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Washington, D.C. 20505

OGC 98-50283
10 February 1998

The Honorable Fred Thompson
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter is in response to your 14 January 1998 request that we conduct a classification review of a document that you plan to have the Committee adopt as part of the public report on the Committee's investigation of campaign finance abuses.

I have reviewed the 9 February 1998 redrafted version of the document (copy enclosed). To the extent it contains intelligence information that we provided to the Committee, I have determined that it accurately portrays that information and can be made public without damage to intelligence equities. In making this determination, I take no position on the analysis or conclusions contained in the document. The Committee obtained information from a variety of sources beyond the intelligence community and must draw its own conclusions from all of the information available to it.

I thank your staff for working with us to protect intelligence equities.

Sincerely,



George J. Tenet
Director of Central Intelligence

Enclosure

APPROVED FOR RELEASE
DATE: SEP 2007



L-233-P-1R

The Honorable Fred Thompson

PDGC, [redacted] (5 Feb 98)

[redacted] (OGC-98-50283)



February 9, 1998

The China Connection: Summary of Committee's Findings Relating to Efforts of the People's Republic of China to Influence U.S. Policies and Elections

Introduction

From its earliest stages, the Committee's investigation uncovered instances of political contributions made with foreign money. Either contributing or soliciting this money have been individuals with business or political ties to the PRC, who have escorted PRC officials and businessmen to meetings with President Clinton and Vice President Gore, and who have otherwise facilitated efforts to shape United States policy towards China. The intelligence portion of the Committee's investigation sought to determine whether the foreign contributions and the PRC ties were mere coincidence, or if the PRC was in some way behind any foreign political contributions.

What the Committee learned was derived not from cooperative witnesses or the PRC, but from gathering information from our law enforcement and intelligence agencies and open sources and piecing it together. Although the Committee received and reviewed a vast amount of information, there are nevertheless gaps in what the Committee has gathered. And describing these gaps might lead to the inadvertent disclosure of certain sources and methods used to obtain information about Chinese efforts. Mindful of these gaps, the Committee has endeavored to report what it has learned faithfully and accurately.

The Committee's investigation in this area of necessity proceeded behind closed doors. Virtually all of the information gathered by the Committee was classified, much of it at top secret and compartmented levels. The Committee took extraordinary steps to protect the information from disclosure, including limiting access to the information to Members and a very small number of appropriately cleared staff, using secured facilities to maintain materials and to hold briefings, meetings, and hearings, and acceding to numerous special restrictions placed by the intelligence agencies regarding the handling of the information. The Committee was also restricted as to what could be presented in public hearings because of the classified status of much of the relevant information. The same restrictions constrain what can be shared in this report.

Although hampered by time constraints and spotty cooperation from some federal agencies, the Committee has gathered significant information. The Committee determined from U.S. law enforcement and intelligence agencies and open sources that the PRC government fashioned a plan before the 1996 elections and that its goal was to influence our political process, ostensibly through stepped-up lobbying efforts and also funding from Beijing. Over time, the plan evolved and the PRC engaged in much more than simply "lobbying." Indeed, discussions took place and actions were taken that suggest more than the original plan was being executed, and that a variety of PRC entities were acting to influence U.S. elections.

What follows is a discussion of the Majority staff's work and the Committee's findings in this area. The discussion first provides context for why the Committee pursued this subject, by describing early media accounts of alleged foreign activities and briefings provided in 1996 by the FBI to Members of Congress and the White House. Next, it addresses in abbreviated form some of the significant connections between the campaign finance investigation and the Greater China area¹, including the ties specific figures have to the PRC government. It then lays out what the Committee learned about the existence of a "China plan," and about other, possibly-related activities undertaken by the PRC government, as well as information regarding the implementation of the plan. Throughout the discussion, the Committee describes the significance it sees in all of this.

Owing to the sensitivity of the subject, the Committee has been unable to share with the American people most of the documentary or testimonial evidence that supports the following discussion, nor can it do so now. Moreover, the Committee will be unable to address the subject matter publicly much beyond the precise wording of the discussion that follows. However, a longer, more detailed, and classified account of the Committee's findings has been prepared and will be maintained in secure environs.

