The 1996 United States campaign finance controversy was an alleged effort by the People's Republic of China to influence domestic American politics prior to and during the Clinton administration and also involved the fund-raising practices of the administration itself.

While questions regarding the U.S. Democratic Party's fund-raising activities first arose over a Los Angeles Times article published on September 21, 1996,[1] China's alleged role in the affair first gained public attention when Bob Woodward and Brian Duffy of The Washington Post published a story stating that a United States Department of Justice investigation into the fund-raising activities had uncovered evidence that agents of China sought to direct contributions from foreign sources to the Democratic National Committee (DNC) before the 1996 presidential campaign. The journalists wrote that intelligence information had shown the Chinese Embassy in Washington, D.C. was used for coordinating contributions to the DNC in violation of United States law forbidding non-American citizens or non-permanent residents from giving monetary donations to United States politicians and political parties. A Republican investigator of the controversy stated the Chinese plan targeted both presidential and congressional United States elections, while Democratic Senators said the evidence showed the Chinese targeted only congressional elections. The Chinese government denied all accusations.

2 Major fund-raising figures

2.1 Yah Lin “Charlie” Trie

The most significant activity by Trie was a $450,000 attempted donation from him to Clinton's legal defense fund, which Trie allegedly delivered in two envelopes each containing several checks and money orders. The fund immediately rejected $70,000 and deposited the remainder, but ordered an investigation of the source. The investigation found that some of the money orders were made out in different names but with the same handwriting, and sequentially numbered. The fund then rejected the donation entirely, and returned the deposited funds two months after the initial contribution.[6]

Born in Taiwan, Trie emigrated to the U.S. in 1974. He eventually became an American citizen and co-owner of a restaurant in Little Rock, Arkansas. The 1997 special investigation describes Trie as having attempted to develop an international trading business (Daihatsu International Trading Corporation), having maintained or accessed accounts in Little Rock and Washington, D.C. into which Macau-based real estate businessman Ng Lap Seng wired >$1M USD from Macau and Hong Kong accounts, and as having never succeeded in the trading business (based on bank and tax records indicating substantive income only.
from Ng).[7]

In Little Rock, Trie befriended Clinton, then governor of Arkansas. In addition to the attempted donation to Clinton’s defense fund, Trie and his immediate family donated $220,000 to the DNC which was also later returned.[7] Immediately after the donation to Clinton’s defense fund, Trie sent a letter to President Clinton that expressed concern about America’s intervention in tensions arising from China’s military exercises being conducted near Taiwan. Trie told the President in his letter that war with China was a possibility should U.S. intervention continue:

...[O]nce the hard parties of the Chinese military incline to grasp U.S. involvement as foreign intervention, is [sic] U.S. ready to face such a challenge[?]. It is highly possible for China to launch [sic] real war based on its past behavior in [sic] Sino-Vietnam War and Zhen Bao Tao war with Russia. (Charlie Trie, letter to President Clinton, March 21, 1996).[7]

After Congressional investigations turned to Trie in late 1996, he left the country for China.[7] Trie returned to the U.S. in 1998 and was convicted and sentenced to three years probation and four months home detention for violating federal campaign finance laws by making political contributions in someone else’s name and for causing a false statement to be made to the Federal Election Commission (FEC).[8]

2.2 Johnny Chung

Born in Taiwan, Chung went from being the owner of a “blastfaxing” business (an automated system that quickly sends out faxes to thousands of businesses) in California to being in the middle of the Washington, D.C. elite within a couple weeks of his first donations to the Democratic Party. Called a “hustler” by a U.S. National Security Council (NSC) aide,[9] Chung made forty-nine separate visits to the White House between February 1994 and February 1996.[10] One of his purposes in making these trips was to obtain photographs of himself with the Clintons, which he believed would help him to get business in China by giving people the impression that he had connections and influence in Washington—he used a brochure that included at least ten photographs of himself with Hillary Clinton along with a personal note from her.[11] During one of the Commerce Department trade missions to China, Chung befriended former Chinese Lt. Col. Liu Chaoying, then an executive at China Aerospace International Holdings, Ltd. Hong Kong (CASC), which is the Hong Kong-based subsidiary of the government-controlled CASC, China’s premier satellite launching company. She is the daughter of former General Liu Huaqing.

