

NOT VOTING—11

Cooksey	Martinez	Thune
Gonzalez	McNulty	Torres
Green	Moakley	Weldon (FL)
Hastings (FL)	Moran (VA)	

□ 1345

Mr. EDWARDS changed his vote from "yea" to "nay."

Mr. WELDON of Pennsylvania and Mr. KASICH changed their vote from "nay" to "yea."

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. GILLMOR). The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PARLIAMENTARY INQUIRY

Mr. SOLOMON. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. SOLOMON. Mr. Speaker, did the rule just pass and is the vote over?

The SPEAKER pro tempore. The rule has been adopted.

Mr. SOLOMON. Mr. Speaker, is it true that there will not be another vote now for probably 1 hour?

The SPEAKER pro tempore. There will be 1 hour of debate on the resolution to be called up, so Members might reasonably anticipate an hour before the next vote.

ESTABLISHING THE SELECT COMMITTEE ON U.S. NATIONAL SECURITY AND MILITARY/COMMERCIAL CONCERNS WITH THE PEOPLE'S REPUBLIC OF CHINA

Mr. SOLOMON. Mr. Speaker, pursuant to House Resolution 476, I call up the resolution (H. Res. 463), to establish the Select Committee on U.S. National Security and Military/Commercial Concerns With the People's Republic of China, and ask for its immediate consideration.

The Clerk read the title of the resolution.

The SPEAKER pro tempore. The resolution is considered read for amendment.

The text of House Resolution 463 is as follows:

J. RES. 463

Resolved,

SECTION 1. ESTABLISHMENT.

There is hereby created the Select Committee on U.S. National Security and Military/Commercial Concerns With the People's Republic of China, (hereafter in this Act referred to as the "Select Committee"). The Select Committee may sit and act during the present Congress at such times and places within the United States, including any Commonwealth or possession thereof, or in any other country, whether the House is in session, has recessed, or has adjourned, as it shall deem appropriate for the completion of its work.

SEC. 2. JURISDICTION.

(a) IN GENERAL.—The Select Committee shall conduct a full and complete inquiry re-

garding the following matters and report such findings and recommendations, including those concerning the amendment of existing law or the enactment of new law, to the House as it considers appropriate:

(1) The transfer of technology, information, advice, goods, or services that may have contributed to the enhancement of the accuracy, reliability, or capability of nuclear-armed intercontinental ballistic missiles or other weapons of the People's Republic of China, or that may have contributed to the enhancement of the domestic or foreign intelligence capabilities of the People's Republic of China.

(2) The transfer of technology, information, advice, goods, or services that may have contributed to the manufacture of weapons of mass destruction, missiles, or other weapons or armaments by the People's Republic of China.

(3) The effect of any transfer or enhancement referred to in paragraphs (1) or (2) on regional security and the national security of the United States, its friends, and its allies.

(4) The conduct of the executive branch of the United States Government with respect to the transfers or enhancements referred to in paragraphs (1) or (2), and the effect of that conduct on the national security of the United States, its friends, and its allies.

(5) The conduct of defense contractors, weapons manufacturers, satellite manufacturers, and other private or government-owned commercial firms with respect to the transfers or enhancements referred to in paragraphs (1) or (2).

(6) The enforcement of United States law, including statutes, regulations, or executive orders, with respect to the transfers or enhancements referred to in paragraphs (1) or (2).

(7) Any effort by the Government of the People's Republic of China or any other person or entity to influence any of the foregoing matters through political contributions, bribery, influence-peddling, or otherwise.

(8) Decision-making within the executive branch of the United States Government with respect to any of the foregoing matters.

(9) Any effort to conceal or withhold information or documents relevant to any of the foregoing matters or to otherwise obstruct justice, or to obstruct the work of the Select Committee or any other committee of the Congress in connection with those matters.

(10) All matters relating directly or indirectly to any of the foregoing matters.

(b) PERMITTING REPORTS TO BE MADE TO HOUSE IN SECRET SESSION.—Any report to the House pursuant to this section may, in the Select Committee's discretion, be made under the provisions of rule XXIX of the Rules of the House of Representatives.

SEC. 3. COMPOSITION; VACANCIES.

(a) COMPOSITION.—The Select Committee shall be composed of 8 Members of the House to be appointed by the Speaker of the House of Representatives, one of whom he shall designate as Chairman. Service on the Select Committee shall not count against the limitations on committee service in clause 6(b)(2) of rule X.

(b) VACANCIES.—Any vacancy occurring in the membership of the Select Committee shall be filled in the same manner in which the original appointment was made.

SEC. 4. RULES APPLICABLE TO SELECT COMMITTEE.

(a) QUORUM.—One-third of the members of the Select Committee shall constitute a quorum for the transaction of business other than the reporting of a matter, which shall require a majority of the committee to be actually present, except that the Select

Committee may designate a lesser number, but not less than two, as a quorum for the purpose of holding hearings to take testimony and receive evidence.

(b) APPLICABILITY OF HOUSE RULES.—The Rules of the House of Representatives applicable to standing committees shall govern the Select Committee where not inconsistent with this resolution.

(c) RULES OF SELECT COMMITTEE.—The Select Committee shall adopt additional written rules, which shall be public, to govern its procedures, which shall not be inconsistent with this resolution or the Rules of the House of Representatives.

SEC. 5. CLASSIFIED INFORMATION.

No employee of the Select Committee or any person engaged by contract or otherwise to perform services for or at the request of such committee shall be given access to any classified information by such committee unless such employee or person has—

(1) agreed in writing and under oath to be bound by the rules of the House (including the jurisdiction of the Committee on Standards of Official Conduct and of the Select Committee as to the security of such information during and after the period of his employment or contractual agreement with the Select Committee); and

(2) received an appropriate security clearance as determined by the Select Committee in consultation with the Director of Central Intelligence.

The type of security clearance to be required in the case of any such employee or person shall, within the determination of the Select Committee in consultation with the Director of Central Intelligence, be commensurate with the sensitivity of the classified information to which such employee or person will be given access by such committee.

SEC. 6. LIMITS ON DISCLOSURE OF INFORMATION.

The Select Committee shall formulate and carry out such rules and procedures as it deems necessary to prevent the disclosure, without the consent of the person or persons concerned, of information in the possession of such committee which unduly infringes upon the privacy or which violates the constitutional rights of such person or persons. Nothing herein shall be construed to prevent such committee from publicly disclosing any such information in any case in which such committee determines that national interest in the disclosure of such information clearly outweighs any infringement on the privacy of any person or persons.

SEC. 7. PROCEDURES FOR HANDLING INFORMATION.

(a) The Select Committee may, subject to the provisions of this section, disclose publicly any information in the possession of such committee after a determination by such committee that the public interest would be served by such disclosure. Whenever committee action is required to disclose any information under this section, the committee shall meet to vote on the matter within five days after any member of the committee requests such a vote. No member of the Select Committee shall disclose any information, the disclosure of which requires a committee vote, prior to a vote by the committee on the question of the disclosure of such information or after such vote except in accordance with this section. In any case in which the Select Committee votes to disclose publicly any information, which has been classified under established security procedures, which has been submitted to it by the executive branch, and which the executive branch requests be kept secret, the Select Committee shall submit such classified information to the Permanent Select Committee on Intelligence.

(b)(1) As set forth in clause 7(b) of rule XLVIII, in any case in which the Permanent Select Committee on Intelligence votes to disclose publicly any information submitted pursuant to subsection (a), which has been classified under established security procedures, which has been submitted to the Select Committee by the executive branch, and which the executive branch has requested be kept secret, the Permanent Select Committee on Intelligence shall notify the President of such vote.

(2) The Permanent Select Committee on Intelligence may disclose publicly such information after the expiration of a five-day period following the day on which notice of such vote is transmitted to the President, unless, prior to the expiration of such five-day period, the President, personally in writing, notifies the Permanent Select Committee on Intelligence that he objects to the disclosure of such information, provides his reasons therefor, and certifies that the threat to the national interest of the United States posed by such disclosure is of such gravity that it outweighs any public interest in the disclosure.

(3) If the President, personally, in writing, notifies the Permanent Select Committee on Intelligence of his objections to the disclosure of such information as provided in paragraph (2), the Permanent Select Committee on Intelligence may, by majority vote, refer the question of this disclosure of such information with a recommendation thereon to the House for consideration. The Permanent Select Committee on Intelligence shall not publicly disclose such information without leave of the House.

(4) Whenever the Permanent Select Committee on Intelligence votes to refer the question of disclosure of any information to the House under paragraph (3), the chairman of the Permanent Select Committee on Intelligence shall, not later than the first day on which the House is in session following the day on which the vote occurs, report the matter to the House for its consideration.

(5) If within four calendar days on which the House is in session, after such recommendation is reported, no motion has been made by the chairman of the Permanent Select Committee on Intelligence to consider, in closed session, the matter reported under paragraph (4), then such a motion will be deemed privileged and may be made by any Member. The motion under this paragraph shall not be subject to debate or amendment. When made, it shall be decided without intervening motion, except one motion to adjourn.

(6) If the House adopts a motion to resolve into closed session, the Speaker shall then be authorized to declare a recess subject to the call of the Chair. At the expiration of such recess, the pending question, in closed session, shall be, "Shall the House approve the recommendation of the Permanent Select Committee on Intelligence?"

(7) After not more than two hours of debate on the motion, such debate to be equally divided and controlled by the chairman and ranking minority member of the Permanent Select Committee on Intelligence, or their designees, the previous question shall be considered as ordered and the House, without intervening motion except one motion to adjourn, shall immediately vote on the question, in open session but without divulging the information with respect to which the vote is being taken. If the recommendation of the Permanent Select Committee on Intelligence is not agreed to, the question shall be deemed recommitted to the Permanent Select Committee on Intelligence for further recommendation.

(c)(1) No information in the possession of the Select Committee relating to the lawful

intelligence or intelligence-related activities of any department or agency of the United States which has been classified under established security procedures and which the Select Committee, the Permanent Select Committee on Intelligence, or the House pursuant to this section, has determined should not be disclosed shall be made available to any person by a Member, officer, or employee of the House except as provided in paragraph (2).

(2) The Select Committee shall, under such regulations as the committee shall prescribe, make any information described in paragraph (1) available to any other committee or any other Member of the House and permit any other Member of the House to attend any hearing of the committee which is closed to the public. Whenever the Select Committee makes such information available (other than to the Speaker), the committee shall keep a written record showing, in the case of any particular information, which committee or which Members of the House received such information. No Member of the House who, and no committee which, receives any information under this paragraph, shall disclose such information except in a closed session of the House.

(d) The Committee on Standards of Official Conduct shall investigate any unauthorized disclosure of intelligence or intelligence-related information by a Member, officer, or employee of the House in violation of subsection (c) and report to the House concerning any allegation which it finds to be substantiated.

(e) Upon the request of any person who is subject to any such investigation, the Committee on Standards of Official Conduct shall release to such individual at the conclusion of its investigation a summary of its investigation, together with its findings. If, at the conclusion of its investigation, the Committee on Standards of Official Conduct determines that there has been a significant breach of confidentiality or unauthorized disclosure by a Member, officer, or employee of the House, it shall report its findings to the House and recommend appropriate action such as censure, removal from committee membership, or expulsion from the House, in the case of a Member, or removal from office or employment or punishment for contempt, in the case of an officer or employee.

SEC. 8. TRANSFER OF INFORMATION TO SELECT COMMITTEE.

Any committee of the House of Representatives having custody of records, data, charts, and files concerning subjects within the jurisdiction of the Select Committee shall furnish the originals or copies of such materials to the Select Committee. In the case of the Permanent Select Committee on Intelligence, such materials shall be made available pursuant to clause 7(c)(2) of rule XLVIII.

SEC. 9. INFORMATION GATHERING.

(a) IN GENERAL.—The Select Committee is authorized to require, by subpoena or otherwise, the attendance and testimony of such witnesses, the furnishing of such information by interrogatory, and the production of such books, records, correspondence, memoranda, papers, documents, calendars, recordings, electronic communications, data compilations from which information can be obtained, tangible objects, and other things and information of any kind as it deems necessary, including all intelligence materials however classified, White House materials, and materials pertaining to unvouchered expenditures or concerning communications interceptions or surveillance.

(b) SUBPOENAS, DEPOSITIONS AND INTERROGATORIES.—Unless otherwise determined by

the Select Committee, the Chairman, upon consultation with the ranking minority member, or the Select Committee may—

(1) authorize and issue subpoenas;

(2) order the taking of depositions, interrogatories, or affidavits under oath or otherwise; and

(3) designate a member or staff of the Select Committee to conduct any deposition.

(c) INTERNATIONAL AUTHORITIES.—Unless otherwise determined by the Select Committee, the Chairman of the Select Committee, upon consultation with the ranking minority member of the Select Committee, or the Select Committee may—

(1) order the taking of depositions and other testimony, under oath or otherwise, anywhere outside the United States; and

(2) make application for issuance of letters rogatory, and request through appropriate channels, other means of international assistance, as appropriate.

(d) HANDLING OF INFORMATION.—Information obtained under the authority of this section shall be—

(1) considered as taken by the Select Committee in the District of Columbia, as well as the location actually taken; and

(2) considered to be taken in executive session.

SEC. 10. TAX RETURNS.

Pursuant to sections 6103(f)(3) and 6104(a)(2) of the Internal Revenue Code of 1986, for the purpose of investigating the subjects set forth in this resolution and since information necessary for this investigation cannot reasonably be obtained from any other source, the Select Committee shall be specially authorized to inspect and receive for the tax years 1991 through 1998 any tax return, return information, or other tax-related material, held by the Secretary of the Treasury, related to individuals and entities named by the Select Committee as possible participants, beneficiaries, or intermediaries in the transactions under investigation. As specified by section 6103(f)(3) of the Internal Revenue Code of 1986, such materials and information shall be furnished in closed executive session.

SEC. 11. ACCESS TO INFORMATION OF THE SELECT COMMITTEE.

The Select Committee shall provide other committees and Members of the House with access to information and proceedings, consistent with clause 7(c)(2) of rule XLVIII, except that the Select Committee may direct that particular matters or classes of matter shall not be made available to any person by its members, staff, or others, or may impose any other restriction. The Select Committee may require its staff to enter nondisclosure agreements, and its chairman, in consultation with the ranking minority member, may require others, such as counsel for witnesses, to do so. The Committee on Standards of Official Conduct may investigate any unauthorized disclosure of such classified information by a Member, officer, or employee of the House or other covered person upon request of the Select Committee. If, at the conclusion of its investigation, the Committee on Standards of Official Conduct determines that there has been a significant unauthorized disclosure, it shall report its findings to the House and recommend appropriate sanctions for the Member, officer, employee, or other covered person consistent with clause 7(e) of rule XLVIII and any committee restriction, including nondisclosure agreements. The Select Committee shall, as appropriate, provide access to information and proceedings to the Speaker and the minority leader and their appropriately cleared and designated staff.

SEC. 12. COOPERATION OF OTHER ENTITIES.

(a) COOPERATION OF OTHER COMMITTEES.—The Select Committee may submit to any

standing committee specific matters within its jurisdiction and may request that such committees pursue such matters further.

(b) COOPERATION OF OTHER FEDERAL ENTITIES.—The Chairman of the Select Committee, upon consultation with the ranking minority member, or the Select Committee may request investigations, reports, and other assistance from any agency of the executive, legislative, and judicial branches of the Federal Government.

SEC. 13. ACCESS AND RESPONSE TO JUDICIAL PROCESS.

In addition to any applications to court in response to judicial process that may be made in behalf of the House by its counsel, the Select Committee shall be authorized to respond to any judicial or other process, or to make any applications to court, upon consultation with the Speaker consistent with rule L.

SEC. 14. ADMINISTRATIVE MATTERS.

(a) PERSONNEL.—The Chairman, upon consultation with the ranking minority member, may employ and fix the compensation of such clerks, experts, consultants, technicians, attorneys, investigators, clerical and stenographic assistants, and other appropriate staff as the Chairman considers necessary to carry out the purposes of this resolution. Detailees from the executive branch or staff of the House or a joint committee, upon the request of the Chairman of the Select Committee, upon consultation with the ranking minority member, shall be deemed staff of the Select Committee to the extent necessary to carry out the purposes of this resolution.

(b) PAYMENT OF EXPENSES.—(1) The Select Committee may reimburse the members of its staff for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Select Committee.

(2) Not more than \$2,500,000 are authorized for expenses of the Select Committee for investigations and studies, including for the procurement of the services of individual consultants or organizations thereof, and for training of staff, to be paid out of the applicable accounts of the House of Representatives upon vouchers signed by the Chairman and approved in the manner directed by the Committee on House Oversight.

SEC. 15. APPLICABILITY OF OTHER LAWS TO SELECT COMMITTEE.

The Select Committee shall be deemed a committee of the House for all purposes of the rules of the House of Representatives and shall be deemed a committee for all purposes of law, including, but not limited to, section 202(f) of the Legislative Reorganization Act of 1946 (2 U.S.C. 72a(f)), sections 102 and 104 of the Revised Statutes (2 U.S.C. 192 and 194), sections 1001, 1505, 1621, 6002, and 6005 of title 18, United States Code, section 502(b)(1)(B)(ii) of the Mutual Security Act of 1954 (22 U.S.C. 1754(b)(1)(B)(ii)), and section 734 of title 31, United States Code.

SEC. 16. DISPOSITION OF RECORDS.

At the conclusion of the existence of the Select Committee, all records of the Select Committee shall be transferred to other committees, or stored by the Clerk of the House, as directed by the Select Committee, consistent with applicable rules and law concerning classified information.

The SPEAKER pro tempore. Pursuant to House Resolution 476, the amendment in the nature of a substitute printed in the resolution is adopted.

The text of the amendment in the nature of a substitute is as follows:

Resolved,

SECTION 1. ESTABLISHMENT.

There is hereby created the Select Committee on U.S. National Security and Military/Commer-

cial Concerns With the People's Republic of China, (hereafter in this resolution referred to as the "Select Committee"). The Select Committee may sit and act during the present Congress at such times and places within the United States, including any Commonwealth or possession thereof, or in any other country, whether the House is in session, has recessed, or has adjourned, as it shall deem appropriate for the completion of its work.

SEC. 2. JURISDICTION.

(a) IN GENERAL.—The Select Committee shall conduct a full and complete inquiry regarding the following matters and report such findings and recommendations, including those concerning the amendment of existing law or the enactment of new law, to the House as it considers appropriate:

(1) The transfer of technology, information, advice, goods, or services that may have contributed to the enhancement of the accuracy, reliability, or capability of nuclear-armed intercontinental ballistic missiles or other weapons of the People's Republic of China, or that may have contributed to the enhancement of the intelligence capabilities of the People's Republic of China.

(2) The transfer of technology, information, advice, goods, or services that may have contributed to the manufacture of weapons of mass destruction, missiles, or other weapons or armaments by the People's Republic of China.

(3) The effect of any transfer or enhancement referred to in paragraphs (1) or (2) on regional security and the national security of the United States.

