoyed by the dizzying solicitations as an election nears. Jack Frick of Scott City, Kan., said he has mastered the "Nancy Reagan approach" in responding to requests for money. "I get all kinds of solicitations from so many senators. It doesn't bother me because I have no problem telling them no," said the 58-year-old farmer.

Corporations and Conflicts

One thing most donors share, however, is an irritation over what they see as conflicts of interest generated by corporations donating to candidates who regulate or otherwise influence their business fortunes. Four donors in five say they are bothered by political contributions from companies that do business with the government or are regulated by the government.

The Post survey also found that the average individual contributor donated in excess of \$3,100 to candidates. "Soft money" donors—those contributing funds directly to the Republican or Democratic parties for party-building and other such activities—were more generous, typically giving an average of \$8,200. But with a median contribution of \$112, soft money donors are clearly composed of two types: modest supporters and benefactors with deep pockets. A majority of those polled say they always give to candidates of the same party. Less than 5 percent contribute equally to candidates of both parties.

Campaign donors are divided over whether donations help open political doors. Half readily concede that by virtue of their contributions they are granted more access to public officials than non-contributors, but more than four in 10 believe they have neither more nor less entree than those who give nothing.

Issue-Based Support

And for most contributors, pulling out their checkbooks for political candidates is a frequent exercise. A majority of donors said they make contributions to federal candidates in every election cycle or most of them. One donor in five was a financial supporter of multiple House and Senate candidates in 1996, and four in 10 said they have contributed to congressional candidates running outside their home states.

One donor in 10 said they contributed to a candidate specifically to influence the candidate's position on an issue or because they wanted a specific action taken. The overwhelming majority—94 percent—said their primary reason for giving is because the office-seeker "thinks like I do on issues that are important to me."

"Usually I know their political philosophy, and very often they're recommended by a candidate I know," said Fred Allen, 82, a retired aircraft engineer from Sebastopol, Calif.

More than half of the donors said they give because the candidate is interested in issues that would benefit their business interests. Three-quarters of those polled said a big reason they contribute is because they believe it is important for average Americans to be involved in the political process.

On a variety of measures, however, these Americans are far from average. Ninety-six percent of the campaign contributors surveyed were white, two-thirds have household incomes of more than \$50,000, and one in four of them earn more than \$150,000 annually.

Almost two-thirds have college degrees and of those, 30 percent have postgraduate degrees. Almost six in 10 claim conservatism as their political ideology, and 69 percent cast ballots for GOP nominee Robert J. Dole for president and the Republican running in their congressional districts last November.

The survey was conducted Jan. 9-23. A total of 414 political contributors were randomly selected from a list of donors obtained by The Washington Post from the Federal Election Commission. The margin of error is plus or minus 5 percentage points for results based on the entire sample.

William Casey, director of computer-assisted reporting, contributed to this report.

The Washington Post
TUESDAY, FEBRUARY 11, 1997

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Divider Title: **Feb. 10, 1997**

NOMINATIONS: LAKE PAYMENT NO GUARANTEE OF "SMOOTH SAILING"

CIA Dir.-designate Anthony Lake agreed to pay \$5,000 as a part of settlement with the DoJ, a payment that ends a "longstanding investigation into whether his handling of stock transactions violated federal conflict-of-interest laws." The settlement came on the same day the DoJ announced it had found "no basis for criminal charges" against Lake. The findings "remove obstructions that had delayed the start" of Lake's confirmation hearings by the Senate Intelligence Cmte (Thomas/Pincus, W. POST, 2/8). The DoJ said its 18-month investigation discovered Lake "inadvertently kept four petroleum and energy stocks for more than two years, all the while believing that he had divested his portfolio of them." One WH official pointed out that the \$5,000 settlement was the "lowest amount allowed" under DoJ guidelines. WH press sec. Mike McCurry: "The president is obviously delighted that the Justice Department has reached this agreement. ... The president fully expects that this information will now lay to rest any concerns that the Senate might have" (McManus/Jackson, L.A. TIMES, 2/8).

ROUGH WATERS STILL AHEAD? While the settlement will "likely ease the way" for Lake's confirmation hearings to begin, it "does

Press RETURN to continue, GOLD MENU for options or EXIT to cancel

ease the way" for Lake's confirmation hearings to begin, it "does not guarantee smooth sailing once he gets there." Cmte chair Richard Shelby (R-AL) has said he is "skeptical of Lake's qualifications to run" the CIA. One WH official "conceded that Lake's confirmation was still not assured": "We know that Tony is still going to face plenty of questions up there" (L.A. TIMES, 2/8). House Intelligence Cmte chair Porter Goss (R-FL) "expects to see" Lake "ripped to shreds" during the confirmation hearings. Goss and the House have no role in confirming Lake, but the FL GOPer said Lake "has the 'burden' of proving he can be trusted" (Wilon, TAMPA TRIBUNE, 2/10). STANDARD's Rees writes that "as more information dribbles out," Senate GOPers "will find it easy to end the confirmation lovefest ... and extract a pound of administration flesh." Lake is "far from forceful" and his "low-key approach will go over swimmingly until he encounters resistance to some request." Still, Lake's confirmation hearings are "unlikely to produce fireworks." Sen. John McCain (R-AZ) "speaks for many" GOPers when he states, "I wouldn't have selected Lake [but] it all comes down to: The president has the right to appoint who he wants" (2/17 issue). The confirmation hearings, originally set for 2/11, are now slated to start 2/25 (Stout, N.Y. TIMES, 2/8).

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DEM FUND-RAISING: FOWLER SAYS DNC SOLICITED AFTER COFFEES

"Going well beyond" what the WH "has been willing to admit," ex-DNC co-chair Don Fowler told the BOSTON GLOBE the DNC "routinely solicited" campaign donations from people after they attended WH coffees with Pres. Clinton. WH officials, informed of Fowler's remarks, issued a "carefully worded" statement saying that while no participant was solicited at the WH -- which would be illegal -- it would not be "surprising" if DNC officials asked the coffee-goers for money afterward. Fowler said the coffees were legal because no money was sought or received at them. Fowler: "They wouldn't get the message at the meeting." But after the coffees, DNC finance officials would call attendees and ask for contributions. Fowler: "Somebody would call them and ask them. One would be naive to say that the call was purely coincidental." WH special counsel Lanny Davis, who said many participants gave because they may have been impressed by Clinton, said there was no "requirement" for a coffee participant to donate. Davis: "While we are not aware of a program at the DNC to solicit attendees for contributions after the coffees, if the DNC did in fact follow up on some occasions to solicit support, including financial support, that would be neither

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support, including financial support, that would be neither surprising nor inappropriate." GOPers investigating the coffees "plan to ask whether the follow-up calls meant the coffees were de facto fund-raisers." The 358 individuals who attended the coffees contributed \$27M, compared to 1 million donors who gave a total of \$26M. "What this means -- and has been often overlooked -- is that the coffees were a crucial element" of the Dem's "fund-raising strategy, not the incidental affairs as first portrayed" by the WH. Fowler: "We never tried to mask that these coffees were sponsored in one way or another by the Democratic Party. These coffees were just part of a larger program" (Kranish, 2/10). BOSTON GLOBE's Barnicle calls Clinton, "Mr. Coffee," and says that Clinton coming out strong against "cynicism" "might sound a little like Roger Clemens opposing greed or Oprah denouncing second helpings" (2/9).

OVERNIGHTERS: According to records obtained by the L.A. TIMES, in the two years leading up to the '96 pres. election, Clinton and Hillary Rodham Clinton "arranged for at least 577 friends and supporters" to stay at the WH overnight, "including many major party contributors referred" by the DNC. Although "many of the guests were longtime acquaintances" of the Clintons, "others were selected from donor lists submitted periodically" by

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"others were selected from donor lists submitted periodically" by the DNC to the WH political affairs unit. WH Press Sec. Mike McCurry said the overnight guests were "entirely appropriate": "There's no question that it is [an ego] stroke for political contributors and people involved in fundraising ... the president considered these folks personal guests, and appreciated their interest and support. He was gracious enough to say thanks in a special way." However, the "large number of guests," and the "role" of Dem campaign officials "in choosing some could heighten concerns" that the WH "was being systematically used" in Dem fundraising programs to raise \$160M for the nat'l campaign. Citizens for Public Integrity exec. dir. Charles Lewis: "Those numbers are staggering. ... It should be alarming to the American people that the president of the United States was using the national symbol of our democracy as a way station for fat-cat donors like Holiday Inn or Motel 6" (Bunting/Frammolino, 2/9). Davis: "It doesn't surprise me that Bill Clinton has broken all records inviting friends into the White House because he has more friends that I think anybody I've ever met" (ABC, 2/9).

TRADE MISSIONS: BOSTON GLOBE's Zuckman & Robinson report "coveted slots" on U.S. trade missions "generated a major fundraising bonanza" for the Dems during Clinton's first term.

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raising bonanza" for the Dems during Clinton's first term. Business leaders invited on these trips contributed \$15M to Dem cmtes over a four-year period. In '95, 264 business leaders went along on Commerce-sponsored foreign trips, up from 54 in '93. According to an analysis of fund-raising records and trip manifests, the missions, led by the late Commerce Sec. Ron Brown, "returned major political dividends" in '95. Business leaders who went on the trips from '93 to '95 and their companies donated \$7.6M to Dem cmtes in '96. The analysis "provides strong evidence that many of the business leaders were chosen because they were reliable donors who might want to thank the party with sizable donations in return for being selected" for trips (2/9).

THOMPSON "BOXED IN": Privately "stewing" about Dem "sneak attack" on him last week, Senate Gov't Affairs chair Fred Thompson is "now daring" Sen. Min. Leader Tom Daschle to filibuster the cmte's \$6.5M request to investigate fundraising scandals. According to a cmte source, Thompson said, "If they want to filibuster, I'll be on the floor. Daschle has boxed me in. I'm not going to let him roll me." Dem sources say Daschle, who is up for re-election in '98, is "worried" that Thompson's probe "will spill over into 1998 and hobble" Dem candidates in '98. Said one Dem senator: "We're concerned about whether this

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SUMMING UP '96: W. POST's Marcus & Babcock write that Election '96 "may be best remembered as a political fault line, a deep crack in the body politic caused by unbridled spending and a bold pursuit of cash that ultimately overwhelmed the nation's fragile campaign finance laws." Colby College's Anthony Corrado: "What we saw in this election cycle was nothing less than the breakdown of the campaign finance system" (2/9).

----- BOTTOM -----

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years aides had to scamper down the White House driveway with the final draft as the president left for the Capitol.

Bowles has condensed the daily meeting schedule and instructed aides to present their ideas to Clinton in streamlined strategy memos instead of long-winded political tracts. During his first-term stint as deputy chief of staff, Bowles conducted a time and motion study of Clinton's calendar and found the president's time had been broken into ineffective 15-minute chunks. Bowles makes sure Clinton now gets three to four hours of executive "think time" each day—as well as regular escapes to the golf course.

Of course, having a schedule isn't the same thing as sticking to it. Clinton still loves to digress, as Rubin was reminded last week. Called to the Oval Office for what was billed as a five-minute consultation on a technical matter, the treasury secretary emerged more than an hour later. The president, an aide said, had launched into a philosophical discussion of why it was OK to be for a balanced budget but against a balanced-budget amendment.

Though Bowles's success can be measured by how the trains run on time, Raines and Rubin have to balance the books. Raines, an Al Gore protégé, is in the unenviable position of crafting Clinton budgets scheduled to blow up shortly after Gore hopes to take over in the West Wing. Supreme-ly cautious, Raines is emerging as a reassuring and telegenic spokesman. An African-American respected equally by the capital's black and white communities, he was praised last month for proposing an innovative plan to bail out the District of Columbia government by replacing the city's federal subsidy with a more valuable package of federal services. Raines will need that kind of finesse when the budget haggling starts this week. The first battle is likely to be over tax reductions, especially on capital gains.

Rubin, a four-year veteran of the Clinton economic team, has already mastered the art of soothing Republicans and the market alike. A lifelong Wall Streeter who breakfasts each week with Fed chairman Alan Greenspan, Rubin knows the power of his utterances. Late last week Rubin deliberately sent the dollar tumbling by noting to financial reporters that the dollar had been strong "for some time now"—code that Washington may not intend to keep it that way. Rubin, a lifelong Democrat, jokes about being a "traitor to his class." The same might be said of Bowles and Raines. All three of Clinton's bankers could probably slip unnoticed into a moderate Republican administration—and that's perfect for a president trying to keep himself firmly in the middle of the road.

With KAREN ALEXANDER

WHITE HOUSE

The an in the Middle

Can an old pal help crack the 'Clinton scandals'?