Initial Indications of Chinese Efforts to Influence the 1996 Campaigns

During the investigation's earliest stages, several seemingly well-sourced press reports described the fund-raising efforts of overseas Chinese in this country and speculated on their possible relationships to the PRC. On February 13, 1997, the *Washington Post* first reported a link between foreign campaign money and the PRC government.² Citing "officials familiar with the inquiry," the article alleged, "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." The *Post* observed that criminal investigators "suspected a Chinese connection to the current fund-raising scandal because several DNC contributors and major fund-raisers had ties to Beijing," and identified, in particular, Yah Lin "Charlie" Tse and John Huang.

Other media stories preceding the start of the Committee's public hearings in July reported additional details on covert Chinese plans to fund political contributions in this country. The *New York Times* on March 13, 1997 wrote that "surreptitiously monitored" conversations between

1 For the purposes of this report, the term "Greater China" encompasses territories claimed or recently acquired by the PRC, including Hong Kong, Macao, and the Republic of China on Taiwan.

2 Bob Woodward and Brian Duffy, "Chinese Embassy Role in Contributions Probed," *Washington Post*, February 13, 1997, p1 A1.

Chinese officials here and in Beijing "suggested that Beijing was prepared to take a drastic step: illegally funneling money to American politicians."³ *Time* reported in March that "provocative" communications among Chinese officials picked up by American intelligence "indicated that front companies for the Chinese government might try to funnel cash."⁴ Who might have directed this? According to the *Washington Post*, "top" Chinese officials approved plans "to attempt to buy influence with American politicians," and the plans continued through 1996 and to the present.⁵

Additional stories indicated the FBI had commenced a foreign counterintelligence probe of the matter in 1996, briefing six Members of Congress regarding the Bureau's belief "that the government of China may try to make contributions to Members of Congress through Asian donors."⁶ The Bureau later briefed a seventh Member in October 1996. The FBI also told the White House about the Chinese plan in June 1996, when FBI agents briefed two representatives of the National Security Council. The FBI briefings described illegal plans for the clandestine funding of American political campaigns.

Initial Indications were Consistent with what the Committee was Discovering About Foreign Money Being Funneled into the 1996 Elections

Early in the investigation, Committee staff discovered a number of money trails that led from the DNC and other Democratic causes back overseas, and, particularly, to Greater China. The trails wend their way from foreign countries through one bank account after another, ending up mainly in DNC coffers. Committee staff traced some of these trails backwards as far as the transaction - generally a wire transfer - that brought into the United States funds eventually used to make political contributions.⁷

3 David Johnston, "U.S. Agency Secretly Monitored Chinese in '96 on Political Gifts," *New York Times*, March 13, 1997, p. A1.

4 Richard Lacayo, "What Did China Want?", *Time*, March 24, 1997, p. 48.

5 Bob Woodward, "Top Chinese Linked to Plan to Buy Favor," *Washington Post*, April 25, 1997, p. A1.

6 Brian Duffy and Bob Woodward, "FBI Warned Six on Hill About China Money," *Washington Post*, March 9, 1997, p. A1. See also Lacayo, *supra*, p. 49

7 Although in several cases Committee staff members identified a foreign account that served as the source of a contribution to the DNC, they could not continue back to the actual trailhead when it was located overseas since the Committee held no authority to compel production of foreign bank records. Hence, whether a contribution that entered the U.S. from an account in China, Hong Kong, Taiwan, Macao, Indonesia, or some other country was connected in some way to the PRC government could not be determined from an examination of the records.

Committee staff identified several instances of foreign money donations connected to six individuals with ties to the PRC. As noted below, John Huang, Maria Hsia, Ted Sioeng, and James and Mochtar Riady each have been associated in some way with the Government of China. The sixth, Yah Lin "Charlie" Trie, is a business partner of Ng Lap Seng, a Macao businessman with alleged ties to the PRC. Trie, who recently was indicted and arrested, escorted Wang Jun, head of China's principal arms trading company, Polytechnologies, to a February 6, 1996 coffee with President Clinton and a meeting the same day with Commerce Secretary Ron Brown.