(4) The conduct of the executive branch of the United States Government with respect to the transfers or enhancements referred to in paragraphs (1) or (2), and the effect of that conduct on regional security and the national security of the United States.

(5) The conduct of defense contractors, weapons manufacturers, satellite manufacturers, and other private or government-owned commercial firms with respect to the transfers or enhancements referred to in paragraphs (1) or (2).

(6) The enforcement of United States law, including statutes, regulations, or executive orders, with respect to the transfers or enhancements referred to in paragraphs (1) or (2).

(7) Any effort by the Government of the People's Republic of China or any other person or entity to influence any of the foregoing matters through political contributions, commercial arrangements, or bribery, influence-peddling, or other illegal activities.

(8) Decision-making within the executive branch of the United States Government with respect to any of the foregoing matters.

(9) Any effort to conceal or withhold information or documents relevant to any of the foregoing matters or to obstruct justice, or to obstruct the work of the Select Committee or any other committee of the House of Representatives in connection with those matters.

(10) All matters relating directly or indirectly to any of the foregoing matters.

(b) PERMITTING REPORTS TO BE MADE TO HOUSE IN SECRET SESSION.—Any report to the House pursuant to this section may, in the Select Committee's discretion, be made under the provisions of rule XXIX of the Rules of the House of Representatives.

SEC. 3. COMPOSITION; VACANCIES.

(a) COMPOSITION.—The Select Committee shall be composed of 9 or fewer Members of the House to be appointed by the Speaker of the House of Representatives, one of whom he shall designate as Chairman. Service on the Select Committee shall not count against the limitations on committee service in clause 6(b)(2) of rule X.

(b) VACANCIES.—Any vacancy occurring in the membership of the Select Committee shall be filled in the same manner in which the original appointment was made.

SEC. 4. RULES APPLICABLE TO SELECT COMMITTEE.

(a) QUORUM.—One-third of the members of the Select Committee shall constitute a quorum for the transaction of business other than the reporting of a matter, which shall require a majority of the committee to be actually present, except that the Select Committee may designate a lesser number, but not less than 2, as a quorum for the purpose of holding hearings to take testimony and receive evidence.

(b) APPLICABILITY OF HOUSE RULES.—The Rules of the House of Representatives applicable to standing committees shall govern the Select Committee where not inconsistent with this resolution.

(c) RULES OF SELECT COMMITTEE.—The Select Committee shall adopt additional written rules, which shall be public, to govern its procedures, which shall not be inconsistent with this resolution or the Rules of the House of Representatives.

SEC. 5. CLASSIFIED INFORMATION.

No employee of the Select Committee or any person engaged by contract or otherwise to perform services for or at the request of such committee shall be given access to any classified information by such committee unless such employee or person has—

(1) agreed in writing and under oath to be bound by the rules of the House (including the jurisdiction of the Committee on Standards of Official Conduct and of the Select Committee as to the security of such information during and after the period of his employment or contractual agreement with the Select Committee); and

(2) received an appropriate security clearance as determined by the Select Committee in consultation with the Director of Central Intelligence.

The type of security clearance to be required in the case of any such employee or person shall, within the determination of the Select Committee in consultation with the Director of Central Intelligence, be commensurate with the sensitivity of the classified information to which such employee or person will be given access by such committee.

SEC. 6. LIMITS ON DISCLOSURE OF INFORMATION.

The Select Committee shall formulate and carry out such rules and procedures as it deems necessary to prevent the disclosure, without the consent of the person or persons concerned, of information in the possession of such committee which unduly infringes upon the privacy or which violates the constitutional rights of such person or persons. Nothing herein shall be construed to prevent such committee from publicly disclosing any such information in any case in which such committee determines that national interest in the disclosure of such information clearly outweighs any infringement on the privacy of any person or persons.

SEC. 7. PROCEDURES FOR HANDLING INFORMATION.

(a) The Select Committee may, subject to the provisions of this section, disclose publicly any information in the possession of such committee after a determination by such committee that the public interest would be served by such disclosure. Whenever committee action is required to disclose any information under this section, the committee shall meet to vote on the matter within five days after any member of the committee requests such a vote. No member of the Select Committee shall disclose any information, the disclosure of which requires a committee vote, prior to a vote by the committee on the question of the disclosure of such information or after such vote except in accordance with this section. In any case in which the Select Committee votes to disclose publicly any information, which has been classified under established security procedures, which has been submitted to it by the executive branch, and which the executive branch requests be kept secret, the Select

Committee shall submit such classified information to the Permanent Select Committee on Intelligence.

(b)(1) As set forth in clause 7(b) of rule XLVIII, in any case in which the Permanent Select Committee on Intelligence votes to disclose publicly any information submitted pursuant to subsection (a), which has been classified under established security procedures, which has been submitted to the Select Committee by the executive branch, and which the executive branch has requested be kept secret, the Permanent Select Committee on Intelligence shall notify the President of such vote.

(2) The Permanent Select Committee on Intelligence may disclose publicly such information after the expiration of a five-day period following the day on which notice of such vote is transmitted to the President, unless, prior to the expiration of such five-day period, the President, personally in writing, notifies the Permanent Select Committee on Intelligence that he objects to the disclosure of such information, provides his reasons therefor, and certifies that the threat to the national interest of the United States posed by such disclosure is of such gravity that it outweighs any public interest in the disclosure.

(3) If the President, personally, in writing, notifies the Permanent Select Committee on Intelligence of his objections to the disclosure of such information as provided in paragraph (2), the Permanent Select Committee on Intelligence may, by majority vote, refer the question of this disclosure of such information with a recommendation thereon to the House for consideration. The Permanent Select Committee on Intelligence shall not publicly disclose such information without leave of the House.

(4) Whenever the Permanent Select Committee on Intelligence votes to refer the question of disclosure of any information to the House under paragraph (3), the chairman of the Permanent Select Committee on Intelligence shall, not later than the first day on which the House is in session following the day on which the vote occurs, report the matter to the House for its consideration.

(5) If within four calendar days on which the House is in session, after such recommendation is reported, no motion has been made by the chairman of the Permanent Select Committee on Intelligence to consider, in closed session, the matter reported under paragraph (4), then such a motion will be deemed privileged and may be made by any Member. The motion under this paragraph shall not be subject to debate or amendment. When made, it shall be decided without intervening motion, except one motion to adjourn.

(6) If the House adopts a motion to resolve into closed session, the Speaker shall then be authorized to declare a recess subject to the call of the Chair. At the expiration of such recess, the pending question, in closed session, shall be, "Shall the House approve the recommendation of the Permanent Select Committee on Intelligence?"

(7) After not more than two hours of debate on the motion, such debate to be equally divided and controlled by the chairman and ranking minority member of the Permanent Select Committee on Intelligence, or their designees, the previous question shall be considered as ordered and the House, without intervening motion except one motion to adjourn, shall immediately vote on the question, in open session but without divulging the information with respect to which the vote is being taken. If the recommendation of the Permanent Select Committee on Intelligence is not agreed to, the question shall be deemed recommitted to the Permanent Select Committee on Intelligence for further recommendation.

(c)(1) No information in the possession of the Select Committee relating to the lawful intelligence or intelligence-related activities of any department or agency of the United States

which has been classified under established security procedures and which the Select Committee, the Permanent Select Committee on Intelligence, or the House pursuant to this section, has determined should not be disclosed shall be made available to any person by a Member, officer, or employee of the House except as provided in paragraph (2).

(2) The Select Committee shall, under such regulations as the committee shall prescribe, make any information described in paragraph (1) available to any other committee or any other Member of the House and permit any other Member of the House to attend any hearing of the committee which is closed to the public. Whenever the Select Committee makes such information available (other than to the Speaker), the committee shall keep a written record showing, in the case of any particular information, which committee or which Members of the House received such information. No Member of the House who, and no committee which, receives any information under this paragraph, shall disclose such information except in a closed session of the House.

(d) The Committee on Standards of Official Conduct shall investigate any unauthorized disclosure of intelligence or intelligence-related information by a Member, officer, or employee of the House in violation of subsection (c) and report to the House concerning any allegation which it finds to be substantiated.

(e) Upon the request of any person who is subject to any such investigation, the Committee on Standards of Official Conduct shall release to such individual at the conclusion of its investigation a summary of its investigation, together with its findings. If, at the conclusion of its investigation, the Committee on Standards of Official Conduct determines that there has been a significant breach of confidentiality or unauthorized disclosure by a Member, officer, or employee of the House, it shall report its findings to the House and recommend appropriate action such as censure, removal from committee membership, or expulsion from the House, in the case of a Member, or removal from office or employment or punishment for contempt, in the case of an officer or employee.

SEC. 8. TRANSFER OF INFORMATION TO SELECT COMMITTEE.

Any committee of the House of Representatives having custody of records, data, charts, and files concerning subjects within the jurisdiction of the Select Committee shall furnish the originals or copies of such materials to the Select Committee. In the case of the Permanent Select Committee on Intelligence, such materials shall be made available pursuant to clause 7(c)(2) of rule XLVIII.

SEC. 9. INFORMATION GATHERING.

(a) IN GENERAL.—The Select Committee is authorized to require, by subpoena or otherwise, the attendance and testimony of such witnesses, the furnishing of such information by interrogatory, and the production of such books, records, correspondence, memoranda, papers, documents, calendars, recordings, electronic communications, data compilations from which information can be obtained, tangible objects, and other things and information of any kind as it deems necessary, including all intelligence materials however classified, White House materials, and materials pertaining to unvouchered expenditures or concerning communications interceptions or surveillance.

(b) SUBPOENAS, DEPOSITIONS AND INTERROGATORIES.—Unless otherwise determined by the Select Committee, the Chairman, upon consultation with the ranking minority member, or the Select Committee may—

(1) authorize and issue subpoenas;

(2) order the taking of depositions, interrogatories, or affidavits under oath or otherwise; and

(3) designate a member or staff of the Select Committee to conduct any deposition.

(c) INTERNATIONAL AUTHORITIES.—Unless otherwise determined by the Select Committee, the Chairman of the Select Committee, upon consultation with the ranking minority member of the Select Committee, or the Select Committee may—

(1) authorize the taking of depositions and other testimony, under oath or otherwise, anywhere outside the United States; and

(2) make application for issuance of letters rogatory, and request through appropriate channels, other means of international assistance, as appropriate.

(d) HANDLING OF INFORMATION.—Information obtained under the authority of this section shall be—

(1) considered as taken by the Select Committee in the District of Columbia, as well as the location actually taken; and

(2) considered to be taken in executive session.

SEC. 10. TAX RETURNS.

Pursuant to sections 6103(f)(3) and 6104(a)(2) of the Internal Revenue Code of 1986, for the purpose of investigating the subjects set forth in this resolution and since information necessary for this investigation cannot reasonably be obtained from any other source, the Select Committee shall be specially authorized to inspect and receive for the tax years 1988 through 1998 any tax return, return information, or other tax-related material, held by the Secretary of the Treasury, related to individuals and entities named by the Select Committee as possible participants, beneficiaries, or intermediaries in the transactions under investigation. As specified by section 6103(f)(3) of the Internal Revenue Code of 1986, such materials and information shall be furnished in closed executive session.

SEC. 11. ACCESS TO INFORMATION OF THE SELECT COMMITTEE.

The Select Committee shall provide other committees and Members of the House with access to information and proceedings, consistent with clause 7(c)(2) of rule XLVIII, except that the Select Committee may direct that particular matters or classes of matter shall not be made available to any person by its members, staff, or others, or may impose any other restriction. The Select Committee may require its staff to enter nondisclosure agreements, and its chairman, in consultation with the ranking minority member, may require others, such as counsel for witnesses, to do so. The Committee on Standards of Official Conduct may investigate any unauthorized disclosure of such classified information by a Member, officer, or employee of the House or other covered person upon request of the Select Committee. If, at the conclusion of its investigation, the Committee on Standards of Official Conduct determines that there has been a significant unauthorized disclosure, it shall report its findings to the House and recommend appropriate sanctions for the Member, officer, employee, or other covered person consistent with clause 7(e) of rule XLVIII and any committee restriction, including nondisclosure agreements. The Select Committee shall, as appropriate, provide access to information and proceedings to the Speaker and the minority leader and an appropriately cleared and designated member of each staff.

SEC. 12. COOPERATION OF OTHER ENTITIES.

(a) COOPERATION OF OTHER COMMITTEES.—The Select Committee may submit to any standing committee specific matters within its jurisdiction and may request that such committees pursue such matters further.

(b) COOPERATION OF OTHER FEDERAL ENTITIES.—The Chairman of the Select Committee, upon consultation with the ranking minority member, or the Select Committee may request investigations, reports, and other assistance from any agency of the executive, legislative, and judicial branches of the Federal Government.

SEC. 13. ACCESS AND RESPONSE TO JUDICIAL PROCESS.

In addition to any applications to court in response to judicial process that may be made in

behalf of the House by its counsel, the Select Committee shall be authorized to respond to any judicial or other process, or to make any applications to court, upon consultation with the Speaker consistent with rule L.

SEC. 14. ADMINISTRATIVE MATTERS.

(a) **PERSONNEL.**—The Chairman, upon consultation with the ranking minority member, may employ and fix the compensation of such clerks, experts, consultants, technicians, attorneys, investigators, clerical and stenographic assistants, and other appropriate staff as the Chairman considers necessary to carry out the purposes of this resolution. Detailees from the executive branch or staff of the House or a joint committee, upon the request of the Chairman of the Select Committee, upon consultation with the ranking minority member, shall be deemed staff of the Select Committee to the extent necessary to carry out the purposes of this resolution.

(b) **PAYMENT OF EXPENSES.**—(1) The Select Committee may reimburse the members of its staff for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Select Committee.

(2) Not more than \$2,500,000 are authorized for expenses of the Select Committee for investigations and studies, including for the procurement of the services of individual consultants or organizations thereof, and for training of staff, to be paid out of the applicable accounts of the House of Representatives upon vouchers signed by the Chairman and approved in the manner directed by the Committee on House Oversight.

SEC. 15. APPLICABILITY OF OTHER LAWS TO SELECT COMMITTEE.

The Select Committee shall be deemed a committee of the House for all purposes of the rules of the House of Representatives and shall be deemed a committee for all purposes of law, including, but not limited to, section 202(f) of the Legislative Reorganization Act of 1946 (2 U.S.C. 72a(f)), sections 102 and 104 of the Revised Statutes (2 U.S.C. 192 and 194), sections 1001, 1505, 1621, 6002, and 6005 of title 18, United States Code, section 502(b)(1)(B)(ii) of the Mutual Security Act of 1954 (22 U.S.C. 1754(b)(1)(B)(ii)), and section 734 of title 31, United States Code.

SEC. 16. DISPOSITION OF RECORDS.

At the conclusion of the existence of the Select Committee, all records of the Select Committee shall be transferred to other committees, or stored by the Clerk of the House, as directed by the Select Committee, consistent with applicable rules and law concerning classified information.

The SPEAKER pro tempore. The gentleman from New York (Mr. SOLOMON) and the gentleman from Texas (Mr. FROST) each will control 30 minutes.

The Chair recognizes the gentleman from New York (Mr. SOLOMON).

Mr. SOLOMON. Mr. Speaker, I yield myself such time as I may consume.

Today the Committee on Rules brings to the floor this resolution establishing a Select Committee of the House on United States National Security and Military/Commercial Concerns With the People's Republic of China.

Beginning in April of this year, Mr. Speaker, the New York Times has focused on the somewhat sordid history of the transfer of American satellite technology to Communist China. These press accounts have asserted, Mr. Speaker, that American national security has been severely damaged, and campaign contributions may have been a factor in the decisions made.

Mr. Speaker, there has been bipartisan commentary in this Congress and in our national public debate agreeing

that there is a pressing need to get to the bottom of this matter that does affect the national security of our country.

The resolution before the House will establish a select committee to answer, among other things, did the transfer of technology contribute to the enhancement of the accuracy of nuclear armed intercontinental ballistic missiles of the People's Republic of China, missiles that right this minute are aimed at the United States of America?

Did these transfers contribute to the manufacture of weapons of mass destruction by the People's Republic of China?

What effect did these transfers have on U.S. national security?

Was there any effort by the People's Republic of China or other person or entity to influence these matters through political contributions, commercial arrangements, or bribery, influence peddling or other illegal activities?

Keep in mind, Mr. Speaker, we ought to remember the Foreign Corrupt Practices Act, because it may very well be involved in this situation here today.

Mr. Speaker, every Member of this House would agree that these are critical and serious questions which deserve to have truthful answers.

Mr. Speaker, this resolution is brought forward in a bipartisan spirit, a development which brings great credit I think to this House. I applaud the work of the gentleman from California (Mr. COX) sitting to my right, the proposed chairman of this select committee, and the gentleman from Washington (Mr. DICKS), again, one of the most respected and admired Members of this House, the proposed ranking member of the Select Committee.

These two honorable gentlemen worked out a package of bipartisan improvements to the legislation that I introduced several days ago, which the Committee on Rules was pleased to incorporate during the markup. We have taken all of their suggestions so that there is nothing controversial in this resolution before us right now.

Now, Mr. Speaker and Members, every American citizen is deeply concerned about nuclear proliferation around this world, whether it be in India, whether it be in Pakistan, in North Korea, in other rogue states like Iran, Iraq and Libya. Mr. Speaker, they are concerned that in the People's Republic of China, that in the last decade has been able to develop and now deploy intercontinental ballistic missiles, according to our estimates and that of the press, 13 of the 18 are aimed at the United States of America.

Mr. Speaker, as we all know, President Clinton is fond of defending his "commerce-at-any-cost" policy toward China by saying that he is merely continuing the policy of previous Republican Presidents. Mr. Speaker, last Tuesday we heard from Richard Allen, who knows a little bit about previous Republican policy. He was in the Nixon

administration during the opening of China in 1972, whether that was right or wrong, and was National Security Adviser to President Reagan during the early years of his presidency.

Mr. Allen said that given today's changed context, and this is very, very important, given today's changed context, it is patently obvious to him that President Nixon or President Reagan or President Bush would have caused this policy to study the cumulative impact of these massive transfers of technology to a country like China.

Mr. Allen also offered this common-sense piece of wisdom that has so far eluded the Clinton administration. He said, quote, "If a policy does not work any longer, you reevaluate it, you adjust it according to those new circumstances."

Also, and this is terribly, terribly important, we heard from Jim Woolsey, who was President Clinton's first CIA director. What I found stunning about his testimony, Mr. Speaker, was the array of different materials and technologies that we have recently begun selling to China. This was his testimony: "In addition to satellites, we are now giving China aircraft machine tools that can be used to construct military aircraft; we are giving them supercomputers that can be used to build and test nuclear weapons with more accuracy than they even have today. We are giving them high-temperature furnaces that also have nuclear uses. We are giving them encryption technology and cruise missile technology," all of which is very ominous, Mr. Speaker, to the future of this country. This is absolutely incredible in light of what is going on in the world today with nuclear proliferation around this world.

Just 2 days ago a headline appeared noting that China not only continues to help Iran, but also Libya. Here is the article. This article is from the Washington Times and was repeated in the New York Times and in the Washington Post. It says, "China Assists Iran, Libya on Missile Sales."