BY DANIEL KLAIDMAN AND
MICHAEL ISIKOFF

BUT FOR HIS SIZE AND HIS BATTERED briefcase, there was nothing remarkable about the big guy on the Washington Metro last week. Webster Hubbell, the Little Rock lawyer who became number three at the U.S. Justice Department on the strength of his long association with Bill and Hillary Clinton, was wearing khakis, a winter jacket and hiking



In the cross hairs: Hubbell could face more charges

boots—and like everyone else on the subway, he endured morning rush hour in stoic silence. After pleading guilty to embezzling nearly \$500,000 from his Rose Law Firm partners and clients in special prosecutor Kenneth Starr's Whitewater investigation, Hubbell is now finishing out his 21-month sentence at a halfway house in the D.C. slums. "Until you've been on the other side," Hubbell told NEWSWEEK, referring to prison life, "you don't know what a sentence can do to a man."

Hubbell, who spends his days researching alternative-sentencing proposals for a liberal think tank in Alexandria, Va., may get another real-life lesson in crime and punishment when his work-release program ends this week. Starr's probe of the Clintons' involvement in Whitewater seems stalled for lack of reliable witnesses—and Hubbell, who was Hillary's law

partner as well as the governor's golf buddy, has long been seen as a key to cracking the case. Specifically, investigators say Hubbell drafted documents for a land deal called Castle Grande—a transaction that is a prime target for Starr's staff because it involved both Jim McDougal, the Clinton political ally now convicted of S&L fraud, and Hillary Clinton, who did legal work for McDougal's thrift. Put enough pressure on Hubbell, Starr's prosecutors have reasoned, and he will lead them to Hillary or Bill—and maybe both.

That is a typical strategy in white-collar-crime cases, although it hasn't worked so far. But Starr's staff may now have new leverage over Hubbell. In recent months, the special prosecutor's team has begun looking into three consulting contracts Hubbell landed after his resignation from the Justice Department in 1994. One involved lobbying for the Los Angeles City Airport Commission and netted Hubbell nearly \$25,000; according to federal auditors, Hubbell did very little actual work

and may have submitted grossly inflated bills. Another involved writing a series of articles about the perils of public life for the Consumer Support and Education Fund, a Los Angeles-based public-interest group; though Hubbell was paid \$45,000, the articles were never delivered. The third centers on unspecified work for the Lippo Group, the Indonesian conglomerate that is a focus of investigations into allegedly improper fund raising by the Democrats. A source close to the case said Hubbell was paid more than \$100,000 by Lippo, and that several months before he pleaded guilty, he had lunch on Aug. 9, 1994, with John Huang, the former Lippo executive who solicited hundreds of thousands of dollars in questionable campaign contribu-

tions. Was the Lippo contract hush money? "That's pretty rotten," Hubbell indignantly told Senate Whitewater probers last year. "Nobody's promised me a damn thing." The White House says that the president was unaware of the Lippo contract until he read about it in the newspapers.

Starr's investigators aren't so sure. They think Hubbell can help unravel the pattern of incestuous financial dealings that permeated Little Rock during the Clinton years. Meanwhile, Starr filed court papers last week saying Jim McDougal had provided him "new and important" information, and sources say that includes corroboration of Clinton's supposed involvement in an illegal \$300,000 loan. But McDougal, who has frequently changed his story, is a shaky witness at best—which may be why investigators are threatening the man on the Metro with a new round of felony charges. ■

rec'd 2/10/97

The Right Choice for the C.I.A.

Milan Trenc

By Douglas Brinkley

THE NEW ORLEANS Justice Department concluded on Friday that Anthony Lake, President Clinton's choice for Director of Central Intelligence, committed no criminal wrongdoing relating to his role in the tacit United States approval of Iranian arms shipments to Bosnian Muslims in 1994.

The department also found that he never purposely tried to misrepresent his financial holdings, although he did agree to a \$5,000 settlement for failing to sell off several energy-related stocks his wife owned while he was national security adviser. Now Congress should get on with his confirmation hearings, which extreme conservatives have been trying to derail.

Mr. Lake has been on the radical right's enemies list since 1970, when he resigned from the State Department to protest the Nixon Administration's Cambodia policy. But if his detractors examined his record, they would see that he is not the ideological foe they portray him to be.

After Mr. Lake was nominated for Director of Central Intelligence, the John Birch Society and other anti-government fringe groups launched a smear campaign. They lit up the Internet with conspiracy yarns and indicted Mr. Lake for such crimes as working in the Carter Administration; serving as a member of the Council on Foreign

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Lake is a victim of the far right.

Relations ("the Park Avenue State Department") and promoting "world government."

In an error-ridden article in *The New American*, a John Birch periodical, William F. Jasper dissected Mr. Lake's résumé and found a pattern of anti-Americanism: attending Harvard and Princeton, speaking at the Institute for Policy Studies when it was supposedly a beehive of militant Marxists, working at Alger Hiss's Carnegie Endowment for International Peace.

The diatribe would not be worth mentioning except that its ludicrous charges have been picked up, in slightly milder fashion, by mainstream conservative publications like *The Washington Times* and *National Review*.

In a *National Review* article titled "Subterranean Lake," Mr. Lake was lambasted for saying offhandedly that it was still "inconclusive" whether Alger Hiss was a spy. The article, by Martin Sieff, went on to fabricate "Dirty Tony" stories. It said that he flew to Haiti in September 1994 to persuade Gen. Raoul Cédras to step aside in favor of Jean-Bertrand Aristide. But the trip never took place.

In a column in *The Washington Times*, Frank J. Gaffney Jr. repeated, almost verbatim, the Bircher claim that Mr. Lake helped found a spinoff of the Institute for Policy Studies — the Center for National Security Studies — which played "a leading role in

the counterculture's bid to . . . dismantle the covert activities of American intelligence." The wild accusations against these groups aside, the description of Mr. Lake's role is untrue: He did not found the center, and his only connection to the institute was a lecture he delivered there in 1974 on government institutions.

The paradox of these attacks is that as national security adviser Mr. Lake was as hard-nosed as Zbigniew Brzezinski. Like Republicans, he supports enlarging NATO and promotes global trade pacts. He insisted that Mr. Clinton take a tough stance toward Iraqi aggression. He has also insisted on integrity in intelligence collection and analysis. Finally, if Senator Jesse Helms can take heart in the diminishing role of the United Nations, he should give partial credit to Mr. Lake, who consistently pushed for NATO to replace the United Nations in Bosnia.

As for the recent criticism of the N.S.C. for allowing foreign lobbyists to attend White House coffees, that screening duty is the responsibility of the Secret Service. If anything, Mr. Lake should be commended for, as Dick Morris lamented, digging a "castle moat" around the N.S.C. to keep Democratic politicians out of foreign-policy making.

The Senate Intelligence Committee owes Anthony Lake a fair hearing that focuses on facts, not on partisan predilections or conspiracy theories. It should heed the Justice Department's findings, and also allow his strong record of enhancing American security to speak for itself. □

The New York Times

MONDAY, FEBRUARY 10, 1997

Mike McCurry's credibility gap

White House Press Secretary Michael McCurry's credibility took a serious hit last week, and this time the wound was self-inflicted. Mr. McCurry revealed Tuesday that he had failed the previous week to acknowledge his role as a White House official in advising a former Democratic National Committee (DNC) finance chairman how to respond to a growing media onslaught. The chief fund-raiser, Texas oilman Truman Arnold, ignited a political firestorm when he told *Time* magazine that the DNC had made extensive use of a taxpayer-funded White House database in its fund-raising activities.

The DNC's use of the database would, of course, have violated federal laws that prohibit the White House from sharing information, which is ostensibly gathered to help a president carry out his official duties, with non-government organizations involved in partisan activities, especially party campaign committees.

With the odor of felonies once again filling the air, the White House reverted to its virtually permanent panic mode. Not surprisingly, public disclosure took a backseat. In earlier cases, Mr. McCurry was merely the unwitting conduit of disinformation. For weeks prior to the election, for example, he repeated the White House line, fed to him by the counsel's office, that White House meetings involving the president and James Riady were "social calls" in which no policy was discussed. Mr. Riady's family controls the Indonesia-based Lippo Group conglomerate, which has been closely linked to the blossoming campaign finance scandal. The day before the election, Mr. McCurry acknowledged that policy, including U.S. policy toward China, where Lippo had substantial interests, was indeed discussed during these meetings.

For months, Mr. McCurry had also maintained that nobody at the White House knew of former Associate Attorney General Webster Hubbell's 1994

employment with an affiliate of Lippo until the relationship was reported in the press in early 1996. When the Associated Press recently presented Mr. McCurry with a deposition in which the president's closest adviser, Bruce Lindsey, admitted knowing in 1994 about Mr. Hubbell's employment, Mr. McCurry was forced once again to backtrack.

In the most recent incident, Mr. McCurry took a more active role in misdirecting the press. After all, he had fires to put out, not facts. At a White House briefing a couple days after *Time* magazine hit the streets, Mr. McCurry and his aide, Barry Toiv, were asked if anyone at the White House had contacted Mr. Arnold. Mr. Toiv initially said he did not know, and Mr. McCurry, standing nearby, twice interrupted to say that the White House Counsel's office had contacted Mr. Arnold. What he neglected to mention was that he himself had played the most influential role in advising Mr. Arnold how to deal with the press inquiries. Essentially, Mr. McCurry told Mr. Arnold to clam up and issue a statement through the DNC, which he did.

Taking Mr. McCurry's advice, Mr. Arnold stopped granting interviews and released a highly nuanced, statement through the DNC. "I never heard of WhoDB until I read about it in the February issue of *Time* magazine," Mr. Arnold said, using the acronym for the database. While he may never have heard of "WhoDB," the numerous interviews he granted before Mr. McCurry shut the barn door leave no doubt that Mr. Arnold and his DNC staff were intimately familiar with the output of the White House database.

Having dispensed such desperate, incredible advice as that, no wonder Mr. McCurry did not want to own up to it. As for future press briefings, let there be no complaints from Mr. McCurry about any prosecutorial tendencies from his inquisitors. While he may not have been caught in an outright lie, he has clearly forfeited any right to the benefit of the doubt.

The Washington Times
MONDAY, FEBRUARY 10, 1997

Hubbell's duties at Time Warner probed by Starr

Earned \$5,000 for consultant task

From combined dispatches

Whitewater independent counsel Kenneth Starr subpoenaed Time Warner last month to provide details about its hiring of former Associate Attorney General Webster Hubbell in 1994, just weeks before his guilty plea to two felony charges, Time magazine reports.

Time said Mr. Starr is looking into whether some of the work Hubbell got between the time he left the Justice Department and pleaded guilty to felony charges was, in essence, "hush money" arranged by Clinton associates to keep him from providing damaging information against the Clintons.

Hubbell was initially contacted about legal work by Michael Berman, a Democratic consultant and lobbyist for Time Warner, Time said. Although Mr. Berman is close to the Clintons, the magazine quoted him as saying in an interview that the idea was his alone, neither suggested by nor known to the White House.

"Webb [Hubbell] was looking for work. ... I was a friend of Webb's," Mr. Berman explained.

"Hubbell consulted with Time Warner's lawyers on a single anti-trust issue involving the company's cable operations ... attended two meetings in New York but did not contact anyone in the government on the company's behalf," Time reported.

"Hubbell earned \$5,000 for a month's work and ended the relationship when he learned in late November [1994] that he was the target of the criminal investigation," the magazine said, quoting an unnamed Time Warner executive.

Hubbell spent 15 months in a Maryland federal prison and nearly two months in a Washington halfway house after pleading guilty to mail fraud and tax evasion in December 1994.

Whitewater investigators have already been digging into how Hubbell was able to get legal or lobbying jobs for the Los Angeles International Airport and for the Indonesian Lippo group.

Meanwhile, the New Yorker reports that Mr. Starr is unlikely to move against Mr. Clinton based on James McDougal's word alone, and Mr. Clinton's other Whitewater partner, Susan McDougal, remains adamant in her refusal to testify.

The article, by Pulitzer Prize-winning reporter James B. Stewart, author of "Blood Sport: The President and His Adversaries," also says that Mr. Starr's office has obtained telephone records showing numerous calls between President Clinton's office and the Lor-

rance Heights development office at the time Susan McDougal was working on the development.

In an hourlong interview, Susan McDougal denied her former husband's assertion that she was having a romantic relationship with Mr. Clinton in 1986, at the time a \$300,000 Small Business Administration loan was being negotiated and she was attempting to develop Lorraine Heights.

Mr. Clinton has testified, via videotape, that he did not know about the loan and did not know about Lorraine Heights.

Some of the money from the loan was used to purchase land for a real estate development near Little Rock that originally was purchased for the Whitewater Corp., in which the Clintons were equal partners with the McDougals.

In an apparent attempt to establish that he is telling the truth now, James McDougal is said to have turned over to Mr. Starr's office the results of five private lie detector tests he took before the Whitewater trial, in which he was deter-

Mr. Starr is looking into whether some of the work Hubbell got was "hush money" arranged by Clinton associates.

mined to be lying when he denied knowing about the loan.

"I flunked every time," James McDougal told The New Yorker. "I was trying to get by the test. I found they're hard to get around."