In 1996, John Huang solicited some \$3.4 million in contributions to the DNC. Nearly half this amount has been returned as the contributions were determined by the DNC to have been made with actual or suspected foreign funds. In September 1993, Huang wrote three checks to the DNC, each in the amount of \$15,000, each paid with foreign money. The checks were drawn on the accounts of three Lippo Group subsidiaries - Hip Hing Holdings, San Jose Holdings, and Toy Center Holdings. At the time the checks were written, all of the companies were losing money and operating in the red. Hearing testimony from a Huang coworker indicates the money for the three contribution checks came from Lippo accounts in Jakarta.⁸ In short, the 1993 checks Huang signed were paid with foreign money.

Huang's \$45,000 in DNC contributions was made in close proximity to Huang-arranged meetings between Vice President Gore and Shen Jueren, the head of a commercial enterprise wholly owned and operated by the PRC's Ministry of Foreign Trade and Economic Cooperation. Called China Resources Holdings, Shen's company has been identified as a PRC intelligence-gathering operation; one with reported ties to the People's Liberation Army.⁹ On Friday, September 24, 1993 - the day after Huang wrote the first two \$15,000 checks to the DNC - Huang escorted Shen Jueren to a White House meeting with Gore and his chief of staff, Jack Quinn. The following Monday, September 27, 1993, Huang wrote another \$15,000 check to the DNC. On the same day, Shen Jueren again met with Vice President Gore, this time at a Santa Monica event organized by Huang and Maria Hsia.

The Riadys were Huang's patrons and supporters throughout his careers at Lippo and later the Department of Commerce and the DNC. In fact, James Riady attended a small meeting in the Oval Office on September 13, 1995, at which President Clinton was asked if he would help Huang move from Commerce to the DNC. President Clinton acceded to the request, and by the end of the year, Huang became the DNC's vice-chairman of finance, a position created especially

⁸ Testimony of Juliana Utomo, July 15, 1997.

⁹ Nicholas Eftimiades, *Chinese Intelligence Operations*, p. 80 (1994). Eftimiades writes that China Resources Holdings traditionally has a PRC military officer installed as a vice president. It should also be noted that, in 1993, China Resources purchased a 50% share of the Hong Kong Chinese Bank from the Lippo Group.

for him. The Riadys were also for many years generous supporters of President Clinton and the DNC.

Maria Hsia was involved in soliciting contributions to the DNC that were laundered through several Buddhist monks and may have derived from foreign sources. Once the figures had been tallied for the April 29, 1996 Hsi Lai Temple fund-raiser attended by Vice President Gore, it became apparent that the event had not generated the level of contributions expected by the DNC. As a result, DNC Finance Director Richard Sullivan asked Huang to "get some California money in."¹⁰ Huang turned to Maria Hsia, who engineered a scheme whereby some \$55,000 was contributed to the DNC by temple monastics who, in turn, were reimbursed out of the Temple's general expense account. The source of the Temple's money is believed to be Buddhist devotees and may derive from overseas.

Ted Sioeng was one of the DNC's largest contributors during the 1996 federal election cycle. He is also distinguished as the DNC donor whose contributions are linked perhaps the most clearly to foreign sources. Sioeng, his family, and his business enterprises contributed \$400,000 to the DNC in 1995 and 1996. Through a review of bank records, the Committee has determined that at least half, or \$200,000, of the DNC contributions was funded by transfers from overseas accounts. In each case, money was wired into a Sioeng family account in the U.S. from the account of a Hong Kong company. Although the Committee knows little about the foreign companies that funded Sioeng's operations in this country, one of the businesses, Mansion House Securities, is believed to be owned in part by the Chinese government.

Yah Lin "Charlie" Trie also solicited large amounts of foreign money. In Trie's case, the cause was the Presidential Legal Expense Trust, set up to help satisfy the legal bills incurred by President and Mrs. Clinton. In March 1994, Trie brought nearly half a million dollars in small-denomination checks and money orders to the law office administering the Trust. The checks and money orders, it turned out, were written by followers of a Buddhist Sect called Suma Ching Hai. Many of the followers were reimbursed in the amount of their contributions. Ultimately, the reimbursement money came from accounts in Taiwan and Cambodia.