Mr. Speaker, Libya, as Members are well aware, has nuclear weapons programs, and the assistance continues after innumerable promises by the Chinese that they have stopped these transfers.

Mr. Speaker, another headline recently was that North Korea has thumbed its nose at the Clinton administration and at this country and said that it too would continue to export its military technology, much of which has been provided by China, to its rogue friends around the world.

Mr. Speaker, we know our technology transfer policies, our non-proliferation policies, and our overall China policies are bankrupt. They have to be changed. What we do not know, Mr. Speaker, at this point is exactly how we got into this mess and whether and how all of these developments are connected.

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We also do not know the full extent of the national security damage done to the United States of America. And I pointed out, this is not just me standing here saying so, Mr. Speaker.

Here is a cartoon that appeared in a local newspaper and these are typical of cartoons appearing around the country. It is a picture of the White House and up in the corner it is President Clinton saying, "Relax, Hillary, I have convinced the Chinese to return the technology." Well, Mr. Speaker, then there is a picture of an intercontinental ballistic missile; that is the technology that is being returned to the United States of America at the White House. That is how serious this matter is.

Mr. Speaker, all of these revelations that I have alluded to have appeared in mainstream press accounts across this country and, Mr. Speaker, at this point I insert in the RECORD a series of articles from the New York Times and other publications that document what we know so far.

[From the New York Times, Apr. 4, 1998]

COMPANIES ARE INVESTIGATED FOR AID TO
CHINA ON ROCKETS

(By Jeff Gerth with Raymond Bonner)

A Federal grand jury is investigating whether two American companies illegally gave China space expertise that significantly advanced Beijing's ballistic missile program, according to Administration officials.

But the officials said the criminal inquiry was dealt a serious blow two months ago when President Clinton quietly approved the export to China of similar technology by one of the companies under investigation.

The decision was opposed by Justice Department officials, who argued that it would be much more difficult to prosecute the companies if the Government gave its blessing to the deal, the officials said.

Under investigation, the officials said, are Loral Space and Communications of Manhattan and Hughes Electronics, a Los Angeles-based division of the General Motors Corporation. The companies denied wrongdoing, but declined to discuss the investigation.

Loral has numerous business deals with China and close ties to the White House. Its chairman and chief executive, Bernard L. Schwartz, was the largest personal contributor to the Democratic National Committee last year.

Loral's vice president for government relations, Thomas B. Ross, said Mr. Schwartz had not spoken about the matter with Mr. Clinton or any other Administration official.

The Federal inquiry stems from a 1996 incident in which a Chinese rocket carrying aloft a satellite built by Loral exploded shortly after liftoff. The two companies took part in an independent review of the failure, and reported to the Chinese on what went wrong.

Those exchanges, officials believe, may have gone beyond the sharing of information that the companies had been permitted, giving the Chinese crucial assistance in improving the guidance systems of their rockets. The technology needed to put a commercial satellite in orbit is similar to that which guides a long-range nuclear missile to its target.

In February, with the investigation of this incident well under way, Mr. Clinton gave Loral permission to launch another satellite on a Chinese rocket and provide the Chinese

with the same expertise that is at issue in the criminal case, officials said.

A senior official said the Administration recognized the sensitivity of the decision, but approved the launching because the investigation had reached no conclusions and because Loral had properly handled subsequent launchings. The Administration, he said, could still take administrative action against the companies if they were found to have violated export laws in their earlier dealings with the Chinese.

Michael D. McCurry, the White House spokesman, said the launching that President Clinton approved in February "will not contribute to Chinese military capabilities" because Loral has agreed to "stringent safeguards" to prevent the unauthorized transfer of technology.

Emery Wilson, public relations manager for Hughes Space and Communications, a division of Hughes Electronics, said the company had not been notified of any Federal criminal investigation.

"In response to a letter from the State Department," Mr. Wilson said, "we conducted a thorough review and concluded that no Hughes employee had engaged in the unauthorized export of controlled technology or equipment."

The Administration has been hoping to reach a broader agreement with Beijing that would make it much easier to launch American satellites on China's rockets. Mr. Clinton is to visit China this summer in the first Presidential trip to the country since the suppression of the pro-democracy movement in the 1989 Tiananmen Square massacre.

There are huge commercial interests at stake. A host of companies, from cellular telephone networks to international television conglomerates, are waiting in line for low-cost satellites to be sent into orbit. An important bottleneck facing the companies is a shortage of rocket systems available to launch satellites.

China is eager to offer its low-cost—but not always reliable—services.

For American companies, there is a significant complication. All American satellites sent into orbit by China's rockets require Presidential approval, a waiver of the sanctions imposed after the Tiananmen massacre. Congress must be told of each waiver. Thus far, Presidents Bush and Clinton have issued 11 waivers for satellite launchings.

The policy under consideration by the Clinton Administration would end the case-by-case waivers and would treat future launchings of American satellites like any other export of sensitive technology, which require Government licenses.

Critics in Congress argue that Mr. Clinton is putting commercial interests ahead of national security. They caution that China has yet to prove it will abide by previous pledges it has made not to share missile technology with countries like Iran.

Few nations can deliver intercontinental ballistic missiles. China has lagged because, among other reasons, it lacks the guidance technology, also used for satellites, that allows multiple warheads to be sent from a single missile.

President Clinton signed the waiver to allow the Loral satellite launching on Feb. 18. The waiver states that the deal is "in the national interest."

"We are more engaged with China," Mr. McCurry said. "One area of that engagement has been commercial satellite technology, which we perceive to be in our interests as well as that of China's."

But law-enforcement officials argued against the waiver, saying the approval jeopardized their investigation because it sanctioned the export of essentially the same guidance expertise involved in the possibly

illegal transfer two years ago, Administration officials say.

Administration officials said the inquiry is focused on the events following the Feb. 15, 1996, explosion of a Chinese rocket carrying a \$200 million Loral satellite seconds after liftoff at the Xichang Satellite Launch Center in Sichuan Province, in southern China.

After the explosion, the Chinese asked two American companies to help conduct an independent study of what went wrong. The team was led by Loral and included two experts from Hughes, according to Hughes.

According to Administration officials, the American experts provided crucial data and information to the Chinese to prevent future accidents. Later, Loral gave a copy of the written report to the State Department, which licenses the export of defense-related items.

Government officials immediately began to assess whether there had been a security breach. Last year, a criminal inquiry was begun by the United States Customs Service and the Department of Justice, officials said.

Under Federal export rules, American companies are supposed to take careful precautions to safeguard classified technology when their satellites are launched by Chinese rockets.

Satellites are shipped to China in sealed containers, and only American officials can mount them in the nose cones of the launching rockets. The Commerce Department approves the export of the satellites. But the more sensitive support activities must be approved by the State Department.

That process is meant to insure tight controls over the testing, repair and maintenance of the satellite so the Chinese cannot learn related classified information.

The State Department license issued several years ago for the Loral satellite was silent on the issue of what role, if any, the American experts could play in an analysis of a failed launching.

After United States companies took part in more than one study of failed Chinese launchings, the Federal Government changed its regulations and now requires companies to obtain a separate license to take a role in any accident review, an Administration official said.

[From the New York Times, Apr. 13, 1998]

U.S. BUSINESS ROLE IN POLICY ON CHINA IS
UNDER QUESTION

(By Jeff Gerth)

In the 1992 election, many of America's aerospace manufacturers backed Bill Clinton. But when President Clinton took office, he immediately disappointed some of them on a key issue, barring them from launching their most lucrative satellites on China's low-cost rockets.

The aerospace companies' counterattack was vehement—and effective. After a lobbying campaign that included appeals to the President by C. Michael Armstrong, then the chief executive of Hughes Electronics, Mr. Clinton gradually came to take the industry's side.

But there was an important caveat: The companies had to keep a tight rein on sophisticated technology sought by the Chinese military.

So in May 1997 the Administration was jolted by a classified Pentagon report concluding that scientists from Hughes and Loral Space and Communications had turned over expertise that significantly improved the reliability of China's nuclear missiles, officials said.

The report, whose existence has been secret, prompted a criminal investigation of the companies, which officials said was undertaken this year when Mr. Clinton approved Loral's export to China of the same

information about guidance systems. Loral's chairman was the largest personal donor to the Democratic Party last year.

An examination of the Administration's handling of the case, based on interviews with Administration officials and industry executive, illustrates the competing forces that buffet Mr. Clinton on China policy. In this instance, the President's desire to limit the spread of missile technology was balanced against the commercial interests of powerful American businesses, many of which were White House allies and substantial supporters of the Democratic Party.

"From the Chinese point of view, this was the key case study on how the Administration would operate on contentious issues," an Administration expert on China said. The message, the official added, was that Administration policy on issues like the spread of weapons and human rights abuses "could be reversed by corporations."

The White House denied any political interference in the issue.

"I am certainly not aware that our policy has been influenced by domestic political considerations," said Gary Samore, the senior director for nonproliferation and export controls at the National Security Council. "From where I sit, this has been handled as a national security issue: seeking to use China's interest in civilian space cooperation as leverage to obtain nonproliferation goals."

The Administration's China policy has come under intense scrutiny in the last year. Congressional investigators have been examining whether China sought to influence policy through illegal campaign contributions to Democratic candidates in 1996. The connection, first suggested in intelligence reports and echoed by Senator Fred Thompson, the Tennessee Republican who led hearings on campaign finance, was never proved.

The handling of the satellite case raises questions about the influence of American contributors on China policy, according to officials.

2 COMPANIES TILT TOWARD DEMOCRATS

Since 1991, the aerospace industry has divided its political contributions equally between Democrats and Republicans. In the same period, however, Loral and Hughes tilted toward the Democratic Party, giving \$2.5 million to Democratic candidates and causes and \$1 million to the Republicans.

Administration officials say the contributions played no role in the decisions to permit China to launch American satellites.

"The Government has to balance risks: the risk in not letting American companies get their satellites launched by the Chinese, which would reduce our high-tech advantages, and the inherent risks of technology transfer," said James P. Rubin, the State Department spokesman.

"That's why we impose such strict safeguards, and we are determined to investigate and use our laws to prevent that possibility," Mr. Rubin said.

WAIVERS REQUIRED AFTER TIANANMEN

The criminal investigation of Hughes and Loral has its roots in 1989, when sanctions were imposed after the massacre of pro-democracy demonstrators at Tiananmen Square, requiring a Presidential waiver for satellite launchings. Eleven such waivers have been granted by President Clinton and his predecessor, George Bush.

But in late 1992, American intelligence discovered that Chinese companies had sold missile technology to Pakistan, raising tensions on the subcontinent.

In the first months of Mr. Clinton's Presidency, Democrats and Republicans in Congress pressed the Administration to take action. Mr. Clinton responded with sanctions that barred American companies from send-

ing military goods to any of the Chinese concerns involved in the Pakistan deal.

The move had the effect of halting several pending and future American satellite deals because the Chinese rocket-launching company was one of those under sanctions.

Mr. Armstrong of Hughes, a subsidiary of the General Motors Corporation, wasted no time in getting the President's attention. He wrote two blunt letters in September and October 1993 that reminded Mr. Clinton of his support for several Presidential policy initiatives like the North American Free Trade Agreement, officials said.

He bemoaned his company's loss of business to foreign competitors and requested Mr. Clinton's personal involvement. Hughes's biggest loss, the company says, was the opportunity for a joint satellite manufacturing plant in China, which the Chinese awarded to a European competitor.

CLINTON CONFRONTS DEPARTMENT TUSSLE

A key issue was whether Hughes satellites were civilian or military, a murky question in the export control laws. If the satellites were labeled commercial, the sanctions invoked over the Pakistan deal did not apply. Mr. Armstrong told Mr. Clinton, officials said, that Hughes satellites should not be considered military because their technology did not have military applications.

Soon after the letters, Mr. Clinton assured Mr. Armstrong in an open meeting that he was trying to resolve the tussle between the State Department, which licensed military exports and wanted to keep authority over satellites, and the Commerce Department, which licensed all other exports and was on the side of the satellite industry.

"I'm trying to get on top of this to decide what to do," Mr. Clinton told Mr. Armstrong.

At about the same time, the Administration gave signals that it was moving toward the industry's position. After one signal, Mr. Armstrong sent a letter to a senior White House official relaying a positive reaction from Chinese officials, White House officials said.

In early January 1994, the President sent another positive signal—what Hughes officials then called a "a good first step." Three satellites were labeled as civilian, including one slightly modified Hughes satellite, which allowed their launchings to proceed.

Mr. Clinton's decision helped the industry. But the satellite makers wanted a broader decision that made the Commerce Department the primary licensing authority for virtually all satellites. The Commerce Department weighs the economic consequences when it considers an export license. The State Department looks at security concerns.

In 1994, Loral's chairman and chief executive, Bernard L. Schwartz, went to China with Commerce Secretary Ron Brown. Mr. Brown helped Loral close a mobile telephone satellite network deal in Beijing.

A few weeks later, the President's top political aide, Harold Ickes, wrote a memo to Mr. Clinton in which he said Mr. Schwartz "is prepared to do anything he can for the Administration."

In December 1994, the President selected Mr. Armstrong to head his Export Council.

And the sanctions stemming from the Pakistan sale were lifted in late 1994 as China promised to curb missile sales to other countries.

Still, the satellite industry had not achieved a major objective. So in 1995, Mr. Armstrong sent another letter to Mr. Clinton, signed by Mr. Schwartz, arguing that the Commerce Department should become the primary licensing authority for satellite exports, an industry executive said. (Mr.

Armstrong, who recently became the chief executive of AT&T, declined through a spokeswoman to comment.)

The debate not only affected national security but also had enormous commercial implications. The businesses that rely on satellites are highly competitive, and European companies were more than willing to take advantage of China's low-cost services. Without the Chinese, American companies faced long waits to get their satellites sent into orbit because of a shortage of rockets. Satellite technology is crucial to an increasing number of businesses, from cellular telephone networks to global broadcast conglomerates.

CHINESE ROCKET FOR LORAL CRASHES

Finally in March 1996, Mr. Clinton shifted major licensing responsibilities for almost all satellites to the Commerce Department. The State Department retained control over a few highly sophisticated satellites as well as any sensitive support activities, or technical assistance, in connection with civilian satellites.

The industry and the Chinese applauded the action. But the events that followed a failed launching in China immediately raised questions about whether the new policy sent a wrong signal.

On Feb. 15, 1996, a Chinese rocket carrying a \$200 million Loral satellite crashed 22 seconds after liftoff at the Xichang Satellite Launching Center in southern China.

Chinese officials needed to figure out what went wrong. By April an outside review commission, headed by Loral, was assembled to help the Chinese study the accident. It included two scientists from Hughes.

On May 10, the commission completed a preliminary report, based on over "200 pages of data, analysis evaluation and reports," documents show. It found that the cause of the accident was an electrical flaw in the electronic flight control system.

But the report, which was promptly shared with the Chinese, discussed other sensitive aspects of the rocket's guidance and control systems, which is an area of weakness in China's missile programs, according to Government and industry officials.

The State Department learned about the report and made contact with Loral.

Loral, in what officials said was a cooperative effort, provided the review commission's report and a long letter explaining what happened. Loral told other commission members, including the two Hughes scientists, to retrieve all copies of the report because of the serious security concerns of the Government, officials said.

But the two Hughes employees believed that there was no legal obligation to comply with the request, officials also said. In late May, Hughes received a letter from the State Department charging that the transfer of information was a violation of the arms export control laws, according to officials. Loral received no such letter.

One year later, the Pentagon completed its damage assessment of the incident. It concluded, officials said, that "United States national security has been harmed."

The Pentagon report prompted a criminal investigation into Loral and Hughes by the Justice Department and the Customs Service. The companies say their employees have acted properly, but they decline to discuss the matter.

One key issue is whether the data turned over to the Chinese required a State Department license and, if so, whether the company officials were aware of that fact. The criminal inquiry has found evidence that several days before the review committee had its first meeting with Chinese officials, Loral executives were told by their security advisers that any sharing of information required

a State Department license, according to Administration officials. Loral never sought a license, but it may have sounded out the State Department.

An industry official said Loral had immediately told the State Department about the review commission meeting with the Chinese but had received no reply.

MORE HIGH-TECH DATA EXPORTED RECENTLY

Whatever the evidence, criminal charges may never be brought because Mr. Clinton approved the export to China by Loral of similar satellite guidance information two months ago. He acted despite the strong opposition of the Justice Department, whose officials argued that the approval would seriously undercut any criminal case.

The required notice to Congress by the President of his action was sent during a recess.

Administration officials say the decision was politically sensitive but correct because no wrongdoing had been proven and Loral had subsequently acted responsibly.

Since the inquiry began, Beijing and Washington have been exploring even more space cooperation.

Last fall President Jiang Zemin visited the United States and stopped at a Hughes site to talk about satellites. In advance of Mr. Clinton's trip to China in June, the Administration is seeking a broader agreement with Beijing on space cooperation.

But the chairman of the House International Relations Committee, Benjamin A. Gilman, Republican of New York, says the Administration should provide a "thorough review" of the Hughes-Loral case to Congress before it goes ahead with a plan to expedite approvals for American satellite launchings by China.

[From the New York Times, May 15, 1998]

DEMOCRAT FUND-RAISER SAID TO DETAIL
CHINA TIE

(By Jeff Gerth)

(This article is based on reporting by Jeff Gerth, David Johnston and Don Van Natta and was written by Mr. Gerth.)

A Democratic fund-raiser has told Federal investigators he funneled tens of thousands of dollars from a Chinese military officer to the Democrats during President Clinton's 1996 re-election campaign, according to lawyers and officials with knowledge of the Justice Department's campaign finance inquiry.

The fund-raiser, Johnny Chung, told investigators that a large part of the nearly \$100,000 he gave to Democratic causes in the summer of 1996—including \$80,000 to the Democratic National Committee—came from China's People's Liberation Army through a Chinese lieutenant colonel and aerospace executive whose father was Gen. Liu Huaqing, the officials and lawyers said.

General Liu was then not only China's top military commander but also a member of the leadership of the Communist Party.

Mr. Chung said the aerospace executive, Liu Chao-ying, told him the source of the money. At one fund-raiser to which Mr. Chung gained admission for her, she was photographed with President Clinton.

A special adviser to the White House counsel, Jim Kennedy, said today, "We had no knowledge about the source of Mr. Chung's money or the background of his guest. In hindsight it was clearly not appropriate for Chung to bring her to see the President."

Mr. Chung's account, coupled with supporting documents like bank records, is the first direct evidence obtained by the Justice Department that elements of the Chinese Government made illegal contributions to the Democratic Party. Under American law, foreign governments are prohibited from contributing to political campaigns.

While the amount described is a tiny part of the \$194 million that Democrats raised in 1996, investigators regard the identification of Ms. Liu as a breakthrough in their long search for confirmation of a "China Plan." The hunt was prompted after American intelligence intercepted telephone conversations suggesting that Beijing considered covertly influencing the American elections.