The independent counsel was in court in Little Rock last week seeking the postponement of McDougal's sentencing until the summer on grounds that new and valuable evidence he has provided would take time to pursue.

Mr. Stewart based much of his 14-page article on a recent hourlong interview with Susan McDougal at the Sybil Brand Institute for Women near Los Angeles, where she is serving an 18-month contempt-of-court sentence for refusing to testify before a Whitewater grand jury, even though she has been given immunity against further prosecution by Mr. Starr — except for perjury.

The magazine said David Kendall, a lawyer representing the Clintons, declined to comment on assertions made in the article, as did representatives of Mr. Starr's office.

The Washington Times
MONDAY, FEBRUARY 10, 1997

REVIEW & OUTLOOK

Exempt From Reform

When President Clinton endorsed a campaign reform bill by Senators John McCain and Russ Feingold in his State of the Union address last week, he left an obvious question unanswered. Before Congress plunges into yet another attempt to clean up politics, why not insist that President Clinton and his allies enforce or abide by the existing campaign laws?

We're not talking about the \$1.5 million or more in illegal foreign contributions that the Democratic National Committee has had to return. Nor what looks to be improper use of a giant White House data base to contact potential campaign contributors. We're referring to the *Beck* decision, a 1988 Supreme Court ruling written by

40% of union members who routinely vote Republican might want some of their money back.

Unions are terrified at losing the coercive power to extract dues money. Consider what happened in Washington state, where in 1992 the voters barred withholding an employee's wages "for use as political contributions except upon written request of the employee." In just a year, the number of union teachers who contributed to the Washington Education Association's PAC skidded to only 8,000 from 48,000.

Undaunted, the WEA set up a new mandatory fund called the Community Outreach Program. WEA lobbyist Robert Maier has admitted in a deposition that the outreach program was "an internal ploy to raise more WEA-PAC money." After the Evergreen Freedom Foundation blew the whistle on this scheme, the state's Public Disclosure Commission found that the union had engaged in the largest violations of campaign law in the state's history. It turned over its evidence to Attorney General Christine Gregoire, a Democrat, who this week will announce her decision on whether the state will prosecute the union.

Other states are asserting the rights of workers who want to stay out of politics. In 1995, Michigan banned both unions and corporations from using automatic payroll deductions to finance their PACs. The state teachers union alone automatically collected \$3.9 million every election cycle from such deductions, and it bitterly contested the new law. However, the Sixth Circuit Court of Appeals recently upheld the law. Governor John Engler says workers will now have "the opportunity each year to decide whether or not to contribute to politics." This month, he wrote his fellow governors to inform them of the federal court's decision and to extol this extension of "worker democracy."

On the national level, the open defiance of *Beck* by unions prompted even the National Labor Relations Board, dominated by Clinton appointees, to rule last month that unions must supply financial data to workers who request a partial refund of their dues. But more must be done if Justice Brennan's decision is to stop gathering dust.

Requiring unions to get advance permission from their members before deducting money for their PACs is a worthy goal. At a minimum, any new campaign finance bill must codify the *Beck* decision and make certain that union members receive notification of their right to a partial refund. Ensuring some form of paycheck protection for workers is not merely desirable, it is the law of the land. Until President Clinton publicly commits to bringing the unions inside the tent of campaign finance reform, his breast-beating about past fund-raising "mistakes" will look like a dodge.

Freedom in Dues

Should labor unions be allowed to use a portion of members' dues to support political causes and issues of interest to the labor movement?

Yes ☐ 32%
No ☒ 63%

No responses by key groups:

Blue collar ☒ 71%
Under \$20K ☒ 70%
Clinton voters ☒ 59%
Union households ☒ 53%
Blacks ☒ 53%

Poll taken Jan. 25-27, 1997.

THE WALL STREET JOURNAL/NBC NEWS POLL

liberal icon William Brennan. What Justice Brennan said in *Beck* was simple: Workers cannot be forced to pay dues or fees to subsidize union activity unrelated to collective bargaining. Harry Beck, the worker who sued his union because it backed politicians he didn't like, won the right to keep a staggering 79% of his dues money.

After much delay, in 1992 the Bush Labor Department belatedly issued regulations requiring unions to publicly reveal what portion of their dues workers could keep. President Bush himself also ordered federal contractors to tell workers the same thing. Days after taking office, President Clinton rescinded both actions, leaving workers once again in the dark over what was happening with their dues money. Constitutional scholar Roger Pilon says President Clinton is violating his Constitutional obligation to "take care that the Laws be faithfully executed."

Thus, one reason President Clinton can endorse McCain-Feingold is that in its current form it does nothing to limit the role of unions in politics. GOP Senator McCain says he wants to include unions in his bill, but Democrats are resisting.

President Clinton certainly owes unions for their carpet-bombing of the GOP Congress on TV last year. The average dues paid by the 10 million private-sector union members has now climbed to more than \$400 a year. If *Beck* were enforced, many of the

Lake Is Cleared In Probes of Trades, Bosnia Testimony

By CARLA ANNE ROBBINS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — President Clinton's embattled CIA nominee Anthony Lake was cleared of any possible criminal charges in separate investigations into his financial dealings and his congressional testimony over Iranian arms shipments to Bosnia.

Mr. Lake agreed to pay \$5,000 as part of a civil settlement in the energy stock case. The Justice Department found that while serving as National Security Adviser Mr. Lake unwittingly failed to sell a valuable block of energy stocks, even after being directed to do so by the White House counsel's office to avoid any possible conflict of interest.

Chairman Richard Shelby and other Republicans on the Senate Intelligence Committee have questioned both Mr. Lake's personal integrity and his ideological qualifications to head up the Central Intelligence Agency. The committee is expected to begin confirmation hearings Feb. 25, and it isn't clear whether either finding will quell those doubts.

White House officials played down the \$5,000 settlement "as not a fine" and "the minimum settlement" in a civil suit, and the Justice Department said it had found no evidence that Mr. Lake had tried to conceal his holdings or sought to benefit from them. At the same time, Mr. Lake's failure to follow through on the sale could reinforce questions about his ability to manage the vast, and high-priced, intelligence network.

The Justice Department declined to investigate more recent disclosures that Mr. Lake's stockbroker had bought and sold shares for the nominee's account in another energy company last year.

The Bosnia investigation focused on whether Mr. Lake or other officials had intentionally lied to a House subcommittee investigating the administration's tacit support of Iranian arms shipments to Bosnia. The investigation found that there was "no evidence that Mr. Lake was untruthful . . . or was part of a conspiracy to obstruct Congress," according to a letter the Justice Department sent to subcommittee Chairman Henry Hyde (R., Ill.).

Mr. Lake played a key role in President Clinton's decision to give tacit support to Iranian arms shipments to Bosnia, and not inform Congress. Sen. Shelby, (R., Ala.) who couldn't be reached for comment this weekend, has previously condemned the entire policy as "duplicitous."

CORRECTIONS & AMPLIFICATIONS

A PAGE-ONE ARTICLE Friday on a potentially lucrative deal that two Boston businessmen received from the Department of Housing and Urban Development failed to note that no one has said that HUD officials knew that the two men were major Democratic fund-raisers.

* * *

THE ONEIDA TRIBE of Wisconsin donated \$30,000 to the Democratic National Committee last March. Friday's Washington Wire column didn't specify the location of the tribe, which isn't connected with the Oneida Nation located in New York.

The Special Interests Among Us

On the night of his election in 1992, Bill Clinton spoke to a large crowd assembled outside the capitol in Little Rock:

"I think perhaps the most important thing that we understand here in the heartland of Arkansas is the need to reform the political system, to reduce the influence of special interests and give more influence back to the kind of people that are in this crowd tonight. . . . And I will work . . . to do that."

He has not worked very hard at it, which is one reason he is mired today in a political fund-raising mess involving his courtship of "special interests" and wealthy gullibles willing to pay large sums of money for "access" and entertainment at the White House.

It's a great story: nights in the Lincoln bedroom, coffee klatches with the world's most powerful man, fat cats and kittens lounging around the White House pool, the price in some cases having been \$250,000 a pop. There is an appearance of unfairness here, an apparent confirmation of the belief that people of wealth have an advantage over the rest of us in their dealings with government.

That may prove to have been the case, although there is no confirming evidence thus far. Whatever turns up, however, let us hope that the media's fascination with these follies doesn't overwhelm the opportunity journalists have been handed to revisit the American way of politics and explain why "reform" has been as elusive as perpetual youth and may be unachievable.

It's both easy and superficial to define this "special interest" problem in terms of the usual suspects: top-hatted, cigar-smoking corporate barons and bankers—some of them foreigners—loaded with cash, buying access, "corporate welfare" or other special favors from corrupt officeholders or bureaucrats at the expense of the rest of us. That's the implicit story line today.

But it's not the whole or most important part of the story. Nearly all of us want something from government—usually money in one form or another. And we have created an enormous lobbying industry to get it. It employs more than 90,000 people in this city alone. They get us, whatever personal wealth we may have, access to presidents, regulators, agency officials and legislators, spending hundreds of millions in the process, much of it in the form of political contributions. They use—both explicitly and implicitly—promises of rewards or threats of retaliation at the polls, all in the name of the "people," you and me.

I often conveniently forget, while damning the "interests," that I'm a card-carrying member of the biggest lobby in town—the American Association of Retired Persons. Its principal mission is to defend and enlarge our claims to \$500 billion a year in federal payments. It represents, as Jonathan Rauch has written, "the vast majority of Social Security [and Medicare] recipients; [its] headquarters in Washington has grown so large as to have its own Zip code, a legislative and policy staff of 125 people, and 16 registered lobbyists with a \$3.5 million budget."

Journalists, like most Americans, have "interests" they rarely think about. Thousands of us are labor union members. Our dues help finance extensive AFL-CIO political operations, including campaign contributions, legislative agendas in which we have a stake and access to the people who resolve these issues. Our employers have their own extensive political and legislative agendas that affect our livelihoods; many of them are in the "fat cat" category that arouses our anger and contempt.

They enjoy access and influence on a host of significant issues ranging from tax and antitrust policies to the allocation and use of broadcasting frequencies. We're vaguely aware of this, but in our fixation on the story of the day we often forget that, witting or not, we are likely to be part of the problem.

Recently, for example, Clinton held a news conference to explain what he had been doing vis-a-vis political contributors. He described as normal and necessary his contacts in the White House with a group of bankers whose business is supervised by federal regulators. He said, "What they get from me, I think, is a respectful hearing if they have some concern about issues. I think it's a good thing when contributors care about the country and have some particular area of expertise they want to contribute."

The reporters grilled him on these meetings, but neither they nor the president picked up on the irony of his opening statement, announcing a program to put more billions into the American education system—a big "special interest" industry in its own right, with some of the most potent lobbying and political action organizations in America. One of them, of course, is the National Education Association, which has close ties to Clinton, elected hundreds of delegates last year to the Democratic National Convention and provided a lot of money and thousands of grass-roots political soldiers for his reelection campaign.

The reason for that oversight is understandable. As citizens and as journalists we make intellectual and emotional distinctions among the thousands of "special interest" supplicants for shares of the federal budget. There are "good" and "deserving" and "bad" and "undeserving" interests in our scale of values. To the press, the bankers who socialized with him at the White House and who, all else aside, provide useful and essential services to society, did not represent a "good" or "deserving" interest. The education industry, including the NEA, is in the other category. In large part that is because of the conventional wisdom that more money for education—and for the living standards of educators and school vendors—necessarily means better schools for our children, an assumption not always validated by history and experience.

Jonathan Rauch's book, "Demosclerosis," is an argument that lobbies, both "good" and "bad", have become so numerous and powerful they have paralyzed the government, depriving it of the flexibility to adapt to changing conditions in a rapidly changing world. Entitlements once in place never die. They soak up all the resources, leaving little or nothing for experimentation or new approaches to new circumstances.

Since virtually every "special interest" can claim some moral or socially redeeming reason for its entitlements—farmers, veterans, the rich and the poor, the old, the young, endangered businesses and labor unions—the "system" is caught in an intellectual and political trap.

This is the real "special interest" problem: who gets what. It won't be solved by banning bankers from White House coffees or opening up the place for more Easter egg hunts and family picnics. The press can't remake the system. But it wouldn't hurt if they reminded us how it works—or doesn't work—for nearly all of us.

The Washington Post

MONDAY, FEBRUARY 10, 1997

Time Warner Hire of Hubbell Is Investigated

*Clinton Adviser Helped
Ex-Official Get Work*

By Barbara Vobejda
Washington Post Staff Writer

Former associate attorney general Webster L. Hubbell, whose hiring by an Indonesian conglomerate is under investigation by independent counsel Kenneth W. Starr, was also hired by Time Warner after he left government service, according to a report in Time magazine's Feb. 17 issue.

The magazine reports that Starr has subpoenaed records from Time Warner, which hired Hubbell as a consultant on antitrust issues in the fall of 1994.