None of the aforementioned individuals would speak to the Committee about their fund-raising activities. Sioeng left the country soon after the campaign finance scandal broke. The Riadys likewise have stayed out of the United States, and declined to meet with Committee staff working in Indonesia. Huang and Hsia have remained in this country but have both asserted their Fifth Amendment privilege against self-incrimination. Trie initially left the country but recently returned and was arrested. He was indicted on January 28, 1998 and charged on 15 counts, including conspiracy to defraud the DNC and the United States. The indictment charges Trie with participating in the conspiracy by, among other things, purchasing access to high level government officials through contributions made to the DNC.

10 Deposition of Richard Sullivan, June 25, 1997, pp. 45-46.

Campaign Contributors' PRC Connections

Information obtained by the Committee reveals close ties between the PRC and many of the individuals who produced or facilitated foreign campaign contributions. And these individuals – Ted Sioeng, Maria Hsia, John Huang, and James and Mochtar Riady – interacted with one-another with some frequency. Their paths appear to have crossed most often when they were engaged in fund-raising or contributing money to the Democratic National Committee.

Ted Sioeng.¹¹ The Committee has learned that Sioeng worked, and perhaps still works, on behalf of the Chinese government. Sioeng regularly communicated with PRC embassy and consular officials at various locations in the United States, and, before the campaign finance scandal broke, he traveled to Beijing frequently where he reported to and was briefed by Chinese communist party officials.

The Committee is aware of a handful of activities Sioeng undertook at the request of or with support from the PRC government. Perhaps the most significant of these activities was Sioeng's purchase in late 1995 of *The International Daily News*, a Chinese-language newspaper based in Los Angeles. Prior to Sioeng's purchase of a controlling interest in the paper, *The International Daily News* had a pro-Taiwan slant. Sioeng changed that by bringing in new people and altering the paper's ideology to conform with the views of the PRC government. After purchasing the paper, Sioeng subsidized it heavily, which was necessary due to its operating losses. Sioeng financed the purchase and subsidization of the paper through transfers of funds from Hong Kong accounts.

Sioeng and his family and business interests played a large role in the 1996 elections. They spent over \$550,000 on political campaigns and organizations in 1995 and 1996, including \$400,000 on the Democratic National Committee and \$50,000 on the National Policy Forum. As discussed in greater detail elsewhere,¹² the Committee has subpoenaed and reviewed voluminous bank and business records relating to Sioeng, his family, and their businesses. The Committee has traced much of the money for these contributions to bank accounts in Hong Kong but no further. Hence, the Committee does not know whether these contributions derived from or were directed by the PRC government. Records reveal that the PRC consulate in Los Angeles paid Sioeng's Hollywood Metropolitan Hotel \$3,000 by a check dated March 22, 1996.¹³ The Committee has concluded that the PRC consulate provided Sioeng the money for the purpose of making or

11 See also chapter of report on Ted Sioeng.

12 Id.

13 \$3,000 Bank of China check from the Consulate General of the People's Republic of China to the Hollywood Metropolitan Hotel, March 22, 1996. (Ex. 1).

reimbursing a political contribution to Dr. Daniel Wong, a Republican who ran for the California State Assembly. It appears that the PRC money was in fact used to make or reimburse a contribution to Wong in the amount of \$5,000.¹⁴ Committee staff have no means to determine what other funds might have been provided to Sioeng by the PRC government through transfers among foreign accounts.

Ted Sioeng controls a business empire estimated to be worth approximately \$500 million. The Committee has learned that Sioeng considered spending a portion of his considerable wealth to support lobbying efforts approved by PRC officials.

Maria Hsia.¹⁵ The Committee has learned that Hsia has been an agent of the Chinese government, that she has acted knowingly in support of it, and that she has attempted to conceal her relationship with the Chinese government. The Committee has also learned that Hsia has worked in direct support of a PRC diplomatic post in the U.S.

As described elsewhere in the report, Hsia has been a significant figure in the Committee's investigation, and the Committee has conducted numerous interviews and depositions and examined voluminous records relating to her. Hsia first met Vice President Gore in the late 1980s, and organized a trip he attended to Taiwan in 1989. She has raised money for the Democratic Senatorial Congressional Committee ("DSCC"), and lobbied to have DSCC contributions earmarked for then-Senators Gore and Simon. On September 27 1993, she attended the Santa Monica, California meeting with Vice President Gore, Jack Quinn, John Huang, and Shen Jueren. In connection with that meeting, Hsia contributed \$5,000 in money illegally laundered through the Hsi Lai Temple.