Senator Fred Thompson, Republican of Tennessee and chairman of the Senate committee investigating campaign finance, sought evidence of the plan, but Mr. Chung's account did not come until the committee issued its report this year. Tonight, the Federal Bureau of Investigation briefed Senate staff members about Mr. Chung's cooperation, according to officials.

Mr. Chung, a Southern California businessman, began cooperating with investigators after he pleaded guilty in March to campaign-related bank and tax fraud. He is the first defendant in the Justice Department inquiry to agree to cooperate.

It is not clear whether other Chinese officials or executives were involved in the purported payments by Ms. Liu, or what her motivation or the Chinese military's might have been. At the time, President Clinton was making it easier for American civilian communication satellites to be launched by Chinese rockets, a key issue for the Chinese army and for Ms. Liu's company, which sells missiles for the military and also has a troubled space subsidiary.

The President's decision was valuable to Ms. Liu because it enabled her company to do more business with American companies, but it has also been sought by American aerospace corporations, including Loral Space and Communications and the Hughes Electronics Corporation, a subsidiary of the General Motors Corporation, seeking to do more business in China. It is not known, however, whether anyone in the Democratic Party or the Clinton Administration had reason to suspect the source of the contributions from Mr. Chung.

A lawyer for Mr. Chung, Brian A. Sun, declined to comment on his client's conversations with investigators, citing his client's sealed plea agreement with the Justice Department. "I'm shocked that sources at the Justice Department would attribute anything like that to my client."

Mr. Chung has denied being an agent of the Chinese Government. "Nor did Mr. Chung ever try to lobby the American Government on any type of issue involving technology or anything else," Mr. Sun said.

A National Security Council spokesman, Eric Rubin, said, "It is ludicrous to suggest there was any influence on the determination of U.S. policy on this matter." He said he did not know whether any executives from Ms. Liu's company expressed an interest in the issue.

Ms. Liu did not return a message left with her office today.

Mr. Chung's revelations have opened an avenue of inquiry leading in a diplomatically sensitive direction: next month, Mr. Clinton goes to Beijing, where he hopes to announce increased space cooperation between China and the United States.

A representative of the Chinese Government denied that Beijing was behind the purported contributions. "China has always abided by the laws and regulations in this country," said Yu Shu-ning, a press counselor for the Chinese Embassy. "We have nothing to do whatsoever with political contributions in this country."

Mr. Chung, an American who was born in Taiwan, owned a floundering facsimile company in Torrance, Calif. He became involved with the Democratic Party in early 1995 through Asian-American contacts at the

White House and was known for trying to use his connections in Washington with Chinese Government officials and executives.

Despite being labeled a "hustler" by one Presidential aide in 1995, Mr. Chung managed to visit the White House at least 49 times. He and his company contributed \$366,000 to the Democratic National Committee—most of it before he met Ms. Liu. The full amount was later returned after questions were raised about Democratic fund-raising.

A Democratic National Committee spokesman, Richard W. Hess, said, "We did not know and had no way of knowing the source of his funds."

Mr. Chung met Ms. Liu in June 1996 in Hong Kong. She was not only a lieutenant colonel in the military, but a senior manager and vice president in charge of international trading for China Aerospace International Holdings Ltd., according to the company's 1996 annual report.

The company is the Hong Kong arm of China Aerospace Corporation, a state-owned jewel in China's military industrial complex with interests in satellite technology, missile sales and rocket launches.

Ms. Liu's father, General Liu, was China's senior military officer, and as vice chairman of the powerful Central Military Commission was in charge of China's drive to modernize the People's Liberation Army by selling weapons to other countries and using the hard currency to acquire Western technology. In that role, he oversaw his country's missile deals.

In addition, General Liu was a member of the Standing Committee of the Politburo of the Communist Party, the very top circle of political leadership in China. He retired from his official positions last fall at the time of the Party's 15th Congress.

China Aerospace sells satellites, launches them and owns a large part of a Hong Kong satellite operator, but the financial viability of many of these ventures depends on American satellites. In 1996 President Clinton made it easier for American satellites to be launched by Chinese rockets. The decision was announced in March but due to delays did not take effect until election day.

As Ms. Liu began her relationship with Mr. Chung, her company and father were trying to fix China's troubled rocket program. That spring, China Aerospace had brought in outside experts, including officials from Hughes and Loral to help analyze why a launch the previous February had failed. The Pentagon later concluded that the outside review harmed American national security by advancing China's rocket and missile capabilities. Both companies denied wrongdoing.

In 1991 and 1993 the United States barred all American companies from doing business with two China Aerospace units that had made illegal missile sales to Pakistan. In each instance, Mr. Liu was assistant to the president of the sanctioned company.

Writing about who in China may have benefited from the 1991 missile deal, former Secretary of State James A. Baker 3d, in his memoirs, said, "In all probability, several senior government and party officials or their families stood to gain from the performance of those contracts."

The missile deals were part of General Liu's strategy of selling Chinese weapons to other countries to raise money to acquire Western technology.

"Liu was a proponent of P.L.A. modernization who was very much interested in obtaining Western technology," said retired Rear Adm. Eric A. McVadon, the American defense attache in Beijing in the early 1990's. He said Mr. Liu constantly rebuffed American concerns about China's weaponry sales.

Those concerns were front and center in 1996, when General Liu was still in charge of

the P.L.A. They included China's sale of missiles to Iran and of nuclear equipment to Pakistan, as well as its own bellicose military maneuvers near Taiwan.

Ms. Liu, Mr. McVadon recalled, was a "gladhandler" who "brokered deals." In 1990 she was granted a visa to visit the United States as a representative of a China Aerospace subsidiary.

At the first meeting between Mr. Chung and Ms. Liu in June 1996, Mr. Chung is said to have told investigators, Ms. Liu told him she was interested in again visiting the United States. Soon learning that Mr. Chung could arrange meetings with the President, she expressed an interest in meeting Mr. Clinton.

Mr. Chung helped Ms. Liu obtain a visa on July 11, 1996, according to a law-enforcement official. Five days later, he wrote the Democratic National Committee that he wanted to bring Ms. Liu and a Chinese medical executive to a July 22 fund-raising dinner to be held at the Brentwood, Calif., home of the financier Eli Broad.

Both of his guests' names were placed on the guest list after Mr. Chung wrote a check for \$45,000 to the Democratic National Committee on July 19. A week later, Mr. Chung set up a California corporation for Ms. Liu and himself, records show.

Ms. Liu arrived in Los Angeles on July 21, and the next day Mr. Chung accompanied her to two fund-raising events attended by Mr. Clinton, according to a law-enforcement official. The first was an early evening \$1,000-per-plate gala at the Beverly Hilton.

Later that night, Mr. Chung and Ms. Liu attended a \$25,000-per-couple dinner at Mr. Broad's home that raised more than \$1.5 million for the Democrats. The President was photographed with Ms. Liu, a routine courtesy at such events.

Mr. Sun, Mr. Chung's lawyer, said, "I don't think she was any different from any of his business contacts—they thought Johnny was influential and someone they would like to know as they furthered their business dealings in the United States."

The previous year, photos from another Chung visit with Mr. Clinton had caused a problem. The President had expressed concerns about some of Mr. Chung's Chinese business clients—unrelated to Ms. Liu—whom the fund-raiser brought to a March 1995 radio address by Mr. Clinton.

Mr. Clinton's director of Oval Office operations, Nancy Herrreich, in testimony taken by Senate investigators, said Mr. Clinton told her later the visit shouldn't have happened. She took that to mean that Mr. Clinton thought Mr. Chung's clients were "inappropriate foreign people."

[From the New York Times, May 17, 1998]

HOW CHINESE WON RIGHTS TO LAUNCH SATELLITES FOR U.S.

(By Jeff Gerth and David E. Sanger)

On Oct. 9, 1995, Secretary of State Warren Christopher ended a lengthy debate within the Clinton Administration by initialing a classified order that preserved the State Department's sharp limits on China's ability to launch American-made satellites aboard Chinese rockets.

Both American industry and state-owned Chinese companies had been lobbying for years to get the satellites off what is known as the "munitions list," the inventory of America's most sensitive military and intelligence-gathering technology. But Mr. Christopher sided with the Defense Department, the intelligence agencies and some of his own advisers, who noted that commercial satellites held technological secrets that could jeopardize "significant military and intelligence interests."

There was one more reason not to ease the controls, they wrote in a classified memorandum. Doing so would "raise suspicions that we are trying to evade China sanctions" imposed when the country was caught shipping weapons technology abroad—which is what happened in 1991 and 1993 for missile sales to Pakistan.

The Secretary of State's decision to keep satellites on the munitions list, making it harder for them to be exported, did not stand for long. Five months later, President Clinton took the unusual step of reversing it.

Control of export licensing for communications satellites was shifted to the Commerce Department, then run by Ronald H. Brown, who was deeply interested in promoting American businesses overseas and had been one of the Democratic Party's key fund-raising strategists. Several licenses have since been approved.

A reconstruction of Mr. Clinton's decision to change the export control rules, based on interviews and documents, shows that it followed a turf war between the State and Commerce Departments, and a broader debate over how to balance America's security concerns and commercial competition in the hottest of all the emerging markets.

It also illustrates the intersection of the interests of both large American donors and surreptitious foreign donors to the 1996 campaign.

Both American satellite makers and the Chinese were delighted with the decision because the Commerce Department has dual responsibilities: licensing sensitive exports and promoting sales of American goods around the world.

One of the beneficiaries of that decision, it now turns out, was China Aerospace because its rockets could launch American satellites. An executive of the state-owned Chinese company, Liu Chaoying, is said to have provided tens of thousands of dollars from Chinese military intelligence to the Democratic Party in the summer of 1996.

Ms. Liu's involvement was described to Federal investigators recently by Johnny Chung, a Democratic fund-raiser who says he took \$300,000 from Ms. Liu—who is also a lieutenant colonel in the Chinese military—and donated almost \$100,000 of it to Democratic causes, apparently keeping the rest for his businesses.

President Clinton's decision was announced in March 1996, several months before the donations were made. But the actual change was delayed until the fall.

The White House said it did not know the source of Mr. Chung's donations and denies that the decision was influenced by campaign donations, domestic or foreign.

"This was motivated by competitiveness and streamlining bureaucracy concerns, and nothing else," Samuel R. Berger, Mr. Clinton's national security adviser, said in an interview two weeks ago.

On Friday, Mr. Berger's spokesman, Eric Rubin, said the decision was also part of the Administration's China policy, and specially its effort to encourage China to clamp down on military exports.

"On many occasions, this was discussed with the Chinese Government because we believe that policy on satellite licenses is one of the tools we have to strengthen our non-proliferation policy," Mr. Rubin said.

Mr. Clinton's decision took place after months of tension with Beijing.

In January reports of China's export of nuclear technology to Pakistan and missiles to Iran caused considerable concern in Congress and the Pentagon. In early May, two months after Mr. Clinton reversed the Secretary of State, the Administration said China had agreed to curb its missile and nuclear exports. But that announcement was greeted

with considerable skepticism by Republican critics, including Bob Dole, who was well on the way to getting the nomination for President.

During the campaign, the Republicans attacked Mr. Clinton for failing to curb China's sales of nuclear and missile technology to other countries.

The satellite decision in March was one element of the Administration's "carrot-and-stock-approach to working with China," said James Lilley, a former United States Ambassador to Beijing.

But in the way business and diplomacy mix in Washington's dealings with China, the decision also resonated in boardrooms on both sides of the Pacific. It satisfied the commercial interests of the American aerospace industry, which had long sought access to China's low-cost ability to launch satellites into space, aboard rockets called the Long March.

And it bolstered China's own commercial interests. Ms. Liu's parent company, China Aerospace, owns a large piece of a Hong Kong satellite operator. It also owns the China Great Wall Industry Corporation, the rocket company that launches both private satellites and tests and provides equipment for the missiles in China's nuclear arsenal. It was Great Wall that the State Department sanctioned in 1991 and 1993 for selling missiles to Pakistan.

Other powerful Chinese state enterprises also had multibillion-dollar stakes in getting access to American satellites. Among them was the China International Trade and Investment Corporation, whose chairman, Wang Jun, gained unwanted attention in the United States last year when it was revealed that he attended one of Mr. Clinton's campaign coffee meetings in the White House. The day of Mr. Wang's visit, Mr. Clinton, in what Mr. Rubin said was a coincidence, signed waivers allowing the Chinese to launch four American satellites—though they were unrelated to the business interests of China International Trade.

"Any suggestions that these decisions were influenced by Wang Jun's presence in the U.S. is completely unfounded," Mr. Rubin said.

It is not known what motivated Ms. Liu or the Chinese military to make the donations. Ms. Liu's father, Gen. Liu Huaqing, was not only China's highest military officer but a member of the leadership of the Communist Party.

The White House and the Democratic National Committee deny any knowledge of the source of Mr. Chung's \$266,000 in donations, most predating his connection with Ms. Liu, and all of which was returned.

But there is no doubt that American companies—partners and suppliers of China International Trade and China Aerospace—put enormous pressure on the White House. They were also important campaign contributors. For example, the chief executive of Loral Space and Communications gave \$275,000 between November 1995 and June 1996 to the Democrats.

THE PRECURSOR: A LOBBYING EFFORT TO PERSUADE BUSH

China's drive to obtain a steady stream of satellite technology from the United States preceded the Clinton Administration's arrival in Washington.

In 1990, just a year after the killings at Tiananmen Square, officials from China Aerospace and the Chinese Government approached Mr. Lilley, the American Ambassador, pressing for President Bush to waive restrictions enacted in the aftermath of Tiananmen that barred China from launching American satellites.

"They hit me very hard," Mr. Lilley recalled recently. "It was a prestige national

program. It was putting China on the map as the big space country of the 21st century."

Mr. Bush, who became America's first permanent representative in Communist China in 1974, granted a waiver that allowed a launching on one of China's Long March rockets. In 1992, a number of Senators—including Al Gore, then still a Senator from Tennessee—wrote to the Bush Administration warning that China was using the launchings to "gain foreign aerospace technology that would be otherwise unavailable to it."

In the last days of the 1992 Presidential campaign, Mr. Gore made the waivers an issue, contending that President Bush "has permitted five additional American-built satellites to be launched by the Chinese."

"President Bush really is an incurable patsy for those dictators he sets out to coddle," Mr. Gore said in a speech at the Goddard Space Flight Center in Greenbelt, Md.

THE ARGUMENT: BUSINESS LEADERS PRESSURE CLINTON

Almost as soon as Mr. Clinton took office, business leaders began their campaign to drastically change his views about China.

Both Chinese and American companies were working to get satellites off the State Department's munitions list. The rules for exporting goods that are on the list are particularly tough. Congress must be notified 30 days in advance. Moreover, the State Department considers only nonproliferation issues and defers to the Pentagon's judgments.

In contrast, the Commerce Department's export-control administration solicits a host of views and must weigh the effects of its decisions on America's competitive position.

Mr. Christopher's aides also noted in their 1995 classified memorandum that "U.S. firms remain concerned there could be additional sanctions imposed on China precluding future munitions licenses," exactly the kind of sanctions that had been only recently lifted for China Aerospace's subsidiaries.

And there was a lot at stake: an estimated 14 commercial communications satellite launchings a year worldwide, costing several hundred million dollars apiece.

"The business community regarded the inclusion of civilian satellites on the munitions list as an insult," said William A. Reinsch, the Under Secretary of Commerce for export control, who fought Mr. Christopher's decision. "We're the only country that treats them that way."

The Chinese also understood that they had a huge stake in the outcome of the decision. Zuoyi Huang, president of the California subsidiary of China Great Wall, a part of the China Aerospace empire, said in an interview that his company was eager for any changes that would insure easier access to American technology.

"The license takes time," he said. "You have to get a waiver from the President. The customers can't wait. It's just pure commercial use. It's not a military threat to the United States."

THE REVIEW: A DECISION AGAINST AND A QUICK APPEAL

The arguments came to a head in 1995. C. Michael Armstrong, then the chief executive of Hughes Electronics and newly chosen as the head of President Clinton's export council, asked to meet Mr. Christopher. He urged that satellites, which his company produces, no longer be treated as military goods.

The Secretary of State promised that he would conduct a detailed review in consultation with the Department of Defense, the C.I.A. and the National Security Agency and the Department of Commerce.

But the majority of the interagency group quickly found itself at odds with the aerospace industry. A major issue was how to

protect encryption equipment, which is built into a satellite and interprets instructions from ground controllers who manipulate the satellite once it is in orbit. Similar devices are used to communicate with American spy satellites, and the Pentagon and intelligence agencies worried that anyone who could crack the code could take control of the satellites themselves.

On Aug. 17, 1995, a memorandum prepared for the interagency group noted that the chief executive of a satellite company told Mr. Christopher that "once it is embedded in the satellite, the encryption device has no military significance." Thus, the industry argued, there was little risk that the Chinese would get their hands on the encryption devices—especially because American military officials are supposed to watch the satellites with care when they are in Chinese hands.

But, the memorandum went on, "the national security position" is that "the nature of the device itself," not its location, "should be used to determine whether it must be controlled as a military item."

The encryption issue was one of the main reasons the interagency group—over the objections of the Commerce Department—recommended that satellites remain on the munitions list. Mr. Christopher concurred. Soon after Mr. Christopher put his initials on the decision memorandum, Commerce Secretary Ronald H. Brown appealed the decision to the President.

THE TURNAROUND: THE COMMERCE DEPT. WINS A TURF BATTLE

The debate surrounding the appeal did not heat up for four months. The nature of the arguments that went to the White House is still unclear: many of the documents remain classified. But those that have been reviewed by The New York Times show that the White House and the Commerce Department began communicating again about the issue on Feb. 8, 1996, two days after President Clinton broke a backlog of applications for launchings by China, by approving four of them that day.

Mr. Clinton signed those waivers the same day that Wang Jun, the man who was often referred to during the campaign finance investigations as a "Chinese arms dealer," visited Washington. His company, the China International Trade and Investment Corporation, has a multibillion-dollar stake in one of Hong Kong's largest satellite companies.

That same day, Mr. Wang met with Mr. Brown, at his expansive office in the Commerce Department. And that evening, Mr. Wang attended a coffee at the White House, an event Mr. Clinton later called "clearly inappropriate." Others at the coffee said Mr. Wang never spoke during the session.

By mid-February, for reasons that are still murky, there seemed to be some urgency at the White House to decide whether to reverse Mr. Christopher's decision, shifting satellite export licensing to the Commerce Department.

A Feb. 15 State Department memorandum talks about speeding up the process because "the Administration wanted to wrap this up."

In the end, the State Department relented. Participants in the final debate said that the President concluded that the technology could be protected through the Commerce Department, just as the department protects supercomputers and other sensitive technologies.

The President's decision was announced on March 14. Commerce officials, who had just won one of Washington's nastiest turf wars, were jubilant.

"Good news," officials were told by E-mail. The electronic message went on to rec-

ommend a "low key" spin on the news that would "not draw attention to the decision."

Internal Commerce Department documents show that officials were anticipating questions from reporters and Congress about whether the decision represented an effort to ease technology transfers to China and remove items from sanctions—some of the same concerns that figured in Mr. Christopher's decision.