Hubbell was also hired by the Lippo Group, the Indonesian conglomerate under scrutiny in the controversy over improper foreign campaign contributions to the Democratic National Committee. And Starr's investigators are looking into Hubbell's hiring by the Los Angeles Airport Commission.

Senate Republicans questioned Hubbell about whether his employment by Lippo before he pleaded guilty to fraud charges was an effort to discourage Hubbell from cooperating with Starr's investigation.

Hubbell resigned from the Justice Department in March 1994 and pleaded guilty to tax evasion and mail fraud in connection with cheating clients at the Rose Law Firm, where he was a partner with Hillary Rodham Clinton.

After leaving his government post, before he began serving a 21-month prison sentence, Hubbell attempted to set up his own law practice in Washington.

According to Time, whose parent company is Time Warner, Hubbell gained the company as a client through his association with Michael Berman, a longtime Democratic consultant and close Clinton adviser.

Berman told Time that no one at the White House suggested he help Hubbell secure the Time Warner contract, or knew he was doing so. Berman said he knew Hubbell was looking for work and asked if he had any experience in antitrust issues. Berman then took the idea to the company's Washington representative, Tim Boggs.

Time reported that Hubbell called Boggs and was hired with the approval of Peter Haje, Time Warner's executive vice president and general counsel.

Hubbell made \$5,000 for one month of work for the company, then quit after he learned he was under criminal investigation, according to Time.

The magazine also reported that Starr issued a subpoena last month, asking for Time Warner's records regarding the contract with Hubbell.

The Washington Post

MONDAY, FEBRUARY 10, 1997



ONCE GOLFING BUDDIES: The old Clinton friend is due to be released from a halfway house

Hubbell's Growing Web

Kenneth Starr is looking into how Clinton's pal signed up clients like Lippo and Time Warner

By MICHAEL DUFFY

WHenever the list of Bill Clinton's Best Friends is put together, Webb Hubbell's name is always near the top. Clinton installed his golfing buddy and confidant as Associate Attorney General in 1993; at the Justice Department he could serve as the First Family's eyes and ears. Hubbell resigned in March 1994 amid allegations that he had bilked his clients and partners out of thousands of dollars at the Rose Law Firm in Little Rock, Arkansas, where he once worked with Mrs. Clinton. By August 1995, Clinton's close friend was in jail, serving 21 months for fraud.

But between his tenure at the Justice Department and his time at the Cumberland Federal Correctional Institution in Maryland, Hubbell tried to open a little Washington law practice. Almost immediately, work began trickling in. First he was hired by Indonesia's Lippo Group, which reportedly offered him \$250,000 a year for work that remains a mystery. Next, at the suggestion of a Democratic fund raiser, the Los Angeles Airport Commission paid him \$8,250 a month to lobby the Transportation Department. These were lucky breaks for a lawyer facing possible criminal charges. Republicans have wondered aloud whether these jobs were part of a "hush-money" campaign directed by the White House to keep Hubbell happy and dissuade him from telling investigators what he knows about the Whitewater affair. Now it seems that independent counsel Kenneth Starr wonders the same thing.

The latest Hubbell client to surface is

Time Warner (the parent company of TIME magazine). A company executive confirmed to TIME last week that the corporation employed Hubbell briefly as a consultant in the fall of 1994. Starr issued a subpoena last month to Time Warner, asking for the records of Hubbell's employment. The company hired Hubbell after one of its outside lobbyists, longtime Democratic consultant Michael Berman, approached Hubbell about doing some legal work in the antitrust area. According to Berman, Hubbell was game, and so Berman then mentioned the idea to Tim Boggs, Time Warner's Washington representative. Not long afterward, Hubbell himself called Boggs and offered his legal services directly. Peter Haje, Time Warner's executive vice president and general counsel, approved Hubbell's contract.

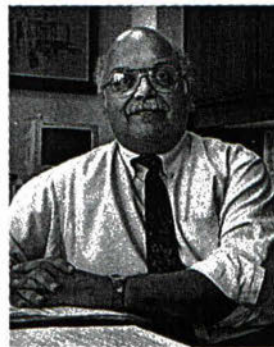
During the following month, Hubbell consulted with Time Warner's lawyers on a single antitrust issue involving the company's cable operations. He attended two meetings in New York but did not contact anyone in the government on the company's behalf, according to a Time Warner executive. Hubbell earned \$5,000 for a month's work and ended the relationship when he learned in late November that he was the target of a criminal investigation. In early December 1994 he pleaded guilty to mail fraud and tax evasion.

That Berman helped broker the Time

Warner arrangement shortens the link between the White House and Hubbell's campaign to find work. Berman is in the first circle of advisers to the First Lady and talks regularly with Clinton's close friend and aide Bruce Lindsey. In an interview last week, Berman said the idea for hooking Hubbell up with Boggs was his alone; no one at the White House, he said, suggested or even knew of the deal. "Webb was looking for work," he explained. "I was a friend of Webb's. So I asked Webb if he had experience with antitrust work. I talked to Tim. I went and told Webb. Webb called Tim." Berman said he arranged no other work for Hubbell and has not received a subpoena from Starr.

Boggs, who once worked for former Democratic Congressman Robert Kastenmeier, is the company's top staff lobbyist and its point man on all federal legislation, including the sweeping telecommunications bill signed by Clinton early in 1996. Time Warner employed Hubbell during a period when its political contributions favored the Democrats. During 1993 and 1994 its political-action committee gave Democratic candidates \$141,000—nearly \$50,000 more than it gave Republicans.

Attorneys close to the Little Rock investigation believe that Starr is trying to compel Hubbell, who will be released from a Washington halfway house this week, to cooperate further with Starr's investigation of the Clintons. Last week Theodore Stein, the Los Angeles official who hired Hubbell for the airport deal, told a Little Rock grand jury that he got Hubbell's name from Mary Leslie, who had served in 1992 as Clinton's chief California fund raiser.



WELL CONNECTED: Berman is close to the First Lady

There were other signs last week that Starr was entering a late phase of his probe. The Washington Post reported that he is close to completing a detailed memo outlining the pros and cons of bringing charges against senior Clinton officials, as well as the President and his wife. A Clinton adviser suggests that Starr is merely leaking word of such a memo to keep the Clinton camp off balance. But when it comes to Hubbell, Clinton has a way of sounding flummoxed. Asked recently if he knew anything about Hubbell's Lippo contract, the President denied knowing about it in advance eight times in nine sentences. "I can't imagine who could have ever arranged to do something improper like that," he said. That's what Starr is determined to figure out. —With reporting

by J.F.O. McAllister/Washington

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Divider Title: **Feb. 9, 1997**

THIS JUST IN:**Cyber Slots**Slate **13****white house****confidential**

I Had Coffee With Clinton

The inside story of those notorious White House "coffees."

By James J. Cramer

(1,061 words; posted Saturday, Feb. 8; to be composted Saturday, Feb. 15)

Actually, I had a Diet Coke. I was too nervous for coffee. Until these White House "coffees" became controversial a few weeks ago, I had regarded the meeting as one of the great happenings in my life. I was ushered into the Map Room at the White House--the room that shows the Allies' progress against the Nazis, frozen the day Roosevelt died--and poked around a table to see where I was to sit.

My God. I thought when I saw my placard. I'm next to the president. The president of the United States. Me and the president. Wow! What would my mother have said about that? A few minutes passed by, and I realized I knew no one in the room. But then, in walked Mack McLarty. I recognized him not from any political connection but from his previous career as head of a publicly traded utility called Arkla. Arkla was one of my worst investments ever.

~~mime -~~
 The President
 might want
 to see this. Should
 I send it in under
 your name?
 m.e.

~~MM~~
 LMC
 Pls print clean
 copy & send
 to POTUS ASAP.
 - MM

I stuck my hand out, and he grabbed it. I asked him if I could ask the president anything I wanted. He asked me what I had in mind. I said that I had a whole bunch of things I wanted to say, but mostly I wanted to let the president know that cutting capital-gains taxes would just be a windfall for the rich, and that the American worker wasn't getting as good a deal in these "downsizings" as the big dogs were.

He told me that these were fine topics. He did not ask me for money. He did not ask me for support. He did not ask how much I had given to the party. In fact, neither did Democratic National Committee Finance Chair Marvin Rosen and DNC honcho Donald Fowler, both of whom were in the room. No one did.

Sure, I wouldn't have been there if I hadn't given money to the party. But there is a simple nonsinister reason that I gave to the Democratic Party: I am a Democrat. I want my party and its candidates to win. Beat the Republicans. Pretty clear. Now what would have been interesting is if I had given money to the Republican Party, or the Communist Party, or heck, the Pajama Party. I am a lifelong Democrat, and the last time I looked, it was neither interesting nor indictable to help a political party.

I walked the president. Everybody mobbed him. I hung back, but he worked his way toward me and shook my hand. Light bulbs flashed. I was dizzy.

We took a seat. I got my bearings. Had a refill. The president mentioned that things were going well and wanted to know what was on our minds. Someone asked an innocuous question--I don't remember what. Someone else said the president was doing an excellent job with the economy. The president said it was important to try to balance the budget and keep interest rates low.

A lawyer said he didn't want tort reform. Lawyers. It figures that they would use this session for a bit of self-interest. I scribbled, "He is asking you for a raise, Mr. President," on my notepad and tried to show it to Clinton, but I couldn't get his attention.

Then it was my turn. Mr. President, I remember saying, I would like to use this time to tell you about an idea I had, an idea to give stock options to downsized workers so they could participate in the increase in stock prices generated by their firings. I had just written about this plan for *New York* and the *New Republic*.

Go on, he encouraged.

I told him how AT&T's stock had jumped when Robert Allen announced those layoffs. I took out the proxy statement showing how much Allen paid himself--it just happened to have come that morning. And I mentioned that if AT&T would have just awarded options struck at the price the day before the firings, these people would have had enough money for a down payment for a new business or a mortgage or college bills, instead of being angry at their company and their country.

Someone interjected that this seemed pretty fanciful. But the president waved me on. I talked some more. He told me he liked the idea and would look into it. My mind's a blank after that. It seems like there was some chitchat about foreign affairs and the campaign. And then it was over. As the president went by me, he gave me a big hug and said the stock-option plan was a "darn good idea."

I was as high as a kite. I recall nothing else until the time that I got to the airport to fly back to New York. There I called, in order, my wife, my sister, and my dad and told them that I had sat next to the president and told him about my stock-option idea, and that he had liked it. I was very proud. Still am.

No one ever called and asked me for money after the session. In fact, the only call that was made was by me, to try to get the picture of my meeting with the president. I subsequently gave more money to the party, but I still haven't gotten the picture. Nor did my stock-option idea go anywhere. So much for my influence.

But what I have gotten is a raft of phone calls from some of the best investigative reporters in the world, asking me all sorts of questions about quid pro quos and what I did to get the meeting and how much money I was shaken down for. The questions all sound like I was some sort of criminal for meeting with the president.

The other day, when I bought my *Philadelphia Inquirer*, I read the huge headline--"For Democrats, a little coffee, a lot of cash"--out loud while I was at the register. "Bunch of crooks," I heard somebody say. Everyone seemed to nod in agreement. Suddenly I realized that the press had transformed me from Jimmy Stewart to Claude Rains, as if I were stuck in a weird Bizarro anti-Capra version of *Mr. Smith Goes to Washington*.

"No," I said. "It was all very innocent."

They looked at me like I was crazy.

Maybe I am. But next time, I want the picture. So would you.

James J. Cramer is manager of a hedge fund and co-chairman of The Street, from which this article is reprinted.

Illustration by Charlie Powell

Previous White House Confidential columns

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Unusual suspects

Five years ago, when attorney Hillary Clinton denied — untruthfully, it soon developed — that she had ever represented clients before Arkansas state agencies, she speculated, contemptuously, about her alternatives: "I suppose I could have stayed home, baked cookies and had teas."

After her health-care debacle of 1993-94, did Mrs. Clinton bake cookies for the White House the scores of "coffees" her husband hosted? Who could have possibly predicted that during the past two years the White House would have held more than 100 "coffee klatches" for about 350 invitees? (This after having spent more than \$600,000 of taxpayer money to develop — at Mrs. Clinton's insistence — a massive database of Democratic contributors and social visitors.) Who would have believed that these social gatherings, none of which was deemed significantly important to merit a mention on the president's official schedule, would have generated more than \$27 million in "soft-money" during the 1995-96 electoral cycle, a third of it arriving within a month of the donor's attendance at the "coffees"?