Hsia has a long standing relationship with the Hsi Lai temple. She, with Huang, organized the April 1996 fund-raiser held there and attended by Vice President Gore, and laundered thousands of dollars illegally through temple clerics in connection with the event. The Committee has identified over \$130,000 in political contributions illegally laundered through temple monastics at Hsia's direction. The Committee has received information that Hsia worked with Ted Sioeng and John Huang to solicit contributions from Chinese nationals in the United States and abroad for Democratic causes. Hsia and Huang, in particular, worked together to identify non-U.S. citizens overseas who might contribute money to Democratic causes.

John Huang.¹⁶ Since well before its hearings began, the Committee focused on John

14 \$5,000 Grand National Bank check from Sundari, Sandra, and Laureen Elnitiarta to Dr. Daniel Wong, February 15, 1996. (Ex 2).

15 See also chapter of report on Maria Hsia and the Hsi Lai Temple.

16 See also chapters of report on the Lippo Group, John Huang at the Department of Commerce, and Huang's hiring by the DNC.

Huang. The goal was to understand why an executive at a small California bank (owned by a large Indonesian conglomerate), who raised money prolifically for the Democratic party and was rewarded with a political appointment at the Department of Commerce, was so often and well received by President Clinton and his staff. The Committee's interest was further piqued by the fact that to date, the DNC has returned half of the money Huang raised in 1996. The DNC has been unable to verify that these funds derived from a legal, domestic source.

The Committee has examined in detail Huang's activities at Lippo, Commerce, and the DNC. A single piece of unverified information shared with the Committee indicates that Huang himself may possibly have had a direct financial relationship with the PRC government. The Committee's information is not corroborated, but nevertheless it adds to concerns regarding Huang's activities at Commerce, which were a focus of Committee hearings in July 1997 and are discussed elsewhere in this report.¹⁷

James and Mochtar Riady.¹⁸ The Committee has learned from recently-acquired information that James and Mochtar Riady have had a long-term relationship with a Chinese intelligence agency. The relationship is based on mutual benefit, with the Riadys receiving assistance in finding business opportunities in exchange for large sums of money and other help. Although the relationship appears based on business interests, the Committee understands that the Chinese intelligence agency seeks to locate and develop relationships with information collectors, particularly persons with close connections to the U.S. government.

The Riadys are central figures in the campaign finance scandal for several reasons. First, they have close ties with President Clinton. James and Mochtar Riady have known President Clinton since the mid-1980s when they held a controlling interest in the Worthen Bank. The Riadys have visited Clinton in the White House on several occasions. Second, the Riadys were heavy contributors to the DNC and other Democratic causes. They made and solicited significant contributions directly in connection with the 1992 elections; subsequently, various Riady businesses, associates, and employees did likewise. Third, they were the employers of John Huang, whom they helped place at the Department of Commerce, then the DNC.

The Committee Learns of a "China Plan" and Other, Possibly Related Efforts

The foregoing indicates that large amounts of money were funneled from accounts in Greater China into the DNC by individuals who had close ties to the PRC. This activity takes on greater import when viewed in light of the fact that the PRC government had developed and

17 See chapter of report on John Huang at the Department of Commerce.

18 See also chapters of report on the Lippo Group, John Huang at the Department of Commerce, and Huang's hiring by the DNC.

implemented plans to influence the U.S. political process before most of the aforementioned contributions were made. The Committee first learned of these efforts early in the investigation.¹⁹

To understand the plan one needs to appreciate the context from which it emerged. The plan is intertwined with the state of America's relationship in recent years with the PRC and the Republic of China on Taiwan. Although the United States maintains no official ties with the government on Taiwan, Taipei's views have long influenced U.S. diplomatic relations with the PRC. This is largely because Beijing considers Taiwan a rogue province and suspects it of seeking independence from the mainland.

In May 1995, Lee Teng-hui, President of the Republic of China on Taiwan, was granted a visa to visit the United States. Caught off-guard, Beijing was quick to voice its outrage and to engage in a series of overt retaliatory measures. China suspended arms control talks with Washington, postponed cross-Strait talks with Taiwan, canceled official visits to and from the United States, amassed troops along the coast facing Taiwan, and recalled its ambassador to the United States.