In the days preceding the announcement, China had raised tensions with its Asian neighbors and the United States to new heights, firing M-9 ballistic missiles, which carried dummy warheads, into target zones 30 miles off the shore of Taiwan.

The March 14 announcement said that regulations putting into effect the President's decision would be issued within 30 days. But the bureaucratic infighting continued.

Finally, the State Department issued the regulations shifting most satellite licensing to the Commerce Department.

They were published on Nov. 5, 1996, the day President Clinton was re-elected.

Correction: A chart last Sunday about China's effort to win the right to launch American satellites referred incorrectly to the message conveyed in September and October 1993 to President Clinton by Michael Armstrong, the chief executive officer of the Hughes Electronics Corporation, an American maker of communications satellites. Mr. Armstrong, in letters to Mr. Clinton, complained that State Department sanctions against Chinese missile companies hurt his business; he did not mention the China Aerospace Corporation specifically.

Between 1993 and 1996, the Clinton Administration dropped its sanctions on China Aerospace, a state-owned Chinese company, for selling missiles to Pakistan and gave the company permission to launch private United States communications satellites, despite some lingering concerns in the Administration about security.

August 1993—State Department imposes economic sanctions against subsidiaries of Beijing-based China Aerospace for selling missiles to Pakistan. The sanctions bar American companies from doing business with the concerns.

Sept.-Oct. 1993—Michael Armstrong, the chief executive of Hughes Electronics Corp., tells the President the sanctions hurt his company because China Aerospace is a low-cost launcher of satellites.

Nov. 1993—The Administration signals it might ease satellite licensing procedures and Mr. Armstrong relays to the White House an encouraging reaction from his contacts in China.

April 1995—Secretary of State Warren Christopher begins an interagency review of restrictions on the export of communications satellites at Mr. Armstrong's urging. The companies want to see responsibility for the issue shifted to the Commerce Department.

Oct. 9, 1995—Following the recommendation of the Pentagon, intelligence agencies and his advisers, Mr. Christopher keeps satellites under the purview of the State Department. The Commerce Department appeals this decision to President Clinton.

Feb. 6, 1996—With the relations between the United States and China tense over Beijing's military operations and sales, President Clinton approves the launch of four American satellites by Chinese rockets.

Mid-February 1996—The White House revives the effort to ease restrictions on satellite exports, reviewing anew Mr. Christopher's decision.

March 8-15, 1996—China conducts missile tests near Taiwan, signalling its displeasure over talk of Taiwanese independence during Taiwan's elections.

March 14, 1996—In a low-key announcement, the Administration says that Mr. Clinton has shifted responsibility for communications satellites to the Commerce Department. Regulations, it says, are to be issued in 30 days.

May 3, 1996—Three top satellite executives write to Mr. Clinton complaining about the delay in issuing the regulations.

Nov. 5, 1996—The State Department publishes the new regulations in the Federal Register. President Clinton is re-elected.

[From the New York Times, May 19, 1998]
SATELLITE MAKER GAVE REPORT TO CHINA
BEFORE TELLING U.S.

(By Jeff Gerth)

WASHINGTON.—A leading American satellite maker acknowledged for the first time Monday that a committee headed by one of its top executives provided a report in 1996 to the Chinese on a failed Chinese rocket, without first consulting federal officials, and contrary to the company's own internal policies.

But the company, Space Systems/Loral, a subsidiary of Loral Space and Communications, based in Manhattan, said it "does not believe any of its employees dealing with China acted illegally or damaged U.S. national security." The company issued a two-page statement, which it called a "fact sheet."

In the statement, Loral said it was cooperating with the Justice Department, which is investigating whether sensitive technological information was passed to the Chinese during industry reviews of an accidental explosion of a Chinese rocket seconds after liftoff in February 1996.

The criminal inquiry is focusing on whether officials from Loral and other companies who participated in the review violated American export control laws.

Loral maintained Monday that no secret or sensitive information was conveyed to the Chinese. But a classified Pentagon study concluded the review had helped Chinese missile capabilities and harmed American security, administration officials said. The Pentagon study prompted the Justice Department's inquiry.

In recent days, the Clinton administration's policies on Chinese-launched American satellites have come under intense scrutiny because of information that a Chinese military officer had funneled nearly \$100,000 into Democratic campaign committees during President Clinton's re-election campaign.

The New York Times has reported that lawyers and officials have said that Johnny Chung, a fund-raiser, provided information to federal investigators about the Chinese officer, Lt. Col. Liu Chaoying, who was a senior Hong Kong executive for China Aerospace, the Chinese conglomerate whose rocket exploded with a Loral satellite in 1996.

The information provided by Chung, which followed his pleading guilty to campaign-related bank and tax fraud charges, has reignited Republicans' zeal to investigate whether the Chinese government tried to influence Clinton administration policy.

Speaker Newt Gingrich is considering creating a special select committee to investigate the transfer of advanced space technology to China, and House Republicans are threatening to attach amendments to the Pentagon's budget bill later this week that would bar the sale of commercial satellites and technology to China.

Loral's statement Monday said that "no political favors or benefits of any kind were requested or extended, directly or indirectly, by any means whatever."

It also said that the company's chairman, Bernard Schwartz, who has been one of the

largest individual Democratic Party donors in the last few years, "was not personally involved in any aspect of this matter."

In outlining its involvement with the Chinese rocket, Loral's statement said insurance companies asked Loral and other satellite concerns, including the Hughes Electronics Corp., to review the results of an accident investigation done by the Chinese.

The outside review was headed by a senior executive at Space Systems/Loral. The review committee's report shows that the senior Loral executive had been requested by the president of China Aerospace, which controls China's satellite and space enterprises.

In the end, the review committee affirmed what the Chinese found: "that a failed solder joint was the most likely cause of the failure," Loral said Monday.

Loral also said that while the 1996 review was under way, unidentified Loral officials "discussed the review committee's work with a number of U.S. officials interested in China's space program." But the company acknowledged that it had not followed its own procedures.

"Contrary to SS/L's own internal policies, the committee provided a report to the Chinese before consulting with State Department export licensing authorities," Loral said without elaborating.

The company has privately told investigators in a report that Loral's security advisers had told the company to seek State Department approval before talking to the Chinese but those instructions were not followed, industry executives and federal officials said.

Loral has private conceded another mistake: ignoring license conditions that required Pentagon monitors during the transmission of any information, the executives and officials said.

Last February, President Clinton approved the Chinese launch of another Loral satellite. That license, according to American officials, explicitly requires separate government approval to participate in any accident review and contains stringent safeguards against transfer of any technology. Administration officials have said that being under investigation was insufficient grounds to deny Loral a license.

But the Justice Department opposed the recent presidential approval for Loral's license, officials said. Department lawyers feared that the approval would undercut the viability of a criminal case—if one were to go forward—by creating the appearance for a jury of government support for Loral's previous conduct.

Law-enforcement officials also had initial concerns about some of the licensing language, but those concerns appear to have been allayed as the inquiry is going forward, officials said.

The expertise needed to put satellites into orbit is similar to that used to deliver nuclear warheads. The overlapping commercial and military uses lie at the heart of both the criminal inquiry and congressional concern about Clinton's policies on satellite launches in China.

On Capitol Hill Monday, senior Republicans continued to call for a broad investigation into whether the transfer of space technology to China threatened United States security.

Gingrich Monday called on Clinton to delay his trip to China in June.

The Speaker is also proposing the creation of a special committee, with five Republicans and three Democrats, and headed by Rep. Christopher Cox, R-Calif., who served as deputy counsel in the Reagan administration, said Christina Martin, Gingrich's spokeswoman.

"The purpose would be to assess whether U.S. policy was affected by Communist Chinese efforts," Ms. Martin said.

But Rep. Richard A. Gephardt of Missouri, the House democratic leader, argued that the House had several standing committees that could handle the task.

[From the New York Times, June 1, 1998]
THE WHITE HOUSE DISMISSED WARNINGS ON
CHINA SATELLITE DEAL

(By Jeff Gerth and John M. Broder)

WASHINGTON.—The caution signs made it evident that the application by Loral Space & Communications to export a satellite to China earlier this year was anything but routine.

Justice Department prosecutors warned that allowing the deal could jeopardize possible prosecution of the company for an earlier unauthorized technology transfer to Beijing. The Pentagon reported that Loral had provided "potentially very significant help" to China's military rocket program. And senior White House aides cautioned that the deal was certain to spark opposition from critics of the Administration's nonproliferation and human rights policies toward China.

But the White House pressed ahead, concerned about the financial costs to Loral of delaying approval of the deal and certain that it could defend the decision against subsequent criticism.

Rarely is the public given a detailed look inside the White House decision-making process on a matter of national security as sensitive as the export of a satellite to China. These records ordinarily remain sealed for years, buried under the Government's strict regime of secrecy.

But documents produced by the White House 10 days ago in response to a demand from Congress provide an unusually rich account of the evolution of a Presidential decision in which numerous warning signals were raised and then dismissed.

According to the records, the February decision by President Clinton to approve the Loral satellite launching was treated as an urgent matter not because of its importance to the national security, but because the company was facing heavy fines for delay.

Concerns about European competition for the satellite business and fears that denying the deal would damage the United States-China relationship overrode words of caution from other Government agencies.

The presumption throughout was that the deal would be approved, as had 19 previous applications under Presidents Clinton and Bush. The documents reflect the White House staffs search for a defensible rationale for the decision.

Federal and Congressional investigators are now examining what led the President to risk political embarrassment by creating the perception that he might be letting Loral—headed by the Democratic Party's largest campaign contributor—off the hook in a serious criminal inquiry into whether Loral executives helped China's missile program.

DECISION TRACED TO A SATELLITE CRASH

Samuel R. Berger, the national security adviser, had a preemptive answer in the decision memorandum he forwarded to the President on Feb. 12. The memo briefly noted the Justice Department's concerns and referred to the possibility that Loral might have significantly aided China's military rocket program.

But he urged the President to approve the deal regardless.

"In any case," Berger wrote, "we believe that the advantages of this project outweigh this risk, and that we can effectively rebut criticism of the waiver."

Clinton approved it with his distinctive backward check mark six days later.

Since 1989, the export of American satellites for launching on Chinese rockets has

been suspended as a result of sanctions imposed after the killings in Tiananmen Square. A deal can go forward only if the President concludes that the export is in the national interest and issues a waiver.

President Bush approved all nine waiver requests that reached this desk; President Clinton routinely followed the practice in his first four years in office, signing 10 waivers with little internal debate or external controversy.

But the waiver Clinton signed on Feb. 18 was not routine. The roots of his unusual decision trace back two years when a Chinese rocket carrying a Loral satellite crashed into a village seconds after liftoff, killing and injuring dozens of civilians.

A few months later, Loral led an outside review team to help the Chinese figure out what had happened. The company says its officials did nothing wrong. But Loral also acknowledged serious mistakes in a June 1996 disclosure to the State Department, including an admission that it allowed the Chinese to see its lengthy review of the rocket mishap without prior Federal approval. Such technological assistance to the Chinese requires prior Government approval, which Loral had not received.

At virtually the same time that Loral made its disclosure to the Government, the company was seeking another Presidential waiver for a satellite. Its chairman, Bernard L. Schwartz, donated \$100,000 to the Democratic Party four weeks before the waiver application was approved in early July 1996 by Clinton.

It is not known whether Loral's help for the Chinese was mentioned in the memorandum that went to the President because the White House has not released documentation on that decision.

It is known that the State Department had already alleged in a letter to satellite industry executives that there had been a violation of American export control laws in the accident review.

But as of July 1996, no criminal inquiry was under way. The Justice Department began its investigation only after the Pentagon completed an assessment of the accident review in May 1997.

That is the same month Loral applied for its most recent waiver, for the Chinasat 8 satellite.

COMPANY'S CONCERNS REACH WHITE HOUSE

The first notice to the White House of unusual problems with the Chinasat 8 waiver application came in an early January memorandum from the State Department detailing the factors for the President to consider.

Although couched in careful bureaucratic language, the State Department document made it clear that this was no routine export license application.

The State Department pointed out that China's transfer of missile technology to Iran might prohibit the export of the Loral satellite or any other satellites or related items.

"Moreover" the State Department memo stated, "information about unauthorized defense services provided by Space Systems/Loral and another U.S. firm to China's Long March 3B Launch Vehicle" could lead to imposition of harsh sanctions against the company.

But the State Department and other agencies nonetheless recommended granting the waiver, because the deal would enhance the United States' leadership in commercial telecommunications, provide an incentive for China to adhere to international non-proliferation rules and improve trade ties with Beijing.

After virtually no debate at the White House, the State Department memorandum

was rewritten as a decision paper for the President.

The State Department's concern about technology transfers to Iran appeared nowhere in the decision document, but a new element is inserted in the first and in most subsequent drafts. The President must act quickly, the draft states; any delay will cost Loral money.

"Due to severe contractual penalties which Loral will incur if it cannot begin technical discussions with the Chinese by next week, we recommend that you take action on this issue by January 20," read the first draft of the Presidential memorandum, dated Jan. 13.

A day earlier, Loral officials had made known to the White House their frustration at the slow Government response to their waiver application, which was submitted in May 1997.

A Loral letter found in White House files stated that unless the approval is granted within a week, the launching scheduled for November, would be delayed by several months, costing the company at least \$6 million. Any such delay would give the Chinese grounds for canceling the project, which would cost Loral \$20 million, the company warned.

"Our competitors in Europe," Loral officials complained, "do not suffer delays due to export licensing or legal complications."

The company's concerns clearly were heard at the White House.

A senior aide at the National Security Council, Maureen E. Tucker, repeatedly pressed for a rapid decision in forwarding early drafts of the Presidential decision paper to associates at the council.

She described the memorandum and accompanying documents as "a very quick turnaround package for which I am seeking your clearance by tomorrow," she wrote on Jan. 13.

By Jan. 20, one frustrated aide scrawled on a draft of the memo, "Needs to go to POTUS today!!" POTUS is the White House jargon for President of the United States.

But the waiver request was held up by questions from Berger, who asked his legal aides to research the status of the Justice Department investigation and determine whether it would bar approval of the waiver.

Tellingly, Berger asked Gary Samore, the National Security Council's top weapons aides to research the status of the Justice Department investigation and determine whether it would bar approval of the waiver. Tellingly, Berger asked Gary Samore, the National Security Council's top weapons proliferation expert, in a handwritten note if the approval can be granted in phases "to get over immediate crunch."

Berger did not ask whether Loral's cooperation with the Chinese after the 1996 accident would require denial of the export license. Instead, he wonders in the note to Samore where there is "anything we can hang our hat on to characterize Loral's 'offense.'"

Berger's aides sought advice from officials at the State Department, who informed them that Loral's offenses appear to be "criminal" and "knowing." Ms. Tucker was told that the Pentagon investigated Loral's assistance to the Chinese after the 1996 missile explosion and concluded that the company provided "potentially very significant help" to Beijing's ballistic missile program.

BEHIND DECISION TO GRANT A WAIVER

The White House counsel Charles F. C. Ruff told a Security Council lawyer that the Justice Department's investigation mattered less than maintaining close diplomatic and business relations with China.

"Issue is not [underlined twice] impact on DOJ litig(ation)," the Security Council dep-

uty counsel Newell Highsmith wrote in notes of his conversation with Ruff, "but whether bilateral U.S.-China concerns and economic factors outweigh risk of political embarrassment."

A principal argument behind Clinton's decision was that it would be unfair to penalize Loral by denying it a license if it was under investigation but had not been charged with any crimes.

The export law allows the President to deny a license if the license seeker has been indicted or if there is "reasonable cause to believe" the license seeker "has violated" United States export control laws. The White House documents show that some White House and State Department officials believed the latter, but Administration officials say they relied on a 1993 State Department memo which said that companies will be denied licenses only after indictment.

"In an ideal world we would wait until this matter is resolved," Malcolm R. Lee, a National Security Council aide, told other White House officials in an electronic message a month before the President's decision, referring to the pending Justice Department inquiry. But, Lee added, "that is impracticable."

A senior Administration official, speaking not for attribution, said that waiting for the results of the Justice Department investigation could delay the satellite launching for months, if not years.

And, the official added, "There were some imperatives to get a timely decision because of the penalties facing the company."

But the company acknowledges that no such penalties have been imposed and the launching is still scheduled for November, as it has been for the last year.

"We believe we will not incur penalties because we can work around the problem," a Loral official said late last week.

PENTAGON TROUBLED BY LORAL'S ROLE

The President did not receive a detailed assessment of the potential damage to American security caused by Loral's help to China in determining the cause of the 1996 launching failure. The Pentagon was troubled by Loral's technological assistance because the rocket science involved in putting a satellite into orbit is similar to that needed to deliver a nuclear warhead.

The Pentagon relying on Air Force missile and intelligence experts, did not find grave damage but did conclude that the United States national security had been harmed, according to Administration officials.

A White House official said that the National Security Council never received the Pentagon report, which was prepared to assist the State Department. "We did the best we could in the memo for the President in describing what we understood to be the allegations," the official said. "We didn't beat around the bush."

White House aides overcame the major impediment to the waiver—the concern of Justice Department prosecutors that it would jeopardize any possible prosecution—by relying on the fact that "the Department had every opportunity to weigh in against the waiver at the highest levels and elected not to do so," as Ruff, the White House counsel, wrote on Feb. 13.

But Justice Department officials say that Ruff, in his discussion with Robert Litt, the top aide to the Deputy Attorney General, asked only about the impact of the waiver on possible prosecution—not whether the department opposed the waiver.

It is not known how the Justice Department would have answered that question.

[From MSNBC, May 27, 1998]

TIME LINE OF CLINTON CHINA DECISIONS
(By Tom Curry and Robert Windrem)

As the Clinton administration debated whether to allow U.S. satellites to be lofted into orbit aboard Chinese missiles, Bernard Schwartz, chairman of Loral Space & Communications, and Democratic fund-raiser Johnny Chung, allegedly using money from the Chinese army, gave more than \$500,000 in soft money, ostensibly used for "party-building efforts," to the Democrats.

The Justice Department and Congress are investigating how a technical report on the explosion of a Chinese missile in 1996—a report that could help China assess the reliability of its missile arsenal—found its way into the hands of the Chinese.

That report was prepared by employees of Loral, Hughes Electronics and other firms.

In a statement issued May 18, Loral said that "Bernard Schwartz, chairman of Loral Space & Communications Ltd. . . . was not personally involved in any aspect of this matter. No political favors or benefits of any kind were requested or extended, directly or indirectly, by any means whatever."

The firm also declared that: "Allegations of a connection between the launch failure and a subsequent presidential authorization for use of Chinese launch services for another [Loral] satellite to China are without foundation."

Nonetheless, Justice Department and congressional investigators are sure to scrutinize the chronology of gifts and decisions.

The time line does not prove any cause-and-effect relationship between donations and decisions. It does give investigators a basis for their criminal inquiry.

April 24, 1995: Loral chairman Schwartz gives \$25,000 to the Democratic National Committee.