It is illegal to raise political funds in the White House, and spokesmen for both the Democratic Party and the White House have given their solemn assurances — at least for the time being, considering numerous previous assurances later rendered inoperative — that no fund-raising activity took place. Yet President Clinton has recently acknowledged that some of his "coffee klatches" were clearly "inappropriate." If his fund-raising problems were reduced to less than a handful of "inappropriate" "coffee klatches," the scandal would have a short life cycle. But with the passing of each week since the scandal erupted in October, new revelations compound earlier ones, demonstrating a consistent pattern of the president's marketing himself to a plethora of indisputably questionable characters — some blatantly criminal, others sufficiently controversial to raise serious concerns. Herewith a sampling of some of the White House's intriguing cast of donors and coffee klatch participants:

Yogesh Gandhi, who has testified in court that he has no assets in the United States (though he does have several liens filed against him here for non-payment of taxes), donated \$325,000 to the Democratic National Committee (DNC). His donation followed the president's personal acceptance of the highly dubious 1996 Mahatma Gandhi World Peace award, which had previously been given to a Japanese gambling figure linked to organized crime. The "awards ceremony" took place at what has come to be viewed as the notorious May 13, 1996, fund-raiser at the Sheraton Carlton Hotel that was especially noteworthy for the multitude of non-English-speaking people pumping \$12,500 into the DNC's coffers. After insisting upon its legitimacy for weeks, the DNC conveniently waited until Nov. 6 to return Mr. Gandhi's donation.

Arief and Soraya Wiriadinata, legal aliens from Indonesia, donated nearly half a million dollars to the DNC after the White House dispatched Arkansan Mark Middleton, armed with a get-well card from Mr. Clinton, to the hospital bedside of Ms. Wiriadinata's father. Gratitude, and \$450,000, soon followed, nearly three fourths of it arriving with an Indonesian postmark after the Wiriadinatas returned home. The DNC steadfastly defended the donations until it was revealed that the donors neglected to file their income-tax returns.

For months Vice President Al Gore insisted that he thought his visit to a Buddhist temple, which netted the DNC \$140,000, some of it alleged to have been laundered, was intended to be "community outreach," not a fund-raising activity. Only after his staff was presented copies of memos from the DNC finance office to Mr. Gore clearly outlining the fund-raising purpose of the visit did his spokesman acknowledge the true, finance-related intention of the event. It is, of course, illegal to raise political funds on tax-exempt religious property. Mr. Gore himself is still in denial.

DNC and Democratic state party records indicate that Pauline Kanchanalak and her sister-in-law, Duangnet Kronenberg, donated more than \$650,000 since 1992. Some money preceded and followed the inaugural meeting of the U.S.-Thai Business Council that Mr. Clinton hosted in the White House after intense lobbying by Ms. Kanchanalak. Huge sums also arrived within days of White House "coffee klatches." After Ms. Kanchanalak asserted that her donations actually came from her mother-in-law — it is illegal to make donations in the name of others — the DNC returned more than a quarter of a million dollars.

In December 1994, the same month businessman Johnny Chung telephoned then-Commerce Department official John Huang, who has been at the epicenter of the fund-raising scandal, Mr. Chung donated \$80,000 to the DNC. Four months later, Mr. Chung called Mr. Huang again, and shortly afterwards the president invited Mr. Chung to his weekly radio address and accepted a heart-shaped piece of carved jade from Mr. Chung, who subsequently wrote out a check to the DNC for \$50,000, following up with a \$125,000 contribution the next month. The general manager of his company thinks Mr. Chung was interested in a trade mission to China and denies that Mr. Huang solicited the donations, a practice that would have been illegal.

Charles Yah Lin Trie, a friend of the president since his Arkansas days, raised \$640,000 last year for the president's legal defense fund and another \$350,000 for the DNC. After helping Wang Jun, a notorious Chinese arms dealer tightly linked to the People's Liberation Army, obtain his visa, Mr. Trie also managed to arrange for him to participate in a "coffee klatch" with the president. The \$640,000 followed the next month, as did Mr. Trie's appointment to a trade commission. While the White House eventually returned Mr. Trie's legal-defense donations — different names had been written in the same hand, and some money orders were sequentially numbered but came from people in different cities.

■ Ernest Green, another Arkansas crony who according to the the State Department wrote a letter of recommendation to assist Mr. Wang in obtaining a visa, donated \$50,000 to the DNC the day after Mr. Wang visited the Oval Office.

■ After making a \$20,000 donation to the DNC, Jorge Cabrera, a convicted felon, attended a 1995 White House Christmas party with Mr. Clinton and a Miami fund-raiser, where he and Al Gore were photographed together. Seven years earlier, Mr. Cabrera copped a plea bargain after being charged with managing a continuing narcotics operation. Five years before that he copped another plea after being indicted for drug charges and racketeering. In January 1996, one month after the White House Christmas party, undercover agents arrested him with 6,000 pounds of cocaine. The DNC returned the \$20,000 donation nine months later.

■ Eight years ago Roger Tamraz became an international fugitive, wanted in Lebanon for embezzling \$200 million from his failed bank, according to the warrant issued by Interpol. In 1995 and 1996, his U.S.-based oil company donated \$72,000 to the DNC, and he attended a White House "coffee" in April.

■ At a May 13, 1996, "coffee" the White House exceeded even its own tenuous, very loose grasp of ethical fund-raising, though it later became clear that the DNC's standards were even well below those of the White House. At a morning meeting, which was organized by the DNC and attended by DNC Chairman Don Fowler and DNC Finance Chairman Marvin Rosen, the White House paired 17 top banking executives (whose institutions donated more than \$300,000 to the DNC in 1995 and 1996) with Comptroller of the Currency Eugene Ludwig, who is one of the banking industry's most powerful regulators. When the meeting became public recently, Mr. Ludwig expressed his regret for attending and said he would not have been there had he known it was organized by the DNC. Right on cue, DNC spokesman Amy Weiss Tobe, who has had the unenviable job of reflexively defending every DNC contribution, including shakedowns of Buddhist monks at a monastery, took issue with the regulator: "We're sorry that Mr. Ludwig feels this way, but we believe it was appropriate for DNC officials to be at the event because we arranged it." Even the ethically challenged president had to concede in his news conference last week that the DNC-bankers-regulator "coffee" went over the line.

The Washington Times

SUNDAY, FEBRUARY 9, 1997

■ The DNC invited Grigori Loutchansky, who had attended a White House dinner in October 1993, to a major fund-raising event at the Hay-Adams Hotel in July 1995. Loutchansky has been linked to Russian organized crime. He was the sole subject of a 1995 Interpol two-day meeting involving 11 nations. His company has been linked to nuclear smuggling, drug trafficking and money laundering. R. James Woolsey, CIA director from 1993 to 1995, commented: "Any DNC invitation to Loutchansky in 1995 would show a severe lack of scrutiny and appalling bad judgment."

Five months after he had been convicted in federal court of 13 counts of security fraud, wire fraud and conspiracy, Eric Wynn attended a White House coffee. According to evidence introduced at the trial, Wynn manipulated stocks for the benefit of an alleged member of the Bonanno crime family and Richard Tienken, who himself donated \$75,000 to the DNC, which subsequently returned it after it learned that a Mafia informer linked Mr. Tienken to a captain of the Luchese crime family in a 1991 trial. Wynn himself has not donated any money to the DNC. Two days before he attended the White House coffee, however, the DNC accepted a \$25,000 donation from Wireless Advantage Inc., a firm Wynn is said to work for and partly control.

■ Attending the May 13, 1996, fund-raiser at the Sheraton Carlton Hotel where about 125 Asian and Asian-American entrepreneurs ponied up \$12,500 apiece, President Clinton met Ted Sieong, who later obtained from the president a letter praising his International Daily News, a Chinese-language newspaper in Los Angeles. Subsequently, the DNC received \$250,000 in questionable contributions from Mr. Sieong's daughter.

■ The DNC was forced to return a \$250,000 contribution from Cheong Am America, ostensibly an American-based subsidiary of a Korean company. The contribution was blatantly illegal because the subsidiary had generated no funds in the United States. So lax was the DNC's vetting process that it merely took an inquiry by the Los Angeles Times in order for the DNC to return the illegal donation forthwith.

Each week brings a slew of new revelations. No wonder the Senate Democratic leadership has demanded narrow parameters and a circumscribed time frame for Republican Sen. Fred Thompson, chairman of the Governmental Affairs Committee, to conduct his investigation into fund-raising activities of both parties. So desperate are the Democrats to derail Mr. Thompson's efforts that Minority Leader Tom Daschle has threatened a filibuster to deny the necessary funds. Judging from the spate of corruption and illegalities summarized above, the train has already left the station. Maybe baking cookies and holding teas wasn't such a good idea after all.

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Divider Title: **Feb. 8, 1997**

July 22, 1998

Democrats Steered Gifts to Favored Tax-Exempt Group (Washn) By David Willman and Alan C. Miller
(c) 1997, Los Angeles Times 2/8/97

WASHINGTON Democratic officials regularly steered would-be campaign contributors to a tax-exempt and supposedly non-partisan voter registration group that in reality has close ties to the Democratic Party, the Los Angeles Times has learned.

The group's top leadership includes a former deputy finance director of the Democratic National Committee and a major party fund-raiser. Voter registration and get-out-the-vote organizations are eligible for tax-exempt status under federal law on grounds that they promote good citizenship on a strictly non-partisan basis.

Moreover, top contributors to the organization were honored at a special 'thank you' dinner at the White House last July. Both President Clinton and first lady Hillary Rodham Clinton took part in the event.

Donations to such groups, known as "501C3s" for the provision of the federal tax code authorizing them, are tax deductible. But the groups are supposed to maintain an arms-length relationship with political parties and any coordination of efforts could raise questions of legality and propriety.

The Washington-based group, called Vote Now '96, operated nationwide. It is one of three groups that a senior White House aide, Harold M. Ickes, recommended last fall to a major prospective contributor who coupled his offer to the DNC with a request for help in getting a tax deduction for a separate donation.

According to party sources, the Democratic National Committee has referred prospective donors to tax-exempt groups over at least the last four years. In the most recent campaign, the primary beneficiary was Vote Now '96, to which the committee directed up to \$200,000. The organization's registration and get-out-the-vote efforts generally were focused most heavily in black communities that tend to have lower registration percentages and turnout but which vote overwhelmingly Democratic.

Amy Weiss Tobe of the DNC said that Vote Now '96 is one of a number of voter-participation groups to which the party sent supporters who asked for such referrals.

"The DNC believes they do extremely good work on voter education and voter participation," Tobe said. "When asked ..., we do direct people to Voter '96."

She added: "They are non-partisan. The groups that we raise money for or give money to are groups that we believe do good work. What we don't do is tell them how to spend their money."

Mary Crawford of the Republican National Committee said the GOP has not given similar referrals to GOP supporters who have asked to donate to tax-exempt organizations.

Meanwhile, Colorado Gov. Roy Romer, recently named co-chair of the beleaguered DNC, initially said in an interview that he was uncomfortable with some aspects of the committee's operations including practices that assist donors in search of tax deductions.

"I don't think we ought to become a shill for people who want tax deductions," Romer said Friday. "I don't think we ought to be agents for them... I think you give the wrong image to people who are taxpayers."

Later in the day, however, Romer called The Times back to say that he had been unaware of the extent to which the national party had been dealing with various tax-exempt organizations. Upon reflection, Romer said, he considers it acceptable to give potential donors the names of such tax-exempt organizations. But he said there should be certain limits.

"Should we have, here, a list of bank-account numbers of (tax-exempt groups) on file? No, I think that's too close," Romer said. If DNC staff members provided donors with information regarding such groups, "you've got to do it in a way that you don't make the 501C3 a subsidiary" of the national party, he said.

Vote Now '96, was led by Hugh A. Westbrook, a major party contributor who in 1993-94 served as the volunteer head of the Democratic Senatorial Campaign Committee. The executive director of Vote Now '96 was Gary Barron, who works for Westbrook's company and served as deputy finance director of the Democratic National Committee through the 1992 campaign.

It was to Barron that Ickes, then the White House deputy chief of staff, referred the would-be contributor. In a three-page memo that Ickes faxed from the White House on Oct. 31, 1996, he told the prospective contributor: "If possible, it would be greatly appreciated if the following amounts (of money) can be wired to the designated banks."

Ickes identified Vote Now '96 and two other groups, along with

people to contact at the organizations and the bank-account numbers through which money could be deposited. Ickes suggested in the fax that \$250,000 could be given to Barron's group and \$500,000 to the party's national committee.

Ickes did not return messages Friday seeking comment.

Barron, reached in Miami, said that although he met "one-on-one" several times with Ickes over the last year and a half he never encouraged him to steer contributors to the tax-exempt, Vote Now '96 project. Barron, who was the group's chief fund-raiser, said he met with Ickes in the White House, to discuss what he believed was lagging implementation by states of the so-called "motor voter" law, which provides that citizens can register when they obtain their driver's licenses.

Barron said he discussed with Ickes his displeasure that states, particularly those headed by Republican governors, were not following the law's intent to make voter registration available through various public services. Barron said that, at some point, he provided Ickes with detailed information about Vote Now '96, including its bank-account number. But he said he was well aware of the legally required separation between partisan and tax-exempt activities and that he had done nothing wrong.

"To engage in partisan activity would jeopardize our tax-exempt status," Barron said. "Vote Now '96 is a 501C3, non-partisan, voter-participation program.... Its mission is to focus on the under-represented community."