Between 1994 and 1996, Chung donated $366,000 to the DNC. Eventually, all of the money was returned. Chung told federal investigators that $35,000 of the money he donated came from Liu Chaoying and, in turn, China’s military intelligence.[9]

Specifically, Chung testified under oath to the U.S. House Committee investigating the issue in May 1999 that he was introduced to Chinese Gen. Ji Shengde, then the head of Chinese military intelligence, by Liu Chaoying. Chung said that Ji told him: “We like your president very much. We would like to see him reflect [sic]. I will give you 300,000 U.S. dollars. You can give it to the president and the Democrat Party.”[12] Both Liu and the Chinese government denied the claims.[13]

Chung was eventually sentenced to 5 years probation and community service following an agreement to plea guilty to bank fraud, tax evasion, and two misdemeanor counts of conspiring to violate election law.[14] Chung asserts that, after his guilty plea, the Chinese government attempted to assassinate him with “hit squads” three times, but the efforts were foiled by the FBI.[15]

2.3 John Huang and James Riady

John Huang (pronounced “Hwä[n]g”), was another major figure convicted. Born in 1945 in Nanping, Fujian, Huang and his father fled to Taiwan at the end of the Chinese Civil War before he eventually emigrated to the United States in 1969. A former employee of the Indonesian company Lippo Group’s Lippo Bank and its owners Mochtar Riady and his son James (whom Huang first met along with Bill Clinton at a financial seminar in Little Rock, Arkansas in 1980), Huang became a key fund-raiser within the DNC in 1995. While there, he raised $3.4 million for the party. Nearly half had to be returned when questions arose regarding their source during later investigations by Congress.[16]

According to U.S. Secret Service logs, Huang visited the White House 78 times while working as a DNC fundraiser.[17] James Riady visited the White House 20 times (including 6 personal visits to President Clinton).[18] Immediately prior to joining the DNC, Huang worked in President Clinton’s Commerce Department as deputy assistant secretary for international economic affairs. His position made him responsible for Asia-U.S. trade matters. He was appointed to the position by President Clinton in December 1993. His position at the Commerce Department gave him access to classified intelligence on China. While at the department, it was later learned, Huang met 9 times with Chinese embassy officials.[19]

Huang eventually pleaded guilty to conspiring to reimburse Lippo Group employees’ campaign contributions with corporate or foreign funds.[20] James Riady was later
2.5 Ted Sioeng

Ted Sioeng, an Indonesian entrepreneur who donated money to both Democrats and Republicans, was the sixth individual whose donations were investigated by the Senate committee. Suspect contributions associated with Sioeng include $250,000 to the DNC and $100,000 to Republican California State Treasurer Matt Fong. Fong returned the money in April 1997. Sioeng also joined Fong at a meeting.
with then Republican House Speaker Newt Gingrich in mid-1995. Gingrich called the meeting a “photo-op”. Gingrich was the guest of honor at a Sioeng-organized luncheon the day after a Sioeng family company gave the $50,000 think-tank donation, solicited by a Gingrich adviser.[32]

Attorney General Janet Reno and the directors of the FBI, CIA and National Security Agency (NSA) told members of the Senate committee they had credible intelligence information indicating Sioeng acted on behalf of China. A spokesman for Sioeng denied the allegations.[33] Sioeng left the country shortly thereafter, and no charges were filed.[34]

3 Investigations

3.1 Department of Justice investigation

The Justice Department opened a task force in late 1996 to begin investigating allegations of campaign fundraising abuses by the Clinton/Gore re-election campaign. It expanded its internal investigation to include activities related to President Bill Clinton’s legal defense fund in December 1996.[35]

President Clinton announced in February 1997 that he thought there should be a “vigorous” and “thorough” investigation into reports that the People’s Republic of China tried to direct financial contributions from overseas sources to the Democratic National Committee. The president stopped short of calling for an independent prosecutor, saying that was the decision of the Justice Department.

“[O]bviously it would be a very serious matter for the United States if any country were to attempt to funnel funds to one of our parties for any reason whatever,” President Clinton said.[36]

By July 1997, the administration determined that no evidence of any such thing had yet been proven. “We have received the relevant [FBI] briefings,” White House Press Secretary Mike McCurry said. “We believe there’s no basis for any change in our policy toward China, which is one of engagement.”[37]

“I do not know whether it is true or not,” President Clinton stated. “Therefore, since I don’t know, it can’t... and shouldn’t affect the larger long-term strategic interests of the American people in our foreign policy.”[37]

Members of Congress of both parties reached opposite conclusions. According to the Washington Post, Senator Fred Thompson (a Republican from Tennessee) and chairman of the committee investigating the fundraising controversy, said he believed the Chinese plan targeted presidential and congressional elections while Democratic Senators Joe Lieberman and John Glenn said they believed the evidence showed the Chinese targeted only congressional elections.[37]

3.2 Congressional investigations

With regard to their overall efficacy, investigators are on record as having stated that the Congressional investigations were hamstrung due to lack of cooperation of witnesses. Ninety-four people either refused to be questioned, pled the Fifth Amendment, or left the country altogether.[24][38][39]