June 30, 1995: Schwartz gives \$20,000 to Democratic Senatorial Campaign Committee, which provides support for Democratic Senate candidates.

Aug. 30, 1995: Schwartz gives \$75,000 to DNC.

Sept. 30, 1995: Schwartz gives \$20,500 to DSCC.

Oct. 9, 1995: Secretary of State Warren Christopher decides satellites should remain a military munitions item.

Nov. 29, 1995: Schwartz gives \$100,000 to DNC.

Nov. 29, 1995: A Chinese government agency writes Loral, asking for help in getting an upgrade for its dual-use imaging technology, exports of which are prohibited under U.S. sanctions.

Jan. 26, 1996: Loral is sold to Lockheed for \$9 billion.

CLINTON APPROVES LAUNCH

Feb. 6, 1996: Clinton approves the launch of four communications satellites on Chinese rockets.

Feb. 6, 1996: Wang Jun of CITIC, owners of percentages in Chinese satellite companies, visits the White House for coffee and dines with Commerce Secretary Ron Brown.

Feb. 8, 1996: The White House and Commerce Department begin to talk about the satellite export issue again.

Feb. 14, 1996: A Chinese rocket carrying Loral Intelsat satellite explodes, destroying a Chinese village.

Feb. 15, 1996: Schwartz gives \$15,000 to DSCC.

Feb. 15, 1996: The State Department gets an urgent request from the White House to speed up the process of switching the satellite licensing to the Commerce Department.

Feb. 29, 1996: Schwartz gives \$50,000 to Democratic Congressional Campaign Com-

mittee, which bankrolls Democratic House candidates.

March 8, 1996: China launches missiles.

March 14, 1996: Clinton decides to move the satellite licensing function to the Commerce Department.

March 15, 1996: Loral President J.A. Lindfelt writes Commerce to say the export of a dual-use technology, known as synthetic aperture radar, is being held up by the Defense, State and Commerce departments.

April 1996: Schwartz announces the formation of Loral Space and Communications.

April 24, 1996: Schwartz gives \$50,000 to DSCC.

June 10, 1996: Schwartz gives \$100,000 to DNC.

July 22, 1996: Liu Chao-Ying of China Aerospace meets Clinton with Johnny Chung.

July 31, 1996: Schwartz gives \$5,000 to DSCC.

INFLUX OF CHINESE MONEY

August 1996: Chung accounts show an influx of \$300,000 from Liu Chao-Ying.

Aug. 18, 1996: Chung gives \$20,000 to DNC to attend Clinton's birthday party.

Aug. 28, 1996: Chung gives \$15,000 to DNC at Democratic National Convention in Chicago.

Sept. 16, 1996: Schwartz gives \$30,000 to DSCC.

Sept. 20, 1996: Schwartz gives \$20,000 to DSCC.

Oct. 16, 1996: Schwartz gives \$10,000 to DSCC.

Oct. 18, 1996: Schwartz gives \$70,000 to DNC.

Oct. 24, 1996: Schwartz gives \$5,000 to DSCC.

Nov. 5, 1996: New guidelines on Commerce licensing of satellites are published.

Nov. 5, 1996: Clinton is elected to his second term as president.

Oct., 1997: A federal investigation of Loral begins.

Feb. 12, 1998: As Clinton ponders whether to sign another waiver allowing launch of a Loral satellite aboard a Chinese missile, National Security Adviser Sandy Berger sends him a memo saying the Justice Department "has cautioned that a national interest waiver in this case could have a significant adverse impact on any prosecution [of Loral] that might take place based on a pending investigation of export violation."

But Berger adds that "the advantages of this project outweigh the risk," and "it is inappropriate to penalize [Loral] before they have even been charged with any crime."

Feb. 18, 1998: Clinton signs a waiver allowing Loral satellite to be lifted into orbit by the Chinese.

[From MSNBC]

THE MAN BEHIND THE CHINA TROUBLE

(By Robert Windrem)

For a working class, Depression-era kid from Brooklyn, N.Y., Bernard "Bernie" Schwartz has done quite well for himself.

As CEO of Loral Space and Satellites, the 71-year-old Schwartz is a leader in the world of satellite communications, with significant holdings in satellite manufacturing (Loral), broadcasting (Britain's Skynet and Mexico's Satmex), Internet linkage (Orion Network Systems) and global personal communications (Globalstar). His personal wealth is measured in the hundreds of millions of dollars, much of it coming from his sale in April 1996 of Loral's defense business.

As important, Schwartz is a friend of the president. In December 1996 alone, he celebrated his birthday with an intimate dinner with President Bill Clinton and Hillary Rodham Clinton at the White House, was their guest at the Kennedy Center honors and shared a podium with Clinton at the Democratic Leadership Conference, the spawning ground for the Clinton revolution.

In March 1996, according to White House records, he got a perk that few others have received—dinner and a movie in the White House theater, along with a cast of celebrities to share popcorn: singer Billy Joel, baseball great Hank Aaron, actress Jennifer Jason Leigh, directors Ethan and Joel Coen, comedian Al Franken and political strategist Dick Morris.

All together, Schwartz was invited to 21 White House events during Clinton's first term.

And why not? Bernie Schwartz is the single biggest contributor to the Democratic Party in the Clinton era. A review of campaign finance databases by NBC News and the Center for Responsive Politics shows that between 1992 and 1998, Schwartz gave the Democratic Party \$1,131,500 while he, his family, his companies, their political action committees and executives gave another \$881,565 to Democratic candidates. Schwartz gave another \$217,000 to the Democratic Leadership Conference. Schwartz and Loral gave \$367,000 to the Republicans during that same period.

The man *Mother Jones* magazine called the orbiter of power, Schwartz has increased his contributions to the Democrats year by year. In the 1991-'92 campaign cycle, he gave \$12,500; in 1993-'94, \$112,000; in 1995-'96, \$586,000, and in 1997-'98, \$421,000. Schwartz was the single biggest donor in the 1996 and 1998 campaigns.

Schwartz has been dependent on a number of government programs and regulatory processes, including the export of communications satellites. In letters to the late Commerce Secretary Ron Brown in March and May of 1993, Schwartz laid out some of those businesses.

"Loral Corp. is the provider of [weather] satellites for the Department of Commerce's GOES program," Schwartz wrote, in seeking a meeting with Brown, "In addition, there are other matters that would be of interest to Commerce in which Loral has a significant position, including the auction of radio frequencies and the exporting of highly advanced technical equipment, e.g., satellites and military hardware. Further, Loral is the principle [sic] supplier of satellites for Intelsat."

When the two men's schedules didn't mesh in March or April, Schwartz wrote Brown again, noting, "We are affect [sic] by a number of general areas overseen by the Commerce Department. The Department's guidance in these areas will be meaningful." Included in the list was Commerce's role in communications-satellite licensing.

Brown ultimately took Schwartz with him to China on a trade mission in August and September 1994. Schwartz was invited one month after he gave his first big contribution, \$100,000, to the Democratic National Committee.

On that trip, Schwartz asked the Department to help set him up with officials of the Chinese military and space organizations.

A Loral spokesman initially said that Schwartz had never "talked business" with administration officials. But when confronted with the letters and other indications of meetings between Schwartz and Brown, the spokesman said any meetings were "routine and proper" and that Schwartz had always acted "scrupulously."

To the question of whether the contributions were meant to help Loral with the various issues before the government, including satellite launches in China, the spokesman dismissed the idea as "ridiculous" and said there was "never" a time when Schwartz discussed any of this with the president.

"Bernie Schwartz is a Roosevelt Democrat who believes that Roosevelt saved his family," the spokesman added, noting that he has been a longtime supporter of Clinton.

[From the Weekly Standard, June 1, 1998]

SELLING CHINA THE ROPE . . .

(By Henry Sokolski)

Presidential spokesman Mike McCurry last week justified the Clinton administration policy that allowed the transfer of satellite technology to the Chinese military with the hoary "they started it" defense. "This administration," said McCurry, "has pursued the exact same policy pursued by the Bush administration."

This is not really a defense of the policy, of course, but is it true? Republican officials, as we shall see, were not without sin. But you might say that they worried enough to go to confession: They tried to control against the leaking of sensitive technology in their dealings with China by at least monitoring and limiting the transactions. Not so the Clinton administration, which from 1993 on not only showed contempt for enforcing existing satellite controls but loosened them so as to make it all but impossible to know whether they were being violated. You might say they not only skipped confession, but burned the church down.

Today's controversy surrounds what the Chinese have managed to learn through launching satellites made by two American companies, Loral Space and Communications and Hughes Electronics. Details of a federal grand-jury investigation have been leaked to New York Times reporter Jeff Gerth and others that make this much clearer. In February 1996 a Chinese Long March rocket carrying a Loral-made satellite blew up shortly after liftoff. In an effort to clarify to insurers who was to blame for this accident, analysis done by Loral and Hughes was presented to the Chinese, which the U.S. Defense Department later determined could help China perfect more reliable, accurate, long range ballistic missiles. (According to a CIA report leaked this spring, 13 Long March missiles with nuclear warheads are aimed at American cities.) The federal grand jury is now trying to determine what, if any, U.S. export-control laws may have been broken.

This story has exploded because of the tandem revelations that the Chinese military may have made illegal campaign donations to aid Clinton's reelection and that Loral's CEO is a top donor to the Democratic party. Despite Justice Department warnings that he might undermine the grand-jury investigation of Loral, the president went ahead earlier this year and allowed the company to transfer and additional satellite to China. Eager to connect the dots of the scandal, the House last week voted 364 to 54 to suspend all transfer of U.S. satellites to China.

Focusing on the money is exciting, but probably misses the point when it comes to assessing the potential damage done to national security. In fact, not just Loral and Hughes, but Lockheed Martin, Motorola, and Martin Marietta have all worked closely with the Chinese launch industry—work which began not in 1996, but nearly a decade ago in 1989. And all of this history (not just the 1996 Loral-Hughes case) bears investigating. There is no way to judge the administration's performance in the Loral-Hughes matter without knowing what was attempted by prior administrations.

It was Ronald Reagan, after all, who first allowed the launch of U.S.-made satellites on Chinese rockets, after the Challenger space shuttle crash in 1986 deprived the satellite industry of launch alternatives. And it was George Bush who waived Tiananmen Square sanctions to allow the Chinese launch of up to five U.S.-made satellites, three of which—all made by Hughes—were launched before he left office.

If this larger record is examined, three points emerge. First, all of our satellite

transfers have helped China perfect its military rocketry. China's launching of U.S.-made satellites—worth up to a half-billion dollars in revenue to date—has helped finance China's own missile-modernization efforts and missile exports to nations like Pakistan and Iran. It also has given the Chinese access to U.S. rocket know-how. U.S. contractors have a natural inclination to tutor the Chinese on what they should do to make their crude rockets precise and reliable (they don't want to lose their satellites, which are worth up to 10 times the value of the launcher). Anticipating this, State and Defense officials drew up strict rules in the late 1980s covering precisely what information companies could share with the Chinese. These rules required monitoring of all contractor-Chinese exchanges (including discussions) by a U.S. government rocket-engineer enforcement agent.

Did this prevent militarily useful information from being conveyed to the Chinese? No. But because all exchanges were monitored, there was a clear record of what was conveyed and a concerted effort to keep such transfers to a minimum. Were there infractions? Yes, but when they were reported, senior officials in the Defense and State departments reprimanded the contractors and got them to stop. Yet despite these enforcement measures, a number of key technologies were transferred before 1993. Clean-rooms were constructed in China to assure Hughes' sensitive communications satellites wouldn't be ruined by dust, humidity, or major temperature changes before they were launched. And clean-room technology, as it happens, is also crucial in preparing any advanced system for launch, including reconnaissance satellites and complex warhead packages.

In an attempt to clear up liability for two launch failures in 1992, U.S. contractors also discussed how to improve Chinese payload farings (the nose cone at the rocket's top that shields the satellite) and attitude and engine controls, which fire the rocket's stages and keep them and the payload (either military or civilian) at the precise angles required for proper functioning. Finally, each launch of a Chinese Long March vehicle helped improve the reliability of China's intercontinental ballistic missile fleet, since the rockets are the same.

Republican officials, then, had a spotty record, with the advantage that they worried about it and tried to enforce the law. By the end of the Bush administration, proposals were made to loosen controls over satellite transfers. Whether they would have succeeded no one can know, because the 1992 elections intervened.

The industry, however, correctly sensed that with Clinton's election the time for pushing for decontrol was ripe. Their first step came in late 1993 when they asked the Commerce Department to persuade the White House to drop government monitoring of contractors' discussions with the Chinese. They wanted to share, unimpeded by monitors, a key technology known as "coupling load analysis." The crude Chinese rockets were originally designed to be so rigid that vibration from the rocket's separating stages and engines risked shattering delicate satellites of the sort the U.S. companies would want to launch (and the Chinese would want to develop later on their own). Using coupling load analysis, the Chinese would "soften" their launchers, allowing them to carry more sensitive payloads—be it satellites or the latest in highly accurate, multiple-warhead systems.

The space industry was so eager to share this technology, it lobbied Congress and the executive branch throughout 1993 to be given a free hand to do so. Meanwhile, government monitors continued to file compliance re-

ports on a host of issues. Now, however, their concerns were handled differently: Where before senior State and Defense officials took action, now little or nothing happened. Word got out: Increasingly, industry officials disobeyed government guidance, shared their know-how with the Chinese, and discovered that contempt for the law paid off.

By 1995, the satellites being launched by the Chinese were more sophisticated. One of these, AsiaSat 2, a communications satellite made by Martin Marietta, was to be placed in its orbit with a Chinese solid-rocket kick motor—a final rocket stage strapped to the satellite itself. This kick motor's propellant had to be configured with extreme precision to ensure that it would propel the satellite to an exact point in space and no further and that it would do so without shattering the satellite though vibration or jolts of acceleration.

Martin Marietta and its Hong Kong customers were concerned that the Chinese kick motor might not be capable of such precision. They asked State if they could witness a Chinese test-firing of the motor. Their wish was granted. What's unknown is what, if anything, was then said to the Chinese engineers by the company's foreign staff, who are not bound by U.S. restrictions. Were they briefed by the contractor? Did they speak with the Chinese or otherwise convey U.S. solid-rocket propulsion know-how? We don't know. Why might it matter? Perfecting kick motors can also help in China's development of a warhead-delivery system known among experts as a "post-boost vehicle"—which is designed to penetrate missile defenses. Boosting a satellite up into a precise position in space with a kick motor is little different from blasting warheads off their predictable course down through space and the atmosphere.

The good news in this case is we may have a clue whether this technology was leaked: Industry's campaign to do away with monitoring didn't fully bear fruit until 1996. In 1995, U.S. law still required government monitoring agents, and compliance reports were still being filed. This paper trail and government monitoring work didn't grind to a halt until 1996. That's when President Clinton quietly removed virtually all commercial satellites and related technology from State Department munitions controls (which required official monitors). The responsibility was transferred to the Commerce Department, which (no surprise) trusts industry to monitor itself.

In his defense of the Clinton policy last week, Mike McCurry cited this transfer to Commerce as the one change that distinguished the Clinton administration's policy from Bush administration practices. But the transfer to Commerce was no simple "change." It was tantamount to a complete overthrow of the old export-control regime.

It was under Commerce "controls" that Motorola and Lockheed worked with the Chinese to launch a series of small communications satellites known as Iridium. Two of these satellites at a time were successfully launched on a Long March rocket with a multiple-satellite dispenser of Chinese design. A host of issues about the satellite dispenser were somehow addressed—from proper mounting and release of the satellites to coupling load analysis and attitude control. And all were resolved. The result? China now has mastered a technology virtually interchangeable with that of multiple independently targetable warhead vehicles (MIRV), a delivery system used on America's most advanced intercontinental ballistic missiles. Indeed, the MIRV system that our military uses today was borrowed from dispensers that the commercial-satellite industry first developed.

One could go into greater detail on the potential military significance of our satellite transfers to China. But this much is already abundantly clear: Our national security demands that Congress learn all the facts. This will require going beyond the narrow legal question of whether Loral and Hughes broke the law in 1996. Indeed, allegations of influence peddling by the Chinese and the contractors should not divert attention from the crucial questions raised by a decade of U.S. satellite commerce with China.

Among them are these: Have we already given the Chinese everything of value (in which case, continued satellite commerce could hardly do much harm)? Or is there more that they need or want that we should control and protect? What, if anything, should be done to improve enforcement of controls and assure effective executive-branch backing? Finally, is the spread of missile technology so tied up in the transfer of satellites that we delude ourselves in trying to control their transfer? Would it make more sense to accept this connection and expand such trade, or in the case of China, cut it off entirely?

To get it these questions, Congress will have to hold its own hearings—but it will need the time and depth and expertise that can only come with the creation of an independent commission. The commission and Congress, moreover, are unlikely to get anywhere if U.S. contractors are unwilling to speak freely. Only they know what has actually been transferred to the Chinese since 1996. To encourage them to be forthcoming, Congress and the executive branch should grant contractors immunity from prosecution. Meantime, a moratorium should be placed on further transfers of satellites to China until the commission and Congress get the answers they need. This will hurt industry only to the extent that it drags its heels in providing information about past transfers.

Certainly, given the seriousness of these matters, it would be shortsighted of Congress to focus exclusively on the political and legal issues surrounding the 1996 Loral case. There is, after all, a broader set of concerns at stake. The president is duty bound to provide for the common defense. Not until we know the truth about the U.S. role in China's missile program can we know whether the Clinton administration has met this most basic obligation.

[From the Weekly Standard, June 1, 1998]

CLINTON'S CHINA COMMERCE

(By Matthew Rees)

The Clinton administration made a fateful decision in 1996 to put the Commerce Department in charge of overseeing exports of American satellite technology. Under fire now for transferring this weighty responsibility from the more security-conscious State Department, the administration insists the decision had nothing to do with campaign contributions from eager exporters. Instead, say the president's spokesmen, the transfer was just the outcome of a "bureaucratic squabble."

Whatever role donations may be played in strengthening Commerce's hand, allowing that department to license militarily sensitive goods for export was not garden-variety Washington turf battle. It was the equivalent of decontrolling such exports entirely. The current congressional investigations of technology transfers to the Chinese military would not be taking place if, over the past five years, the administration had not given Commerce unprecedented power to promote American technology sales abroad, with dangerously little attention paid to how these exports can contribute to nuclear prolifera-

tion, threaten the supremacy of the U.S. military, and undermine America's national security.

The decontrolling mentality of the Commerce Department is exemplified by William Reinsch, who heads the department's Bureau of Export Administration. This is where American companies go if they want to sell sensitive products, like supercomputers in foreign countries. The bureau's role is both to stop exports that might compromise national security and to help guarantee that the sensitive products it does approve for sale abroad don't end up in the hands of untrustworthy governments.