Vote Now chairman Westbrook acknowledged he has conferred often with Ickes but said his group has remained nonpartisan.

The group's efforts typically have been aimed at registering and getting to the polls blacks, Latinos, students and others with low or fixed incomes.

Russell Hemenway who heads a long-established organization called Citizens Vote, Inc., which is the parent organization of Vote Now '96 acknowledged that the people targeted for the registration and the get-out-the-vote efforts were far more likely to vote for Democrats than Republicans. Hemenway said he has known Ickes for decades, since Ickes was field director of the 1968 presidential quest of Democrat Eugene McCarthy.

Albright Launches Drive for Support of Foreign Policy (Houston) By Norman Kempster
(c) 1997, Los Angeles Times

HOUSTON U.S. Secretary of State Madeleine Albright, launching a concerted drive to regain public support for U.S. foreign policy and the money to pay for it, said Friday that the gravest dangers facing America in the closing years of the century are isolation and indifference.

Albright, new in her post, struck two main themes in her first official trip outside Washington, asserting that foreign relations are too important to become bogged down in partisan bickering and arguing that events around the world affect the daily lives of Americans whether they like it or not.

"In our democracy, we cannot pursue policies abroad that are not understood and supported at home," she said in a speech at the Rice University think tank founded by James A. Baker III, secretary of state in the Bush administration. "The greatest danger to America is not some foreign enemy. It is the possibility that ... we will succumb to the temptation of isolation, neglect the military and diplomatic resources that keep us strong and forget the fundamental lesson of this century, which is that problems abroad, if left unattended, will all too often come home to America."

Everything on Albright's schedule Friday was there for its symbolism. By visiting an American city before embarking on a round-the-world trip next week, the nation's top diplomat underscored the importance of public support for administration foreign policy.

And before her speech, Albright met with Mexican Foreign Minister Jose Angel Gurría for one hour, time she called "a symbol of the depth and importance of the (U.S.-Mexico) relationship."

Albright's first stop in Houston was at the passport agency, where she took a brief turn at pushing computer buttons to issue a completed passport. State Department spokesman Nicholas Burns said this stop was intended to underline the activity that brings the State Department closest to the public.

She also visited a Houston high school, where she urged students to take an interest in foreign affairs, assuring them they would find the issues "not only cool but awesome."

Despite her focus on bipartisanship, Albright emphasized two issues that have drawn sharp opposition from Republicans on Capitol Hill: the administration's request for Congress to pay off Washington's debt

Lake OKs deal to end inquiry

He'll pay \$5,000
in stock dispute

By Jerry Seper
THE WASHINGTON TIMES

CIA Director-designate Anthony Lake yesterday agreed to pay \$5,000 in civil fees to settle an 18-month-old Justice Department inquiry into questionable energy stocks he held while serving as national security adviser.

The White House said the settlement provides that there was no intentional wrongdoing by Mr. Lake for failing to sell the stocks, and that Justice Department officials uncovered no evidence to show that he or his wife tried to hide the stock transactions.

Mr. Lake has acknowledged failing for two years to sell the stock after being told by the White House counsel's office in March 1993 to divest "to avoid any actual or apparent conflict of interest in the performance of his official duties." As national security adviser, he helped shape U.S. Mideast policy with a potential impact on the value of energy stocks.

In the two-year interim, the value of Mr. Lake's stocks — Exxon

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Corp., Mobil Corp., Teco Energy Inc. and Duke Power Co. — increased by about \$24,000 from \$256,000 to \$280,000. He sold the stock in June 1995 after being warned by a legal adviser on the National Security Council staff of his continued involvement.

Mr. Lake agreed to pay the fees to the U.S. treasurer within the next 10 days.

The Justice Department's criminal division yesterday also told a House subcommittee it found "no evidence of potential criminal violations by Mr. Lake" involving the government's 1994 approval of arms shipments by Iran to Bosnia.

Acting Assistant Attorney General Mark M. Richard, in a letter to Rep. Henry J. Hyde, Illinois Republican and chairman of the Select subcommittee on the U.S. role in Iranian arms transfers to Croatia and Bosnia, said investigators found no evidence of wrongdoing in Mr. Lake's statements to lawmakers about the arms sales.

"We have found no direct, material contradictions between Mr. Lake's statements and the statements and testimony of any other witness, nor any other evidence that Mr. Lake was untruthful to the subcommittee or was part of a conspiracy to obstruct Congress," Mr. Richard wrote, in declining prosecution of Mr. Lake on concerns outlined by the subcommittee in November.

The panel had asked Justice to look into possible perjury, obstruction of justice, false statements and conspiracy during the panel's investigation of the administration's ties to the Iranian arms transfers.

In a statement issued through White House Press Secretary Michael McCurry, President Clinton said he believes Mr. Lake is "uniquely qualified" to be director of central intelligence and called on the Senate "to move forward expeditiously with the hearings scheduled for the week of Feb. 25."

"This settlement and the 18-month investigation that preceded it should lay to rest this issue and any questions it has raised about Mr. Lake's personal integrity," the statement said.

To reinforce that point, White House officials cited the size of the payment — the minimum amount the Justice Department has accepted in similar cases in the past — and the fact that it was not called a "penalty" or "fine."

The Justice Department probes forced a delay in Mr. Lake's confirmation hearing before the Senate Intelligence Committee, which was moved from Feb. 11 to Feb. 25.

Several Republican senators question Mr. Lake's qualifications to be CIA director, and have raised questions about his suitability and integrity.

"I guess the bottom line is this nomination is troubling to me," Sen. Richard C. Shelby, Alabama Republican, said recently, echoing the sentiments of others who have reservations about sending Mr. Lake to head the CIA at a time when the agency is facing troubles over spy cases, leadership changes and low morale.

Lake supporters reject the notion that he is unsuited for the job.

Sen. Bob Kerrey, Nebraska Democrat and vice chairman of the Senate Intelligence Committee, said in a statement yesterday that the Justice Department decisions on the stocks and the arms sales had "affirmed Mr. Lake's widely respected integrity." He said the findings "cleared the way" for confirmation hearings "to be a forum for examining his qualifications and his vision for the future of U.S. intelligence."

Mr. Kerrey said Mr. Lake admitted failing to sell the stocks, but "as the Justice Department determined, he clearly had no intent to do wrong or mislead."

Details of the arms shipments to Bosnia were first made public by The Washington Times in June 1994. In April 1996, the Los Angeles Times reported that the arms shipments were approved by Mr. Clinton as part of a secret diplomatic initiative.

The secret policy of allowing arms shipments from Iran to Bosnia was developed at a time when the administration was enforcing an international arms embargo on the Balkans.

• Warren P. Strobel and Bill Gertz contributed to this article.

The Washington Times

SATURDAY, FEBRUARY 8, 1997

to the United Nations and other international organizations and its call for ratification of a treaty outlawing chemical weapons.

"These debts hurt America. They erode the capacity of these organizations to carry out programs that serve our interests," she said. "They undermine proposals we have made for reform. And, to those around the world who are hostile to our leadership, they are an open invitation to run America into the ground."

Albright said the chemical weapons treaty, negotiated in the Reagan and Bush administrations, will take effect April 29 whether or not the United States ratifies it because it has been approved by enough nations.

But, she said, unless the United States ratifies the treaty soon, it will be denied a seat on the panel that will enforce it. U.S. chemical companies also would be subject to restrictions on exports applied to countries that remain outside of the compact.

Congressional opponents have said the treaty is useless because rogue states such as Libya and Iraq will not join the compact and because violations of the treaty will be rampant.

Albright said she regrets that some nations will not sign or adhere to the accord but argued that the treaty "remains very much in our interest."

Justice Department Clears Lake in Stock, Bosnia Dealings (Washn) By Robert L. Jackson and Doyle McManus (c) 1997, Los Angeles Times

WASHINGTON The Justice Department Friday cleared Anthony Lake, President Clinton's nominee to run the CIA, of any potential criminal charges stemming from his personal stock dealings and his testimony to Congress about Iranian arms shipments to Bosnia.

The Justice Department action will likely ease the way for Lake to begin confirmation hearings before the Senate Intelligence Committee later this month but does not guarantee him smooth sailing once he gets there. The panel's chairman, Sen. Richard C. Shelby, R-Ala., has said he is skeptical of Lake's qualifications to run the CIA and other U.S. intelligence agencies.

In settlement of the stock dispute, the Justice Department said Lake had agreed to pay a \$5,000 fine. The department said it concluded after an 18-month investigation that Lake inadvertently kept four petroleum and energy stocks for more than two years, all the while believing he had divested his portfolio of them. An administration official noted that the \$5,000 settlement was the lowest amount allowed under Justice Department guidelines.

"The president is obviously delighted that the Justice Department has reached this agreement," White House spokesman Mike McCurry said. "The president fully expects that this information will now lay to rest any concerns that the Senate might have."

But another White House official conceded that Lake's confirmation is still not assured.

"We know that Tony is still going to face plenty of questions up there," the official said.

The department's ruling on Bosnia found that there was no evidence that Lake lied to a House subcommittee that investigated the Clinton administration's decision to give a "green light" to the Iranian arms shipments, even though they violated U.S. policy and a U.N. embargo.

"We have found ... no evidence that Mr. Lake was untruthful to the subcommittee or was part of a conspiracy to obstruct Congress," Mark M. Richard, the acting assistant attorney general in charge of the Justice Department's criminal division, said in a formal letter to Rep. Henry Hyde, R-Ill., chairman of the subcommittee.

Richard said the department also found that Lake did not violate any law by participating in the "green light" policy, which Clinton approved as a means of making sure the beleaguered Bosnian Muslim government had enough weapons to defend itself.

However, the department did not examine the broader issue that Shelby has said he plans to raise: whether Lake acted improperly by failing to inform Congress that the administration was allowing Bosnia to receive arms shipments from Iran.

Congressional aides said Shelby and other members of the intelligence committee are also concerned that Lake, as one of Clinton's closest advisors, might find himself tempted to "politicize" the process of analyzing and presenting secret intelligence.

"We know that Tony is still going to face plenty of questions up there," a White House official conceded.

The Republican-controlled subcommittee asked the Justice Department last year to investigate whether Lake or any other administration witnesses had made false statements before the panel, a criminal offense. Lake and several aides gave conflicting accounts of

several details of the 1995 decision to allow Iranian arms shipments.

For example, a U.S. ambassador testified that one of Lake's aides told him that if Croatian officials asked about the U.S. attitude toward the arms shipments, he was to respond that he had "no instructions" but added: "Tony was smiling when he said it." The aide denied making that statement, and Lake said he did not ask that his smile, if any, be conveyed to the ambassador.

The stock settlement said Lake failed to follow advice from the White House counsel's office in March 1993, to sell the stocks to avoid a potential conflict of interest arising from his duties as the president's national security adviser.

Nonetheless, there is no evidence during the two-year period Lake continued to hold the stocks that he ever took any official actions with the idea of enriching himself, the department said. In addition, "there is no evidence that Mr. Lake ever took any action to conceal or misrepresent his or his wife's financial holdings," the papers said.

Justice Department officials found inadvertence on Lake's part due to these factors:

After being advised to divest himself of the stocks, he gave his secretary a note to alert his broker to take action "but there is no evidence that Mr. Lake's secretary ever sent" a memorandum or that Lake's broker ever received one.

Eight months later in November 1993 when White House lawyers noted that Lake and his wife still owned the stocks, Lake asked for certificates of divestiture and apparently believed he had completed the action.

It was not until June 1995 that the legal adviser to the National Security Council told Lake he still owned the stocks. Within 24 hours, Lake phoned his broker and instructed him to sell them, the department said. The four stocks in question Exxon Corp., Mobile Corp., Teco Energy Inc. and Duke Power Company were among more than 25 other issues in addition to bonds and U.S. Treasury notes in a portfolio held by Lake and his wife.

The legal papers further stated that as a result of his oversight, Lake wound up losing money.

"As a result of selling the four stocks on June 16, 1995, instead of on Nov. 30, 1993, he suffered a loss of more than \$16,000," the department said.

Job Figures Point to Vigor in the Economy (Washn) By Robert A. Rosenblatt (c) 1997, Los Angeles Times

WASHINGTON The United States' economy got off to a rousing start in the new year, with a healthy 271,000 new jobs added in January amid virtually no inflation, the Labor Department reported Friday.

The labor force expanded by 509,000, a sign of growing confidence in the prospect of finding work. The unemployment rate edged up to 5.4 percent in January from 5.3 percent at the end of last year, but hourly wages rose by only a penny, a sign of inflation-free growth that heartened Wall Street.

After an up-and-down day, interest rates closed lower and blue chip shares soared, with the Dow Jones industrial average gaining nearly 83 points to close within about 26 points of its all-time high of 6883.90.

Lake to Pay \$5,000 In Financial Probe

CIA Pick Cleared on Bosnia Arms Testimony

A1 By Pierre Thomas
and Walter Pincus
Washington Post Staff Writers

CIA Director-designate Anthony Lake has agreed to pay \$5,000 as part of a settlement with the Justice Department, ending a long-standing investigation into whether his handling of stock transactions violated federal conflict-of-interest laws.