But not all of China's reactions were overt. Secretly, Beijing worked to prevent similar diplomatic surprises from occurring in the future. After President Lee's visit, high-level PRC government officials devised plans to increase China's influence over the U.S. political process and to be implemented by PRC diplomatic posts in the U.S.

Some of Beijing's efforts appear relatively innocuous, involving learning more about Members of Congress, redoubling PRC lobbying efforts in the U.S., establishing closer contacts with the U.S. Congress, and funding from Beijing. But the Committee has learned that Beijing expected more than simply increased lobbying from its diplomatic posts in the U.S. Indeed, as the Committee examined the issue in greater detail, it found a broad array of Chinese efforts designed to influence U.S. policies and elections through, among other means, financing election campaigns.

The Committee's understanding of the plan derives from U.S. law enforcement and intelligence agencies, open sources, and the Committee's own investigative efforts. It is important to understand that there is no consensus among the agencies concerning where the plan ends and other PRC activities in this country begin. The Committee has learned in sobering detail of a wide range of covert PRC efforts in the U.S. and overseas designed to influence elections in this country. Many of these activities may or may not have been part of a single, coordinated effort. Regardless, a coordinated approach may have evolved over time. Other efforts, though

¹⁹ Senator Thompson made a public statement on July 8, 1997, disclosing the existence of a China plan and related activities. The CIA and FBI edited the statement and authorized its public disclosure.

undertaken by PRC government entities, have been characterized as rogue activities. Such fine distinctions fall beyond the scope of this report.

Evidence Emerges that the Plan Was Implemented and Other Efforts Were Undertaken by the PRC

The Committee has identified specific steps taken in furtherance of the plan. Implementation of the plan has been handled by PRC government officials and individuals enlisted to assist in the effort. Activities in furtherance of the plan have occurred both inside and outside the United States.

Through the plan and related efforts, the PRC government aimed to increase China's influence in the United States. Some of the efforts were typical, appropriate steps foreign governments take to communicate their views on United States policy. They included retaining lobbying firms, inviting more Congresspersons to visit China, and attempting to communicate Beijing's views through media channels in the United States. However, other efforts appear illegal under U.S. law. Although most discussion of PRC activities focused on Congress, the Committee's investigation suggests that China's efforts involved the 1996 Presidential race and state elections as well. The Committee has received information that the government of China may have allocated millions of dollars in 1996 alone to achieve its objectives.

The Committee has learned of several activities China undertook to influence our political processes during the 1996 election cycle. Some of these include:

- A PRC government official devised a seeding strategy, under which PRC officials would organize Chinese communities in the U.S. to encourage them to promote persons from their communities to run in certain state and local elections. The intent behind the seeding program was to develop viable candidates sympathetic to the PRC for future federal elections;
- The Government of China established the "Central Leading Group for U.S. Congressional Affairs" to coordinate China's lobbying efforts in this country. President Jiang Zemin approved the Group's creation;
- A U.S. agency received fragmentary reporting relating to China's efforts to influence the U.S. Presidential election. The information is considered part of a criminal investigation and cannot be discussed with the Committee further;
- PRC intelligence officials discussed increasing China's lobbying efforts in the United States and planned to raise millions of dollars to support those efforts. PRC officials met with one or more Chinese businessmen residing outside of mainland China to discuss raising the money and how it would be spent;

- PRC officials discussed financing American elections through covert means;
- A politically-sensitive transfer of funds may have occurred to a PRC-controlled account in the U.S.;
- A PRC official involved in a discussion concerning Chinese lobbying efforts indicated an awareness that money placed in U.S. banks can be traced by U.S. law enforcement officials;
- A PRC official encouraged Chinese-Americans to make political contributions and contact their Congressmen; and
- Beijing was angered that its diplomatic officials in the U.S. failed to forewarn the Mainland about the burgeoning campaign finance scandal and that those officials were not aware of Chinese who went to Washington, D.C. for the purpose of lobbying or making political contributions.

These activities show that several different PRC government entities joined the effort to involve themselves in U.S. elections and that the PRC went well beyond lobbying to achieve its goals. Whether or not all of this was contemplated at the outset by high-ranking Chinese officials or simply evolved over time, it nevertheless happened, and in a clandestine manner.