But Reinsch has effectively made the bureau a servant of Commerce's central mission: unbridled export promotion. His motto is "Yesterday's adversaries are today's customers." This mentality has led Commerce to minimize the danger of sharing sensitive technology with countries like China. The Pentagon concluded last year that "United States national security has been harmed" by the assistance American aerospace companies have provided to China. Nonetheless, Reinsch was apoplectic when the House overwhelmingly voted on May 20 to block further exports of U.S. satellites to China: "We're talking about the potential loss of major contracts," he whined to the Wall Street Journal. "It could really complicate people's lives."

The controversy over the transfer of technology to China is but one outgrowth of Commerce's policy of giving American high-technology companies unprecedented freedom to sell their products in foreign markets. Another startling illustration of the fervor with which Commerce promotes the sale of even the most sensitive exports came early in 1996. According to Gary Milhollin, of the Washington-based Wisconsin Project on Nuclear Arms Control, that's when U.S. government nuclear experts asked Commerce to provide American computer companies with a list of nuclear laboratories in Russia and China. The goal was to prevent the companies from selling their high-performance supercomputers to these laboratories, which the companies might not otherwise know to be in the nuclear business. But Commerce officials refused to provide such a list, claiming U.S. policy prevented them from sharing such information.

While Commerce aggressively pushed exports in the Reagan and Bush administrations, it had not yet triumphed over its bureaucratic rivals elsewhere in the executive branch, who acted as a brake on Commerce's salesmanship. The Defense Department, notably, would frequently challenge export licenses that posed a potential threat to America's strategic position. But a further sign of Commerce's ascendancy in the Clinton administration is that the Pentagon, too, has become an enthusiastic partner in promoting the sale of American goods in overseas markets. (Reinsch said in an interview last November that relations between Commerce and the Pentagon are "the best they've been in 20 years.") This is not just a matter of politically savvy defense officials' knowing which way the wind is blowing. An array of these officials appointed to senior positions by the president—William Perry, Ashton Carter, Mitch Wallerstein, Ken Flamm, to cite a few—had made names for themselves as longtime supporters of easing export controls.

A key official is Peter Leitner, a 12-year veteran of the Pentagon office that oversees export controls. He notes that the Defense Department now instructs its employees to side with Commerce in interagency debates over export controls. In congressional testimony last year, Leitner observed that "this bizarre role change finds the State Depart-

ment at times in the farcical position of being the lone agency making the national security case and opposing liberalization positions from DoD."

Despite their generally pro-export posture, State and Defense still had reservations about transferring responsibility for licensing the export of satellite technology to Commerce. And their reservations were justified: For items under State's jurisdiction, the decision to grant an export license is supposed to be based only on national security. Moreover, Congress must be notified 30 days in advance of an export. By contrast, Commerce is mandated to weigh commercial and economic interests, and it is not required to notify Congress of its decisions. With communications satellites costing upwards of \$100 million, it's easy to see how commercial concerns would tip the scales away from export controls.

When Clinton announced the transfer of licensing responsibility on March 14, 1996, Commerce officials—who had lobbied hard to be given licensing responsibility—were thrilled. The New York Times reported that an e-mail was circulated at Commerce announcing "good news" but warning recipients not to publicize the decision in a way that would "draw attention" to it. Clinton officials did their best to bury the news by not publishing the new rules in the Federal Register until Election Day 1996. The strategy worked: One of the most important national-security decisions made in Clinton's first term received scant attention during his reelection campaign from Congress and the press.

Satellites weren't the only technology transferred from State to Commerce two years ago. Clinton also took something known as "hot section" technology of the State Department's munitions list and empowered Commerce to license such exports. Hot-section technology boosts the performance and durability of fighter jets. Steve Bryen, who oversaw export controls in the Reagan administration, says this technology is so sensitive that in previous administrations it wasn't even shared with allies like the French and the Germans.

During the internal debate over transferring hot-section jurisdiction from State to Commerce, some Clinton administration officials raised questions about whether America's national security would be compromised and whether it might reduce the combat advantage of U.S. aircraft. But Commerce officials argued it would be impossible for the technology to be used by foreign manufacturers in such a way that U.S. military power could ever be equaled or surpassed. To the amazement of many Pentagon officials, this argument prevailed and responsibility for licensing exports of the technology was handed from State to Commerce.

Commerce officials have gone to extraordinary lengths to circumvent even the most modest restraints placed on them. Last year, Congress approval a measure requiring American computer companies exporting to countries believed to pose a proliferation risk (that is, Russia and China) to give the executive branch 10 days' notice to determine whether a proposed supercomputer export requires an individual license. The measure also requires that, once supercomputers have been licensed and shipped to countries of proliferation concern, U.S. government officials must check whether the buyers are using the computers as proposed.

Yet Commerce has made a "deliberate effort to circumvent" the post-shipment verifications, according to Milhollin. Indeed, under Commerce's interpretation, in order for the government to block an export, only the most senior cabinet officials—undersecretaries or higher—are permitted to intervene. This prompted David Tarbell, who

heads the Pentagon agency that monitors export controls, to warn in an internal memo that the National Security Council and Commerce were using the undersecretary requirement to "ensure that no (or very few) objections would ever be received." Tarbell's complaint is echoed by three Senate Democrats, and 10 Republicans, who have sent the president a letter asking for the law to be enforced.

There was a very precise reason Congress required the regulations: It has become disturbingly clear that Commerce had little clue about the ultimate destination of an extremely sensitive product—supercomputers. Silicon Graphics, for example, has acknowledged having sold four supercomputers to one of Russia's premier nuclear-weapons design laboratories, Chelyabinsk-70, and claimed it made the sale only because company officials didn't know the laboratory was involved in nuclear production.

Even more troubling was Reinsch's announcement last June that 47 supercomputers had been sold to China. Technical experts say these computers provide unprecedented technological capabilities to Beijing are likely to become a key element in China's nuclear program. But when Reinsch was asked about this at a congressional hearing last November, he said there was no evidence any of the computers was being used for nuclear purposes. When pressed by Rep. Duncan Hunter on whether Commerce even knew where the computers were located, Reinsch bobbed and weaved until finally giving an answer that summed up the bankruptcy of the Clinton administration's export policy: "With respect to some of them, yes. With respect to all of them, not yet."

There's a simple reason Reinsch couldn't be more definitive: China won't allow American officials to conduct post-shipment verifications, designed to guarantee that materials exported from the United States are being used as promised. Thus Reinsch acknowledged last December—six months after learning about the 47 supercomputers sold to China—that "no formal post-shipment verifications have yet been requested." And now that another six months have passed, there's no evidence Commerce knows anything more about where the supercomputers are or how they're being used.

So what has the Clinton administration learned about the pitfalls of a permissive export-control policy? Apparently nothing. Consider this: The Defense Technology Security Administration—the agency charged with overseeing export controls for the Pentagon—is scheduled to be abolished this fall. Its successor agency will be moved within Defense to an acquisitions department that has traditionally been hostile to export controls. Even more ominous is a recent Defense News report that the Commerce Department is pushing to grant an export license for the sale of a high-temperature furnace, manufactured by a New Jersey-based company called Consarc, to a Chinese government agency. This sale—already approved in an inter-agency process—is all the more remarkable because the furnace will bolster Beijing's ability to produce nuclear warheads.

There's an interesting story behind the furnace. Consarc was all set to ship it to Iraq in 1990, one month before the invasion of Kuwait. The sale was blocked at the last minute by senior officials at the Pentagon and the National Security Council. Had it gone through, there's little doubt Saddam would have used it to bolster his arsenal. Clinton administration officials should have learned something from this. Short of a missile attack, what will wake them up?

[From the New York Times, June 18, 1998]
U.S. RETHINKING A SATELLITE DEAL OVER
LINKS TO CHINESE MILITARY
(By Jeff Gerth)

WASHINGTON, June 17.—Faced with growing criticism of its satellite exports to China, the Clinton Administration is rethinking whether to allow one of the biggest sales to date, a \$650 million deal President Clinton quietly approved two years ago.

Government officials said the Pentagon and State Department were raising new questions about whether a Chinese-controlled company with close ties to China's military should be allowed to buy the satellites, which contain some of the United States' most sophisticated communications equipment.

The satellites are the cornerstone of a commercial mobile phone network planned for China and 21 other Asian nations. American officials said their design included a powerful antenna that could eavesdrop on mobile phone calls in China or other countries in the region. It could also be used by the Chinese military to transmit messages through hand-held phones to remote parts of China.

Antennas of these dimensions are a mainstay of the United States' and Russia's eavesdropping satellites and have not previously been exported to China, though a sale to the United Arab Emirates is pending. They also can be used to extend the range of mobile phones.

Mr. Clinton leaves next week for China, and the Administration had hoped to use the trip to showcase a variety of business deals and agreements, including cooperation on civilian satellite and rocket projects. Meanwhile, the House continued investigating the export of space technology today.

Administration officials said concerns about the pending satellite sale had been deepened by American intelligence reports about Shen Rongjun, the Chinese Army general who oversees his country's military satellite programs. The reports quote the general as saying he planned to emphasize the role of satellites in gathering information.

In an unusual arrangement, Hughes Space and Communications hired General Shen's son, a dual citizen of Canada and China, to work on the project as a manager. The company said it was aware of his familial ties; it is not clear whether the Clinton Administration knew.

Father and son were both directly involved in the project, and American officials said the intelligence reports said the general was pressing his son to move it forward.

The New York Times reported last week that the Chinese military was sending many of its coded messages through American-made commercial satellites sold to Asian companies. China's military satellite network collapsed in 1996, when its first satellites wore out and the replacements failed to work as planned.

President Clinton approved the Hughes project on June 23, 1996, after advisers assured him the communications satellite technology was readily available from European suppliers and would not contribute to Chinese military capabilities.

China already has a burgeoning cellular telephone system, which relies on ground-based transmitters. There are almost 1.5 million cellular phones in Beijing and Shanghai, but the system is less developed in the country's more remote areas, industry officials say.

Donald O'Neal, a spokesman for Hughes, said the satellites were "inherently dual use," meaning that they have both civilian and military potential. "The satellite is not designed for military application," Mr.

O'Neal said. "But I don't know how you can prevent it."

The Federal Government could still stop the deal. Mr. O'Neal said Hughes, which is part of Hughes Electronics, a subsidiary of the General Motors Corporation, was waiting for the Commerce Department to review its application to sell the satellite to the Asian consortium, A.P.M.T. or Asia-Pacific Mobile Telecommunications.

Liu Tsun Kie, a spokesman for the consortium, said in a telephone interview from Singapore that the satellite network would be marketed to civilians by regional telecommunications operators. It would be up to Chinese Government regulators, Mr. Liu said, to decide if China's military could use the satellites.

Mr. Liu predicted that the Clinton Administration would eventually approve the deal. "In view of the improving Sino-American relationship, as well as the close rapport established between the U.S. satellite industry and major industry leaders in China and the Asia Pacific," he said, "we are confident that A.P.M.T. will obtain all the necessary approval and export license to insure no delay in satellite launch."

Mr. Liu said the project would attract more than 200,000 mobile phone customers in China within its first two years.

THE TWO CRUCIAL STEPS IN A SATELLITE SALE

Making a satellite sale to China involves two crucial steps that occur simultaneously. Aerospace manufacturers must persuade the President to sign a waiver of the sanctions imposed on Beijing after the Tiananmen Square killings in 1989. Each project requires a separate waiver.

At the same time, companies apply to Federal Government agencies for permission to export specific technologies used in the satellites. Satellite exports to the Chinese military are banned, but sales to Chinese companies are generally allowed, unless they would advance military development in areas like intelligence gathering and nuclear weapons.

Mr. Clinton granted the waiver for the Hughes project two years ago and the company obtained the necessary export licenses. Since then, however, Hughes has changed the design to enhance the satellite's capabilities, requiring it to return to the Government for a new license.

That decision is now before a Government Department and including officials from the Pentagon, State Department, the Arms Control and Disarmament Agency and the Department of Energy. Each department casts a single vote, with the decision made by majority rule. A dissenting agency can appeal to the President, but that has never happened.

A Commerce Department spokesman declined to discuss the case, saying it involved confidential business information.

Privately, Commerce Department officials are arguing that the deal should go forward because the design approved in 1996 is substantially the same as the current configuration, Administration and Congressional officials said.

But some Pentagon and State Department officials believe the license should face more scrutiny in light of the new information about General Shen and the capabilities of the satellite. Administration officials also said that the increased scrutiny by Congress of the Chinese military and American satellites has prompted officials to pay closer attention to exports to China.

Several Congressional committees are investigating whether the policies on technology exports hurt the national security.

TECHNICAL QUESTIONS DETERMINE FATE OF DEAL

The issue turns on highly technical questions. An Administration official who disagrees with the Commerce Department's

analysis said the Hughes design is substantially different from what was approved two years ago.

"The antenna sent up the flags," the official said. "It is more powerful than what we have licensed before."

The antenna allows the satellite to receive incoming signals. But a sophisticated antenna, like the one currently under review, can become a listening device that is very effective against ground-based interception efforts, Government reports show.

Before 1996, the Pentagon could easily have stopped the license, because satellites were treated as military items and subject to State Department authority. That year President Clinton shifted jurisdiction to the Commerce Department, easing the controls and lessening the influence of the Pentagon, a senior Government auditor told Congress earlier this month.

A.P.M.T. was organized in the early 1990's. Most of its stock was held by five Chinese state-owned entities: China Satellite Launch and Tracking Control, a unit of Costind, and scientific and research arm of the Chinese military, the China Aerospace Corporation, part of the defense-industrial complex, China Resource Holdings, a trading company that owns a bank in Hong Kong with the Riady family of Indonesia, and subsidiaries of Chinese electronics and telecommunications ministries. A small stake was held by a Singapore company.

In February 1996, the consortium authorized Hughes to proceed with the design and construction of a sweeping mobile satellite telecommunications network that would span 22 countries in Asia and the Pacific, from Pakistan to Indonesia.

China's own space program—both rockets and satellites—was then under severe strain.

A Chinese rocket exploded shortly after liftoff in February. Two months later, engineers from Hughes and Loral Space Communications were brought in by insurers and China Aerospace to help figure out what went wrong.

The conversations that ensured between the companies and Chinese technicians are now the subject of a criminal investigation, which is seeking to determine whether American export laws were violated. Both companies deny wrongdoing.

While China is trying to repair its rocket program, its satellites began to fail. The first domestically produced satellites, launched by the Chinese military in the early 1990's were wearing out, and the first replacement, built in cooperation with the German company Daimler-Benz, had failed to achieve proper orbit after its 1994 launch.

In early 1996, all this led China's most senior military official, Gen Liu Huaqing, to discuss his concern with General Shen, who until a recent reorganization was a senior Costind official and oversees China's satellite and rocket launching programs, American officials said.

General Shen and General Liu have publicly promoted satellite technology as crucial to the future development of China's military capabilities. General Shen has privately assured his colleagues about his ability to fix China's satellite problems and improve the military's surveillance and intelligence-gathering capabilities, American officials said.

At about the same time, there were concerns within Hughes and A.P.M.T. over how long it was taking President Clinton to make a decision about the deal, Mr. O'Neal and American officials said.

Commercial satellite exports to China have been banned since the killings in Tiananmen Square in 1989, but the President can waive the prohibition, which Presidents George Bush and Clinton have done 20 times.

'EXPEDITED HANDLING' OF WAIVER WAS SOUGHT

Hughes officials wanted "an expedited handling" of the waiver in order to meet a contractual deadline, Mr. O'Neal said. And recently released White House documents show that the company hoped to have the President sign off on the deal before Hughes' chairman left China on June 19, 1996.

The staff memorandum that the President relied on to approve the deal made no mention of the Loral-Hughes help for China's rocket program. Three weeks before the memorandum to the President, the State Department had alleged, in a letter to Hughes, that there had been a violation of the arms export control law during the rocket accident review.

The President granted the waiver on June 23.

Soon after the Presidential action, Hughes received a license to export a satellite. Later that summer, Hughes applied for another export license that would allow Shen Jun, the son of General Shen, to work on projects subject to United States export controls, including the A.P.M.T. project, Mr. O'Neal said.

"We applied for and received an export license that allowed him to participate as a translator in the A.P.M.T. preliminary design review," Mr. O'Neal said.

Mr. Shen was hired in 1994 by Hughes for his computer expertise, though the company was also aware of his family ties before he joined the company, Mr. O'Neal said.

General Shan has been involved in the A.P.M.T. project as the overseer of the Chinese launch and tracking company and his son has given Hughes marketing advice about China and technical advice about mobile telephone networks, Mr. Liu and a Hughes executive said.

Mr. O'Neal said he had no comment on the Shen family discussions because "anything he said to his dad is personal."

Despite all the flurry of activity in mid-1996 between Hughes and A.P.M.T., the deal bogged down amid internal squabbles. But by this year the pace had picked up again and last month the consortium reorganized itself and signed another deal with Hughes for an upgraded satellite.

The new satellite will have greater power to transmit and receive signals. Its payload includes a large scale antenna reflector and a digital on board processor, Mr. Liu and Mr. O'Neal said.

The antenna and processor enabled the consortium's network to pinpoint low-power hand-held phones and simultaneously handle 16,000 phone conversations. Mr. Liu said that the regional affiliates "will be able to intercept calls if required by local authorities" but the consortium will not be able to intercept.

As a result of the recent reorganization, the consortium is now two thirds owned by its Chinese affiliates China A.P.M.T., said Mr. Liu, the consortium's deputy president. China A.P.M.T., in turn, is owned by the same five Chinese entities, including the Costind unit, and it will be the local A.P.M.T. franchise in China.

The president of A.P.M.T. and China A.P.M.T. is Li Baoming and A.P.M.T.'s chief engineer is Feng Ruming. Mr. Liu said both men have senior posts with the China Satellite Launch and Tracking Control Corporation, the unit of Costind overseer by General Shen. American intelligence reports say Mr. Feng and Mr. Li are top military officers, according to Administration officials.

Mr. O'Neal said that Hughes was "not aware" of A.P.M.T.'s military ties and while "there could be" some, it was up to the Federal Government to vet those connections. That is precisely what is now happening.

Mr. Speaker, the House should heed the advice of former CIA Director Jim Woolsey who testified before the Committee on Rules that, quote, this is what he said, "I can think of no subject that more closely would require a careful and thorough investigation by a select committee of Congress, and I could think of few that would even be in the same league." That is what the former CIA director said, that was appointed by President Clinton.

Mr. Speaker, I would urge all Members to support the creation of the Select Committee so that Americans can have some answers to the questions about the formulation of United States security policy with regard to Communist China.

Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. GOSS).

(Mr. GOSS asked and was given permission to revise and extend his remarks.)

Mr. GOSS. Mr. Speaker, I rise in support of this resolution, which, I am pleased to say is the result of much hard work and bipartisan cooperation on the part of the leadership, the Rules Committee, and the prospective chairman and ranking member of the proposed select committee. I am very proud of the manner in which this process has been handled, and I think this resolution is a credit to all involved and to the entire House.

To the minority members of our Rules Committee, who raised in their views accompanying our report repeated concerns about the manner in which this inquiry will be handled, I point to the remarks of both the chairman-designate, Mr. COX, and the ranking member-designate, Mr. DICKS, before our Rules Committee panel. They are developing a strong bipartisan working relationship and came to the Rules Committee together in full agreement about the particulars of this resolution.