The settlement came on the same day that the Justice Department announced it had found "no basis for any criminal charges against Lake" arising from testimony he gave in September about the administration's policy of turning a blind eye to Iranian arms shipments to Bosnia's Muslims in 1994. The Republican majority of a House select subcommittee that investigated the establishment of the Iranian arms pipeline alleged that administration officials including Lake may have committed perjury or obstructed Congress in the testimony. However, Lake's testimony was not given under oath, and thus could not lead to prosecution. Justice Department lawyers who reviewed the testimony found it was truthful.

The findings announced yesterday remove obstructions that had delayed the start of Lake's confirmation hearings before the Senate Select Committee on Intelligence. Lake is the only one of President Clinton's second-term national security Cabinet appointments to face tough questioning and possible opposition to confirmation.

Rep. Lee H. Hamilton (D-Ind.),
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who was ranking minority member of the investigating subcommittee, said the Justice Department reports "should clear the way for swift consideration of Mr. Lake's nomination to be director of central intelligence."

There was no immediate Republican reaction, but the \$5,000 settlement indicated Lake's handling of his stocks was more serious than the allegations about his testimony on the Bosnia matter. It is possible Republicans will try to use the issue to continue to oppose Lake's nomination as CIA director.

Hamilton said the decision by the Justice Department confirmed his view that the criminal referral on the Bosnian arms testimony "was a political act," and that "the charges were never supported by the evidence." The White House quickly sought to reclaim the decisions on both Bosnia and the stock issue as vindication of Lake's integrity and immediately renewed the campaign for a quick confirmation.

"Lake had no intent to do wrong or mislead," said an administration official. "The president believes that Mr. Lake is uniquely qualified to be director of the Central Intelligence Agency and calls upon the Senate to move forward expeditiously. . . . This lays to rest the stock issue and any questions about Tony's personal integrity."

Justice Department prosecutors determined that Lake maintained hundreds of thousands of dollars in energy stocks that he should have sold shortly after becoming national security adviser four years ago. Department lawyers said that although there was clearly a violation, they concluded the infraction was not "willful" and thus did not reach the level of a criminal offense.

"There is no evidence that Mr. Lake ever took any action to conceal or misrepresent his or his wife's financial holdings."

As a result, in lieu of criminal charges, the department filed a civil complaint against Lake, outlining his failure to sell the energy stocks despite being advised to do so by White House lawyers. The attorneys were concerned about potential conflicts of interest because Lake's work as national security adviser could affect oil markets and the value of his holdings.

The problems with the stock arose soon after Lake assumed the post of national security adviser almost four years ago. The dispute concerned energy stocks Lake purchased before coming to office. A financial disclosure report showed that his and his wife's \$1.1 million stock portfolio included holdings in Exxon, Mobil, Duke Power and Teco Energy.

In March 1993, the White House counsel's office sent Lake a memorandum telling him he should consider divesting the stock. After reviewing the memo, Lake wrote a note to his secretary asking her to send the information to his broker. The Justice Department review found there was "no evidence that Mr. Lake's secretary ever sent the memorandum to

Mr. Lake's broker/financial advisor and the memorandum was not received by the broker."

In October 1993, administration officials formally requested that Lake divest from the energy stocks to "avoid actual or apparent conflict of interest" in the performance of his official duties. Lake agreed to sell the stock and was given a "certificate of divestiture" from the White House. Lake told investigators he thought the certificate meant the sale had been completed. But the stocks had not been sold, and on June 14, 1995, the legal adviser to the National Security Council informed Lake of that fact. The stocks were sold about two days later.

In a letter sent yesterday to Rep. Henry J. Hyde (R-Ill.), chairman of the House subcommittee, Acting Assistant Attorney General Mark Richard said the allegations arising out of the Iranian arms inquiry were taken seriously and were investigated by the FBI under the direction of career prosecutors in the department's Public Integrity Section.

Richard told Hyde the investigation of allegations regarding other officials named in the referral was continuing "in a professional and fair-minded manner."

When GOP subcommittee members held a news conference in October to announce that they were referring to Justice allegations that perjury and obstruction of Congress may have been involved in testimony before the panel by senior Clinton administration officials, Hyde said, "We do not accuse any person or any institution of criminality. . . . We simply say we did not receive candid testimony [and] there are contradictions . . . and we are asking Justice to look at it."

Rep. Howard L. Berman (D-Calif.), a member of the Hyde subcommittee, said he sees the recent declassification of the panel's report and the once-classified 26-page referral letter to Justice as an attempt to use the material to embarrass Lake in advance of his confirmation hearings.

SATURDAY, FEBRUARY 8, 1997

The Washington Times

Regulator's role with bankers probed

ASSOCIATED PRESS

The nation's top banking regulator accepted tickets from a banker to an opera performance in New York and a Kennedy Center black-tie event, and his staff advised a trade group on its lobbying against a banking proposal on Capitol Hill, agency documents show.

U.S. Comptroller of the Currency Eugene Ludwig reimbursed the banker for the tickets, a spokesman said.

As for helping the lobby group, Mr. Ludwig's staff suggested changes to a letter the trade group had drafted to a congressman to ensure that the agency's position was accurately characterized, the spokesman said.

The contacts came to light in documents obtained by congressional investigators looking into why Mr. Ludwig attended a May 1996 White House coffee with the heads of some of the nation's largest banks and top Democratic fund-raisers.

The documents, which offer a rare glimpse into Mr. Ludwig's in-

Staff advised lobby group on bill

teraction with people he regulates, show he had 153 contacts with the bankers who attended the coffee in the following months.

Mr. Ludwig suggested that certain bankers be invited to the coffee with President Clinton, but he has said he was not aware that Democratic Party representatives also would be there.

One of the bankers at the meeting, Frank Newman, chief executive of Bankers Trust Co. in New York, gave Mr. Ludwig tickets to a Carnegie Hall opera last April and to the Kennedy Center honors gala last December, the documents show.

Mr. Ludwig's spokesman said there was nothing inappropriate about the invitations.

"They are good pals," said Dean DeBuck. The soirees "are looked upon as more social kind of events," he said. The two officials became acquainted when Mr. Newman worked for the Treasury Department.

Mr. Ludwig wrote a \$3,500 check to Bankers Trust to pay for the two Kennedy Center tickets, the documents show. "Federal ethics rules require me to pay," he said in a thank-you letter.

Mr. Ludwig has bank statements showing that he paid \$250 for two tickets to a May 16 Jose Carreras concert at Carnegie Hall, Mr. DeBuck said.

The White House meeting took place at a pivotal point in a battle in Congress over whether to let banks expand into new businesses, such as insurance.

The documents show that Mr. Ludwig was in close contact with bankers after the White House meeting and was kept abreast of their communications with legislators about the proposed bank-modernization bill.

The Office of Comptroller of the Currency (OCC) and the nation's top banks were allies in the battle. A proposal by House Banking Committee Chairman Jim Leach,

Iowa Republican, would have kept banks out of insurance and weakened the OCC's power to regulate their activities.

The Bankers Roundtable, a trade association representing large banks, asked the comptroller's office to review a draft of the trade group's letter to Mr. Leach outlining its opposition to his measure.

In May, just a week after the White House coffee, Mr. Ludwig faxed to three top members of the group — all of whom attended the White House meeting — a draft with suggested changes.

Mr. DeBuck said the bankers asked Mr. Ludwig to look over drafts of the letter "to see if they correctly represented the OCC's position." The edits were made by a member of Mr. Ludwig's staff, he said.

One change suggested that the group tell Mr. Leach that any legislation should contain language making clear that "determination of what is a permissible bank insurance product lies with the OCC."

Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

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. 7, 1997**

have is whether there was any attempt to dissuade Hubbell from cooperating with prosecutors after he pleaded guilty.

Starr's staff, in court filings, also said former Clinton business partner James McDougal has provided "new and important information," and his Feb. 24 sentencing on White-water-related charges should be postponed.

ICKES PROBE: The Office of Special Counsel, an independent agency that enforces laws against federal officials engaging in political fund-raising, is investigating whether former White House deputy chief of staff Harold Ickes illegally solicited \$500,000 for the Democratic Party.

Texas businessman William Morgan, through an associate, last October offered to give President Clinton a \$5 million donation. Morgan says he later stipulated that the money must go to tax-deductible groups, not directly to the Democratic National Committee. Clinton passed the offer to Ickes, who faxed a memo to Morgan's associate, R. Warren Meddoff. The memo suggested Morgan give \$500,000 to the DNC and \$540,000 more to various groups that work primarily for Democrats.

Ickes won't comment. White House Special Counsel Lanny Davis says Ickes was not "soliciting" funds, just suggesting where Morgan could send the money. — Mimi Hall

CLINTONS PRAY FOR UNITY: President Clinton and his wife, Hillary, urged politicians and other leaders at a National Prayer Breakfast to stop trying to destroy political enemies. "This town is gripped with people who are self-righteous, sanctimonious and hypocritical," the president said. "I plead guilty from time to time." Hillary Rodham Clinton told the group of about 4,000 that a man approached her Wednesday "and said to me, 'Mrs. Clinton, please forgive me. For the last four years I have worked very hard to destroy you.' I told him, 'Of course I forgive you.'"

HELMS ENDORSES CNN IN CUBA: Sen. Jesse Helms, co-author of the U.S. law that restricts business deals with Cuba, is urging the Clinton administration to approve CNN's request to open a bureau in Havana. "The spotlight of a free press focused on Castro's tropical gulag will only hasten the day when the Cuban people are free of his brutal communist tyranny," said Helms, R-N.C.



USA TODAY
Ickes: Under investigation

ALSO . . .

► **SLATER CONFIRMED:** The Senate unanimously confirmed Federal Highway Administrator Rodney Slater, an Arkansas friend of President Clinton, to be secretary of Transportation Thursday. He succeeds Federico Pena, who is President Clinton's nominee to be Energy secretary.

► **FILEGATE:** A federal judge ordered U.S. marshals to find former White House personnel security chief Craig Livingstone and aide Anthony Marceca to give them a lawsuit that accuses them of mishandling FBI files of Republicans in previous administrations. The plaintiffs say the two have evaded service since the suit was filed Sept. 12.

► **FALSE ALARM:** FBI Director Louis Freeh, father of five boys, says he punished his older sons with a "draconian lack of due process" for a prank that brought police rushing to the family's suburban Virginia home. The boys had sent their 3-year-old brother into the basement, setting off a motion detector. "They don't do that anymore," Freeh said.

Defense secretary to probe training

Defense Secretary William Cohen says he'll personally investigate mixed-sex military training, which is under attack because of rape and harassment incidents at Army bases. Some of Cohen's former colleagues on the Senate Armed Services Committee suggested this week that the Army return to separate male and female basic training, to protect young women from abuse. The training was combined by the Clinton administration three years ago.

Cohen said recent incidents, including new sex harassment allegations against Sergeant Major of the Army Gene McKinney, were a major concern. As a result, Cohen said, he will visit various training centers to see for himself whether mixing men and women in training makes sense.

"I have an open mind on that," he said. "What I don't want to see take place is this be an opening wedge to try and say that women are not capable of fulfilling the missions."

The Army, Air Force and Navy all train women and men together. The Marines, however, have rejected mixed-sex boot camp.



Reuters
Cohen: Mixed-sex training under fire

— Steve Komarow

USA TODAY |

FRIDAY, FEBRUARY 7, 1997

Senate Easily Confirms Slater As Transportation Secretary

By DAVID STOUT

WASHINGTON, Feb. 6 — Rodney Slater, who headed the State Highway Commission in Arkansas when Bill Clinton was Governor there, was confirmed today as Secretary of Transportation.

The Senate voted 98 to 0 to approve Mr. Slater, who had been in charge of the Federal Highway Administration, a part of the Transportation Department, since 1993. He succeeds Federico F. Peña, who is awaiting confirmation as Secretary of Energy.

After the vote, Mr. Slater, 41, was praised by senators of both parties.

"There's no question whatsoever that he is qualified to be Secretary of Transportation," said Senator Tim Hutchinson, Republican of Arkansas.

Senator Robert Byrd, Democrat of West Virginia, said, "Rodney Slater's leadership at this vital time in the nation's history as Secretary of Transportation will be critical as we strive to balance the Federal budget without decimating the nation's physical infrastructure."

Mr. Slater will preside over a department that oversees commercial aviation and mass transportation as well as the highways that crisscross a nation of people long in love with their cars.

If there was one safe prediction to be made after his confirmation, it was that the problems of getting Americans from one place to another safely will persist. Mass transportation and highway building rarely have the same constituencies, and the public's concerns over airline

safety are bound to linger despite statistics that show how safe flying really is.

Mr. Slater was executive assistant to Mr. Clinton in Arkansas and was chairman of the State Highway Commission, the first black to hold that title, before he was summoned to Washington. He graduated from Eastern Michigan University and the University of Arkansas School of Law.