The U.S. Senate Committee on Governmental Affairs held public hearings into the campaign finance issues from July to October 1997. The Committee, chaired by Republican Fred Thompson, adopted a Republican-written final report (the Wikisource referenced and appearing herein) on a straight party-line vote, 8 in favor and 7 opposing, in March 1998. Thompson described the findings as “not any one real big thing” but “a lot of things strung together that paint a real ugly picture.” The Democrats published a minority report dissenting with most of the conclusions of the final report, stating the evidence “does not support the conclusion that the China plan was aimed at, or affected, the 1996 presidential election.”[40] Considerable acrimony was displayed during the hearings between the Thompson and the ranking minority member, Democrat John Glenn, with the public disagreements between the two leaders reaching a level seldom seen in recent years in Congressional committees.[41]

A House investigation, headed by Indiana Republican Dan Burton focused on allegations of campaign finance...
3.3 Calls for an independent counsel

Norman Ornstein, a Congressional expert at the American Enterprise Institute said in May 1998, “Barring some dramatic change, I think the Burton investigation is going to be remembered as a case study in how not to do a congressional investigation and as a prime example of investigation as farce.” In a May 5, 1998 letter to other Republicans on the committee, Burton admitted that “mistakes and omissions were made” in tape transcripts released to the public of phone calls made by Webster Hubbell. A committee investigator who was an advocate of releasing the tapes resigned at Burton’s request.

3.3 Calls for an independent counsel

President Clinton’s FBI Director Louis Freeh wrote in a 22-page memorandum to then Attorney General Janet Reno in November 1997 that “It is difficult to imagine a more compelling situation for appointing an independent counsel.”

In July 1998, the Justice Department’s campaign finance task force head, Charles La Bella, sent a report to Janet Reno also recommending she seek an independent counsel to investigate alleged fund-raising abuses by Democratic party officials. The media reported that La Bella believed there was clearly an appearance of a conflict of interest by Reno. In his report to Reno he wrote: “A pattern [of events] suggests a level of knowledge within the White House—including the President’s and First Lady’s offices—concerning the injection of foreign funds into the reelection effort.” Additionally, La Bella stated: “If these allegations involved anyone other than the president, vice president, senior White House or
DNC and Clinton-Gore '96 officials, an appropriate investigation would have commenced months ago without hesitation."[48]

Robert Conrad, Jr., who later became head of the task force, called on Reno in Spring 2000 to appoint an independent counsel to look into the fund-raising practices of Vice President Gore.[49]

Janet Reno declined all requests:

I try to do one thing: what’s right. I am trying to follow the independent counsel statute as it has been framed by Congress. If you had a lower threshold, then any time somebody said ‘boo’ about a covered person, you’d trigger the independent counsel statute — Janet Reno, December 4, 1997.[50]

A CNNTIME poll taken in May 1998 found 58 percent of Americans felt an independent counsel should have been appointed to investigate the controversy. Thirty-three percent were opposed. The same poll found that 47 percent of Americans believed a quid pro quo existed between the Clinton administration and the PRC government.[51]

3.4 Criticism of investigation

In addition to partisan complaints from Republicans, columnists Charles Krauthammer, William Safire, and Morton Kondracke, as well as a number of FBI agents, suggested the investigations into the fund-raising controversies (which some dubbed Chinagate) were willfully impeded.[52][53][54]

FBI agent Ivian Smith wrote a letter to FBI Director Freeh that expressed “a lack of confidence” in the Justice Department’s attorneys regarding the fund-raising investigation. He wrote: “I am convinced the team at... [the Department of Justice] leading this investigation is, at best, simply not up to the task. The impression left is the emphasis on how not to prosecute matters, not how to aggressively conduct investigations leading to prosecutions.” Smith and three other FBI agents later testified before Congress in late 1999 that Justice Department prosecutors impeded their inquiry. FBI agent Daniel Wehr told Congress that the first head U.S. attorney in the investigation, Laura Ingersoll, told the agents they should “not pursue any matter related to solicitation of funds for access to the president. The reason given was, ‘That’s the way the American political process works.’ I was scandalized by that.” Wehr said. The four FBI agents also said that Ingersoll prevented them from executing search warrants to stop destruction of evidence and micromanaged the case beyond all reason.[55]

FBI agents were also denied the opportunity to ask President Clinton and Vice President Gore questions during Justice Department interviews in 1997 and 1998 and were only allowed to take notes. During the interviews, neither Clinton nor Gore were asked any questions about fund-raisers John Huang, James Riady, nor the Hsi Lai Buddhist Temple fund-raising event led by Maria Hsia and attended by John Huang and Ted Sioeng.[56]

4 Further reading


5 References


7 External links

- Senate Committee on Homeland Security and Governmental Affairs Report in full: 1997 Special Investigation in Connection with 1996 Federal Election Campaigns
- Washington Post overview of campaign finance

6 See also

- Citizens United v. Federal Election Commission
- Money trail
- Sino-American relations
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8.1 Text

- **1996 United States campaign finance controversy**
  


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