Summary

It is clear that illegal foreign contributions were made to the DNC and that these contributions were facilitated by individuals with extensive ties to the PRC. The original sources of many of these contributions were bank accounts in the Greater China area.

It is also clear that well before the 1996 elections, officials at the highest levels of the Chinese government approved of efforts to increase the PRC's involvement in the U.S. political process. There are indications that the plan or parts of the plan and possibly-related PRC activities were implemented covertly in this country. The individuals who facilitated the contributions have either elected to take the Fifth Amendment or flee the country. Beijing has denied the Committee's request for assistance. Moreover, after its hearings concluded, the Committee learned that the Chinese leadership was pleased no PRC agencies have yet been implicated in the campaign finance scandal.

While the Committee still cannot determine conclusively whether the PRC funded, directed, or encouraged the illegal contributions in question, all of the information related herein, taken together, constitutes strong circumstantial evidence that the PRC government was involved. In addition, there are indications that Chinese efforts in connection with the 1996 elections were undertaken or orchestrated, at least in part, by PRC intelligence agencies. It is likely that the PRC used intermediaries, particularly with regard to political contributions. This is so because only U.S. citizens or legal permanent residents can contribute lawfully to political parties and

campaigns. Moreover, the use of businesses and individuals as intermediaries is increasingly common among Chinese intelligence and military organizations.²⁰ Given the way the PRC exercises control over certain businesses and individuals, it hardly would be surprising to learn that the PRC directed overseas Chinese to contribute to particular parties or candidates. In addition to furthering the goals of the PRC plan, such actions would seem within the capabilities of a government able to implement private espionage and intelligence-gathering activities.

Throughout its investigation, the Committee has firmly believed it is important for the American people to be made aware of as much of the information set forth in this section of the report as possible. Yet, getting to the bottom of such matters and also sharing the Committee's findings has been an extremely difficult process. The first difficulty derives from the nature of the information itself. Some of the information provided to the Committee requires the protection of sources and methods used to gather it, which has placed significant limits on the Committee's ability to discuss these matters publicly. That protection is a legitimate concern, but it has come at the cost of curtailing public knowledge and debate. The Justice Department for the most part would not reveal matters that were the subject of its ongoing criminal investigation. While Justice's concern is understandable, it limits Congressional oversight and makes it even more important that prosecutorial decisions be handled in a way that ensures public confidence.

The second difficulty is more complex and, ultimately, more troublesome. The Committee dealt at length with various law enforcement and intelligence agencies in developing portions of the information set forth above and observed a recurring problem: the failure to share relevant, classified information. The failure meant that no one agency had a complete picture of all the relevant information in a particular area and, indeed, a given agency might be unaware of all the relevant information it held within its various sections or departments. The clearest example of this involved the FBI and the Justice Department. In two major instances FBI headquarters and Justice were unaware of crucial information located in FBI field office files, information months and sometimes years old. The information came to light only as a result of persistent Committee probing. These lapses are currently the subject of a Department of Justice Office of Inspector General (OIG) investigation. The Committee has cooperated with OIG investigators and will continue to monitor their progress.

²⁰ Efimiades, *supra*, pp. 27-43. It is also well-established that the PRC wields influence over a wide range of entities and individuals, many of whom conduct business directly with the PRC. One area in which the PRC employs businesses is economic espionage. State-owned or controlled companies – particularly those controlled by the People's Liberation Army – are used increasingly as part of a Chinese network to acquire Western technology in the United States and other countries. Jane's Defense Weekly, December 17, 1997, p. 1. Another area is intelligence-gathering, where the PRC government has attempted to cultivate members of the overseas Chinese community as information sources. Efimiades, *supra*, pp. 27-43.

The inability of the Bureau to locate certain intelligence information denied the campaign finance criminal task force timely access to important classified materials. By the time the information was surfaced and passed along, some or all of it might have grown stale.

It is the Committee's hope that, for the sake of future criminal investigations, steps are taken by intelligence and law enforcement agencies to ensure that such lapses do not reoccur. In that regard, the Committee intends to review any recommendations made by the OIG on improving how such information is shared.