The Senate has confirmed four other Cabinet nominees for Mr. Clinton's second Administration: Madeleine K. Albright as Secretary of State; William S. Cohen as Secretary of Defense; Andrew Cuomo as Secretary of Housing and Urban Development and William M. Daley as Secretary of Commerce.

Other high-level appointees whose confirmations seem virtually assured are Mr. Peña; Bill Richardson, who was backed by the Foreign Relations Committee to be representative to the United Nations, and Charlene Barshefsky, who was endorsed by the Finance Committee to be United States Trade Representative.

Two nominees, Anthony Lake to be Director of Central Intelligence and Alexis M. Herman to be Secretary of Labor, have encountered difficulty. Questions have arisen over Mr. Lake's personal investments as well as his handling of secret Iranian arms shipments to Bosnia.

Ms. Herman has come under scrutiny because of White House coffee sessions involving bankers, Democratic Party fund-raisers and, in one instance, a top banking regulator.

Corrections

A front-page article on Tuesday about chimpanzees that are no longer needed for biomedical research misidentified the New York county in which the Laboratory for Experimental Medicine and Surgery in Primates is situated. It is Orange, not Westchester.

Because of an editing error, an article on Wednesday about Adelphi University referred incorrectly at one point to a professor in the social work department, Brooke Spiro. Professor Spiro is "she," not "he."

An obituary yesterday about Mitchell Goodman, an author active in the antiwar movement, misspelled the name of his former wife, a prominent poet. She is Denise Levertov, not Leverton.

The television ratings on Wednesday for the week of Jan. 27 to Feb. 2 omitted a program. The ABC news magazine "20/20" should have been listed as No. 8, with a 13.9 rating and

a 25 share. "American Music Awards" should have been one place lower, at No. 9, and "60 Minutes" and "Spin City" tied for No. 10.

An article on Wednesday about the Jonathan Larson Performing Arts Foundation misidentified the beneficiary of a concert to be held March 3 at the Nederlander Theater. The proceeds will go to the New York Theater Workshop, not to the foundation.

The article also misstated the title of the benefit. It is "Today 4 U: Unsung Jonathan Larson," not "The Unsung Music."

A headline in Business Day yesterday about the termination of a manufacturing agreement between Bridgestone and Goodyear Tire and Rubber misstated the reason for recent losses sustained by Goodyear. As the article noted, Goodyear attributed the losses to an oil pipeline it began in 1983, not to its relationship with Bridgestone.

The New York Times

FRIDAY, FEBRUARY 7, 1997

GOP set to bargain on budget

Clinton's \$1.69 trillion proposal 'arrives alive'

By William M. Welch
and Bill Nichols
USA TODAY

President Clinton's balanced-budget plan got a cool greeting Thursday in Congress, where Republicans say it keeps spending and taxes too high through 2002.

Still, GOP leaders said Clinton's proposal will be a starting point for negotiations. Those talks begin Tuesday, when Clinton goes to the Capitol for an unusual meeting suggested by Republicans.

"It's alive, but it's definitely not kicking," Senate Majority Leader Trent Lott said of Clinton's budget.

White House aides said they expected harsh words, but that Clinton remains optimistic.

"We fully expected there would be criticism," Clinton spokesman Mike McCurry said. "But the important message we took away is that they want to move forward."

Clinton's \$1.69 trillion budget proposal for fiscal 1998 includes \$98 billion in tax cuts and a five-year spending plan that projects an end to government borrowing in 2002.

If that's accomplished, it would mark the first year since 1969 that the government took in more than it spent. Already it's the first budget in more than a decade not declared dead on arrival in Congress.

Clinton also claimed his budget would end red ink for decades to come. But House Budget Chairman John Kasich, R-Ohio, said his budget wouldn't balance in 2002, much less in the years beyond.

Kasich said the White House was relying on overly optimistic economic assumptions. Republicans want bigger tax cuts than those Clinton proposed, and they say he failed to seek major policy changes to fix looming problems in the Medicare or Medicaid systems.

GOP leaders also blasted contingency plans in Clinton's budget to end most of his tax cuts in 2001 if the economy doesn't perform as the White House predicts.

Clinton's \$350 billion in savings includes \$100 billion in reductions to Medicare over five years and asks to restore almost \$22 billion of the \$55 billion in welfare cuts from last year's welfare reform law.

Medicaid would be cut by a net savings of \$9 billion.

But Republicans were careful not to dismiss Clinton's budget entirely. And the White House focused on the positive.

White House budget chief Franklin Raines called the Republican response "encouraging... I heard the magic words, 'alive on arrival.'"

Paralysis from stroke reversible

By Tim Friend
USA TODAY

An experimental procedure in which oxygen-rich blood is pumped from a leg artery to the brain of a stroke victim shows promise as a way to prevent or reverse long-term paralysis, researchers said Thursday.

"We've only done six patients, but four have had dramatic improvement," says neurosurgeon John Frazee, UCLA Stroke Center, Los Angeles.

Frazee cautions that the work is preliminary and many more patients will have to undergo the procedure before it can be called a success.

However, one man who was paralyzed on the left side except for the ability to grip with his hand was fully recovered and back to work within two months.

A second patient whose left leg was paralyzed recovered within 10 minutes of the procedure and was playing golf a week later, says Frazee, who presented findings at an American Heart Association stroke conference in Anaheim, Calif.

About 500,000 Americans suffer a stroke each year. Of those, 80% have clots or blockages that interrupt the flow of oxygen-carrying blood to key areas of the brain.

Over the past 10 years, Frazee developed a way to get oxygenated blood to the blocked part of the brain by pumping it through the "back door" — veins that normally carry blood away from the brain.

The procedure, called neuroperfusion, must be done within seven hours of stroke symptoms.

Blood is pumped from the femoral artery through tubing inserted through the jugular veins and into the brain.

"It is an interesting new approach that justifies further evaluation," says James Grotta, AHA stroke meeting chairman.

"It reflects the fact that physicians are no longer willing to sit by and see patients devastated by stroke."

List more political than White House has said

By John Hanchette
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A controversial 230,000-name White House computer list now under congressional investigation includes far more political fund-raising information than presidential aides have admitted, Gannett News Service has learned.

Internal documents given to GNS show the database, from its very inception three years ago, was used, in part, for keeping track of people who had contributed to President Clinton's political campaigns.

The White House denies it used this list to raise money in the 1996 campaign.

"Yes, a lot of contributors were included," White House spokesman Barry Toiv said Thursday. "But their contributions were not listed, nor the amounts. The only use the database was put to was primarily for inviting them to official White House events."

But fund-raising references are among almost 250 computer category headings. These gave the White House the ability to quickly get information about people who had been contributors.

The headings in the taxpayer-financed, \$1.6 million computer system — nicknamed "Big Brother" — include: Early Contributors, Democratic National Committee, White House Political Affairs Office Contact.

Information available about people listed under the headings include: Social Security numbers, pet political issues, second addresses, nicknames, job, original contact, religion, ethnic group and "relationship to the First Family."

Headings also include categories for state-by-state "Presidential Appointees Lists," seven categories for state and local political officials and headings for "Mark Middleton's List" and "Marsha Scott List — CA (California) Early Supporters 92."

Marsha Scott, the presidential aide who presided over installation of the system, has denied the database existed.

Mark Middleton, an Arkansas and ex-aide to Clinton's former chief of staff Mack McLarty, left the White House two years ago and has been accused of pressuring Taiwanese businessmen to contribute to the Democratic Party.

He was unavailable, but his lawyer, Dan Braun, said this particular list contained more than 2,000 names and that Middleton did provide it.

Chuck Lewis, head of the Center for Public Integrity, called the database "very grubby and inappropriate."

"Somebody on government time is sitting in a government building, which happens to be the seat of our democracy — the White House — and collecting information on whether someone had given Bill Clinton cash or not," he says.

► List of headings, 10A

Anatomy of a private dinner with President Clinton

Now it's adding to the questions being asked about the fund-raising activities of the White House, the Democrats and the president himself. Those activities are under investigation by Congress and raised \$488,000.

An intimate dinner last July at an exclusive Washington, D.C., hotel — attended by President Clinton and 16 people, some of whom were not U.S. voters or even citizens —

the Justice Department. While no improprieties have been alleged, the guest list reveals a White House eager to cater to wealthy contributors at the height of the 1996 campaign. A closer look, 4A.

USA TODAY

FRIDAY, FEBRUARY 7, 1997

No Names List at White House, Clinton Aide Told Congress

WASHINGTON, Feb. 6 (AP) — Days before the public was told about a White House data base of names last year, the Presidential aide who oversaw the project told Congressional investigators in a sworn deposition, "There was no data base at the White House at all."

The aide, Marsha Scott, gave investigators that answer on June 19 as part of their inquiry into the dismissal of the staff of the White House travel office. Ms. Scott, who oversaw the Presidential correspondence office, she had been asked about a memorandum written in early 1993 by a friend of President Clinton, Harry Thomason. The memorandum advised against destroying mail from the correspondence office to avoid losing "a name also lost to the data base for the next campaign."

Citing the memorandum, a lawyer for the House Government Reform and Oversight Committee asked Ms. Scott, "Were you aware of any data bases that were being maintained at the White House?"

Ms. Scott answered, according to the deposition reviewed by The Associated Press, "Well, there was no data base at the White House at all, and that shows Harry's lack of knowledge of the rules of the White House."

A week after Ms. Scott's testimony, the White House told a House subcommittee that it had used public money to create a data base of more than 200,000 political supporters, donors, lawmakers and reporters.

Republicans began investigating whether Presidential aides had used

the data base for political purposes. The White House says the information was used only to arrange official visits and correspondence.

The data base returned to the news last week, when the former finance director of the Democratic Party suggested that he had often used it to identify prospects for donations and to identify donors who had not been given White House visits.

In a statement, Ms. Scott said she believed that her answer to investigators was "entirely consistent and accurate," because their question referred only to early 1993 and to a data base used for campaign purposes. The data base that she created was begun in late 1993 and finished in 1995.

"During that period," her statement said, "I was not using or involved with any public contacts data base in the White House."

A White House spokesman, Barry Toiv, said that a data base was available in the White House in early 1993, that Ms. Scott had access to it and that her office used it regularly.

White House officials said they did not know exactly when Ms. Scott and her office began using the data base.

Some data in the system, called Peoplebase, was eventually incorporated in the official White House data base that Ms. Scott began working on in late 1993, Mr. Toiv said.

Representative David M. McIntosh, Republican of Indiana, said Ms. Scott's answer was "further evidence of a pattern of secrecy around the data base."

The New York Times

FRIDAY, FEBRUARY 7, 1997

White House contradicts aide's sworn statement on database

ASSOCIATED PRESS

Just days before a controversial White House database was disclosed last year, the presidential aide who oversaw the project told congressional investigators in a sworn deposition, "There was no database at the White House at all."

White House aide Marsha Scott gave the answer June 19, 1996, during the investigation into the White House travel office firings. She was questioned about an early 1993 memo written by presidential friend Harry Thomason.

Mr. Thomason's memo advised against destroying mail from the presidential correspondence office that Miss Scott oversaw to avoid losing "a name also lost to the database for the next campaign."

Citing the memo, a lawyer for the House Government Reform and Oversight Committee asked Miss Scott: "Were you aware of any databases that were being maintained at the White House?"

Miss Scott answered: "Well, there was no database at the White House at all, and that shows Harry's lack of knowledge of the rules of the White House," according to the deposition reviewed by the Associated Press.

In a written statement, Miss Scott said she believed her answer was "entirely consistent and accurate" because she believed the question referred only to early 1993 and to a database used for campaign purposes. The database she created was begun in late 1993 and finished in 1995.

"During that period, I was not using or

involved with any public contacts database in the White House," Miss Scott's statement said.

But White House spokesman Barry Toiv said there was a database available inside the White House in early 1993, that Miss Scott had access to it.

The database, dubbed PeopleBase, was created by an Arkansas contractor who was paid by President Clinton's 1992 campaign. It was available inside the White House in "view only" form on Jan. 21, 1993, the day after Mr. Clinton took office, Mr. Toiv said.

"It was a complete database in the sense that it contained the names of virtually everyone the president had come in contact with as [Arkansas] governor as well as during the [gubernatorial] campaigns," Mr. Toiv said. "Marsha was among those who could access the information."

Mr. Toiv said PeopleBase was physically located in Arkansas, but "there were a limited number of computer terminals" inside the White House that could access the database. White House officials could view the data but could not manipulate it. "Her [Miss Scott's] office was able to use it. It was used for correspondence," he said.

White House officials said they did not know the exact date when Miss Scott and her office first used it.

Some of the information in PeopleBase was eventually incorporated into the official White House database Miss Scott began working on in late 1993 and which was deployed throughout the White House in 1995, Mr. Toiv said.

The Washington Times
FRIDAY, FEBRUARY 7, 1997