They both spoke of commitment to running a professional, serious and collegial inquiry.

Mr. Speaker, it's fair to say that we all would prefer not to be here today creating a select committee to review U.S. national security and military/commercial concerns with the People's Republic of China. We would certainly all prefer that we did not have before us very serious allegations of illegal foreign influence in our Democratic process, troubling concerns about the transfer of highly sensitive military information and technology to the Chinese, and the very real potential that palpable damage has been done to our national security.

But the fact is that we have been presented with serious and credible allegations on these points—and the American people want us to get to the bottom of what happened, how it happened, and what the impact has been for the security of our citizens and our interests.

We have an obligation to accomplish this goal in a thorough and timely manner, and I am convinced that the only good way to do that is to establish this select committee.

Members know I do not take this step lightly. As chairman of the House Intelligence Committee, I am aware of the jurisdictional authorities relevant to this subject, not just in my own committee, but in as many as 7 other House committees. I know that many of these permanent committees of the House have, in fact, been pursuing pieces of this investigation up to this point.

But the fact remains that we need to move on this and start getting some answers to these serious questions now. For that we need to have a relatively small, singly focused panel with the enhanced investigatory authorities provided by this resolution. The resolution provides mechanisms to ensure that the Select Committee has the clout to get its work done and has proper channels through which to have maximum cooperation with, and assistance from, the existing House committees.

It certainly makes sense to me that on matters of such grave importance as the national security and the sanctity of our domestic political system, we should all pull together in a bipartisan way to shed light on the truth and, if necessary, consider means to ensure that proper protections and safeguards do exist in our policies on technology transfers and controls over sensitive information with respect to foreign nations.

I agree with former Director of Central Intelligence James Woolsey who said in testimony at the Rules Committee this week that he can think of no subject that more clearly would require careful and thorough investigation by a select committee of the Congress.

Finally, Mr. Speaker, let me say that I very much hope the administration will make good on its pledge to cooperate fully with this important inquiry. And by cooperate I mean not just talking about being helpful, but about actually providing all relevant material to the inquiry, helping the select committee gain access to the individuals it needs to interview, and offering a full and complete accounting of its relevant policies.

I would hope that we do not see more of the practice we've become used to with this administration of attempting to change the subject, throw up roadblocks and shoot the messenger when serious questions are raised about its policies and decisionmaking. The American people expect and deserve better than that from this administration.

Mr. SOLOMON. Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the gentleman from New York (Mr. SOLOMON) and I had a discussion about an hour ago on the rule, and at that time I urged the gentleman to not engage in a public hanging before the facts are in. And I would repeat that at this point.

Mr. Speaker, it is a foregone conclusion that the House will vote today to create a new Select Committee to investigate the allegations that a U.S. company transferred sensitive technology to the People's Republic of China that could endanger national security and that campaign contributions played a role in obtaining the licenses necessary for U.S. companies to launch their satellites on Chinese missiles. I support the creation of the Select Committee. But I do so with some reservations.

Mr. Speaker, my reservations are shared by my Democratic colleagues on the Committee on Rules which has original jurisdiction to create this Select Committee. In our committee report minority views, we have laid out our concerns about the structure of the Select Committee and the decision-

making process that is provided for by the enabling resolution.

We are heartened that the designated ranking minority member, the gentleman from Washington (Mr. DICKS) feels that he has reached an understanding with the designated chairman of the Select Committee on several matters that are vitally important to assuring that the Select Committee's work product is viewed as fair and that the rights of the minority have not been ignored.

However, Mr. Speaker, there are matters which I do feel compelled to bring to the attention of the House. The Committee on Rules majority states at the outset that they have used the Iran-Contra Select Committee as a model for this Select Committee. While this model bestows extraordinary powers on the chairman, Iran-Contra also stands as a model of bipartisan cooperation and the joint leadership of that committee acted jointly on all matters of procedural concern.

The Democratic members of the Committee on Rules hope that the model of bipartisanship on the Iran-Contra Select Committee holds true on this Select Committee.

Our fears of abuse, while tempered by the reputation for fairness of the designated chairman of the Select Committee, are based on the experience of the past year and a half. Granting unilateral powers to the chairman of such a serious investigation gives us serious concern, and we hope, for the sake of the integrity of this body and for the finding of truth in this matter, that the assurances that we have been given that the rights of the minority will be protected in this investigative process and that the minority will be consulted on all important matters coming before the Select Committee.

This happened during Iran-Contra, and if that Select Committee is to serve as a model for this one, we hope that the same level of bipartisan cooperation would exist over the course of this investigation.

Mr. Speaker, we are concerned about the unilateral subpoena power, unilateral deposition power, as well as the ability of the Select Committee to gain access to 10 years' worth of tax returns of individuals and entities under investigation by the Select Committee. We are concerned about how this information will be handled, and under what circumstances it will be released to the public.

These are all legitimate concerns, but we remain hopeful that the participants in this investigation will realize that if it is tainted by accusations of partisan high-handedness, that any findings and recommendations that may be made will be tainted as well.

Finally, Mr. Speaker, my Committee on Rules Democratic colleagues and I are particularly concerned about the breadth and scope of this investigation. This resolution rightfully empowers the Select Committee with the authority to make a full and complete inquiry

into not just technology transfers which may have contributed to the enhancement of the offensive capabilities of the People's Republic of China and its effect on the national security concerns of the United States, but other issues relating to export policies and the influence of campaign contributions. These are legitimate areas of investigation, but I am concerned that the authorities granted in this resolution are so broad that the Select Committee could go on working well into the future.

In addition, Mr. Speaker, I would like to point out that the designated ranking member of the Select Committee, the gentleman from Washington (Mr. DICKS), has asked that the many other investigations now ongoing suspend their investigations of those matters under the jurisdiction of the Select Committee while it is in operation.

This is necessary, Mr. Speaker, to ensure that the Select Committee can get its work done and not find the need to go on ad infinitum, and I hope the other committees of the House will cooperate in this matter. We need to find out what has happened and the Select Committee needs to go on about its business and report back to the House as soon as possible.

Mr. Speaker, I support the creation of the Select Committee, but I do so with an important caveat: If this investigation wanders from the focus of determining the answers to the questions at hand and if some of my colleagues insist upon demagoguing this issue, they risk damaging not only the legitimacy of any of the findings of the committee, they risk damaging the integrity of this institution. I urge the Select Committee to ensure that its investigation is fair and thorough.

Mr. SOLOMON. Mr. Speaker, will the gentleman yield?

Mr. FROST. I yield to the gentleman from New York.

Mr. SOLOMON. Mr. Speaker, I would point out to the gentleman, because I know the gentleman from California (Mr. CONDIT) brought this up, worrying that this might go into another Congress and may run up costs of up to \$5 million, I would just point out that the language speaks specifically for this Congress and this Congress only. It would take a further action by this body. So I wanted to call that to the attention of the gentleman.

Mr. FROST. Mr. Speaker, reclaiming my time, I appreciate the comments of the gentleman. There is an underlying question here which may well drive this investigation into the next Congress, which of course would have to be authorized by the next Congress. The underlying issue is the concern that the gentleman from New York (Mr. SOLOMON), who is the chairman of the Committee on Rules, has raised for many years about whether we ought to be doing any of this.

Of course, the gentleman who is the chairman of the committee has objected to and opposed the transfer of

technology which began during Republican administrations. And my concern is that if this committee goes to the fundamental issue of whether we ought to be doing business with China, that is a bottomless pit and that is a matter that could go on for a very long time.

There are legitimate differences within the Republican Party on this issue, as there are legitimate differences within the Democratic Party on this issue. So there is the potential for this investigation, even though it must be renewed at the beginning of the next Congress, to go on for a very long time if we go into the underlying foreign policy question of whether we ought to be doing any business with China.

Mr. SOLOMON. Mr. Speaker, if the gentleman would continue to yield, I think it might help to clarify. The gentleman is absolutely right. He and I were around during the Iran-Contra debate and I have here the final report of the Iran-Contra Committee. The last paragraph says, "The President cooperated," and this is talking about President Reagan, "cooperated with the investigation. He did not assert executive privilege. He instructed all relevant agencies to produce their documents and witnesses, and he made extracts available."

Mr. Speaker, I wanted to point out if we do get full bipartisan cooperation, I do not expect this to go any further because of the narrow scope.

Mr. FROST. Mr. Speaker, reclaiming my time, while the scope of the matter under discussion today is fairly narrow, the resolution itself is very broad. It is possible that this resolution could be used in a future Congress as a means for examining the entire foreign policy of the United States as it relates to China, regardless of whether there was any wrongdoing found by this investigation.

I only raise that cautionary flag, as I did in the Committee on Rules, because that is really a legitimate matter to be determined by our foreign policy committees of this Congress, perhaps even by our Select Committee on Intelligence, perhaps by our Committee on National Security, but not necessarily by this Select Committee. Because the gentleman and previous Republican Presidents have a philosophical difference on this issue, and I would hope this Select Committee does not go to that philosophical difference of whether we ought to be engaging China, but simply limits itself to the matters at hand which raise the question of whether there was improper conduct in terms of the implementation of that policy.

Mr. Speaker, I reserve the balance of my time.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the gentlewoman from New Jersey (Mrs. ROUKEMA), an outstanding veteran Member of this Congress from Ridgewood, New Jersey.

Mrs. ROUKEMA. Mr. Speaker, I do appreciate the gentleman from New

York (Mr. SOLOMON) yielding me this time at this point in this debate.

Mr. Speaker, I rise in strong support of this proposal. It is essential and timely. There is a compelling need for this committee. New evidence has come to light that against the recommendations of the Defense Department and the State Department, how conditions were waived and national security considerations were waived, and Loral Space and Communications transferred sensitive satellite and missile technology to China.

Mr. Speaker, I must also say that the technology, as we now know, allowed the Chinese to greatly improve their ballistic missile and guidance capability. We have recently learned about proliferation of nuclear weapons in India and Pakistan. That may or may not have any relationship. But in any case, the timeliness has been proven and these are important national security issues at hand.

But I must say we must put politics aside. As the gentleman from Florida (Mr. GOSS) said during the earlier debate, this is not about fault-finding. I would therefore call upon all of us, Republicans, Democrats, to put politics aside and proceed with a strong interest and fairness to find the truth in this matter. The national security ramifications of this investigation are too important to become mired in politics.

Then I must feel compelled to say that I am so pleased that we have as chairman the gentleman from California (Mr. COX). We all have utmost faith in the gentleman's ability to lead this investigation. He has the experience, he has the knowledge, and above all, he has the trust, based on that experience, of all of his colleagues because he is known as the essence of honesty, fairness and tact.

In conclusion, I want to be very clear. This is not about a real estate deal. We must, we must approve this and get on with the business of the security interests of our country.

Mr. Speaker I rise in strong support of H. Res. 463—Establishing a Select Committee to Investigate Concerns with the Peoples Republic of China. This is essential and timely.

The Investigation. This could become one of the important Congressional investigations to date. This Committee will focus on the real National Security concerns that have been surfaced, hence its title. The Members of the Select Committee will have experience and knowledge of defense, national security, and intelligence issues.

There is Compelling Need for the Committee. New evidence has come to light that against the recommendations of the Departments of Defense, State, and Justice, in February 1998, President Clinton waived national security considerations and allowed Loral Space and Communications to transfer sensitive satellite and missile technology to China.

This technology allowed the Chinese to greatly improve their ballistic missile and guidance capability. The consequences of this transaction poses the greatest nuclear threat to the United States since the end of the Cold War.

We have seen in the last few months, the proliferation of nuclear weapons to India and Pakistan. With the Chinese perfecting their weapons systems, the world is becoming a much more dangerous place. This investigation will not only help us get the facts but it will help inform us on these important national security issues.

We Must Put Politics Aside. Our colleague Representative Goss stated: This is not about fault finding. These allegations have serious national security implications and should be investigated in a serious, bi-partisan manner.

I call on all Republicans and Democrats to put politics aside and proceed with a strong interest in integrity to find the truth in this matter. The National Security ramifications of this investigation is too important to become mired in politics.

I call on the President to act in good faith with the investigation and to release all documents relating to the case.

Congressman COX. My good friend from California, Congressman CHRISTOPHER COX will be in charge of this investigation. I have the utmost faith and confidence in Congressman COX.

He has the Experience: He was senior counsel on the Iran-Contra Investigation and an accomplished attorney.

He has the Knowledge: Congressman COX is a recognized expert on foreign affairs and the intelligence community.

He has the Trust: Throughout his career in Congress, Mr. COX has commanded respect from all of his colleagues for his honesty, fairness, and tact.

He will lead this investigation fairly and with a firm hand. He will not allow this very important matter to dissolve into "political theater." I strongly urge my colleagues on both sides of the aisle to work closely with Congressman COX to find the truth.

In conclusion, let me be very clear. This is not a real estate deal or a sex scandal and this is not about partisan politics. These charges go to the heart of our national security and potentially threaten every American. This Congress must rise to the challenge. A serious, professional and comprehensive investigation must be conducted to assure our national defense, and control over the laws of our land. I urge all Members to support this Resolution.

Mr. FROST. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. FAZIO).

Mr. FAZIO of California. Mr. Speaker, I have enjoyed listening to the debate thus far where we have been asked on the one hand to put politics aside, and on the other hand we have heard the alarm sounded about all these terrible transgressions that have occurred supposedly in China. Prejudging the case as we create the jury system seems to be in vogue these days.

But Mr. Speaker, I support this resolution for a couple of reasons. One, I do not want to miss the opportunity to congratulate the Republicans on finally investigating something in the proper manner.

We have had 50 separate investigations in this Congress, 38 of them continuing. Not one of them has been brought to the floor in this manner so that all the Members could hear the

evidence and decide whether they want to spend the public's money to conduct them. The rest of them are funded by the slush fund, we used to call it the Speaker's slush fund until we got a new Speaker. But it is really operated out of the Committee on House Oversight with a partisan majority and no input from the minority. They make the decisions as to whether or not we are going to pursue an investigation.

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So I support this one because it is done at least intentionally in the right manner. I support the gentleman from California (Mr. COX) and the gentleman from Washington (Mr. DICKS). I think they are honorable people.

I have confidence that, even though this may be somewhat too broad in its basic premise that the two of them working together as they have thus far will make sure that it does not go too far, does not really go from what I think is the consensus need we have in this institution to look at our policies in regard to technology transfer and exports to China.

There has been a lot of Clinton bashing, and I think unfortunately so. There has been a certain amount of unwarranted China bashing, the purple rhetoric I guess is expected in a campaign year.

But what is most important here is that we review American policy, policy that began with President Reagan, was implemented by President Bush, and this President. The same debates that we have had on export administration acts, on the armed services authorizations is occurring on this issue.

Those kinds of debates that we have had frequently on this floor the 20 years that the gentleman from Texas (Mr. FROST) and the gentleman from New York (Mr. SOLOMON) and I have served in this institution are the very subject that ought to be looked at by this Select Committee.

There is no question that we do have some policies that may need to be changed, but the implication that somehow we have acted here because of campaign funds flowing in one direction or another is I think a little bit hard to take from a Congress that refuses to even consider whether or not we are going to do away with soft money or reform the campaign finance system that we all, like it or not, have to live with.

I think this committee has been given the power to really move toward a solution to all the rhetorical debate that we have heard, some of which may really warrant policy changes.

I hope this committee's leadership will be given the membership that will focus on the details and on the issues that really need to be addressed and not the politics of election 1998. With that caveat, I support this effort and wish them well.

Mr. FROST. Mr. Speaker, I yield 7 minutes to the gentleman from Washington (Mr. DICKS).

(Mr. DICKS asked and was given permission to revise and extend his remarks.)

Mr. DICKS. Mr. Speaker, for several months, no less than seven committees of the House of Representatives have been investigating issues relating to the transfer of technology between the United States and the People's Republic of China.

The resolution now before us would vest primary responsibility for the conduct of these inquiries in a select committee. Given the complex and contentious nature of these matters, many of which involve highly classified information, consolidating the current investigations in one committee with the authority to consider matters which cross jurisdictional lines is, in my judgment, appropriate.

The technology transfer matter raises important questions of national security. The House deserves to have these questions addressed in a manner which is thorough and which focuses on substance rather than seeking to maneuver for partisan advantage.

Based on my discussions as the perspective ranking Democrat over the past week with the gentleman from California (Mr. COX), prospective chairman of the Select Committee, I believe we share a commitment to make sure that the investigation is conducted, and the Select Committee operates, in a manner which brings credit to the House.

I want to commend the gentleman from California (Mr. COX) for his willingness to consider my views on ways in which the rights of the minority to participate in the work of the Select Committee can be better ensured. We have begun to forge the kind of working relationship which will increase the likelihood that H. Res. 463, the rules which the Select Committee will adopt, and the understandings which the two of us have reached and will reach are implemented fairly.

The Select Committee would have a limited amount of time to review some complex and potentially contentious issues. At this point, I believe the inquiry needs to examine the following matters:

First, the Select Committee must review the policy devised under President Reagan and continued in the Bush and Clinton administrations to permit U.S.-owned satellites to be launched on foreign rockets, particularly those of the People's Republic of China. Is this a sound policy which appropriately balances potential economic, technological, and national security risks and benefit for the United States?

In this context, we need to examine changes in that policy and its implementation over the past decade. We must also look at the proposed sale of satellites containing sophisticated communications equipment to the People's Republic of China.

The second matter arises from the failed launch of a satellite undertaken pursuant to that policy and concerns

whether, in assisting the People's Republic of China in determining the causes of that failure, information harmful to the national security of the United States was transferred to the Chinese by representatives of U.S. companies.

I would note that any information transferred which might have had negative national security implications was apparently done without the approval or knowledge of Executive Branch officials.

Was there an enhancement of the reliability of the ballistic missiles of the People's Liberation Army as a result of these transfers; and if so, how did that happen? This is an area in which we must proceed carefully, because legal proceedings are under way, but I believe the American people deserve as clear a determination as possible on the national security implications of these transfers.

The fact that the Department of Defense and the Central Intelligence Agency apparently reached different conclusions on this question underscores the difficulty of the Select Committee's task.

Finally, the Select Committee must examine whether money flowed into the political process in the United States from either domestic or foreign sources in an effort to influence Federal decisions on technology transfers. Were any decisions made to benefit a company, whether it be Loral or any other firm, because of campaign contributions? In this matter, as well, pending legal proceedings may affect our work.

As I noted, the Select Committee would have a relatively short life, and there is much to do. If it is the will of the House that a Select Committee be formed to conduct this inquiry, I would hope that the permanent committees which have had aspects of these matters under investigation will follow precedent and defer to the new committee.

It will not assist the Select Committee, nor will it justify the considerable amount of taxpayer funds to be authorized for this effort if it is to be but one of many investigations of these matters involving the same documents and the same witnesses. I hope the Select Committee can get the cooperation of the House in this area and in all others which may affect its ability to do its job.

Mr. Speaker, I urge the adoption of this resolution.

Mr. Speaker, I would like to enter into a colloquy with the distinguished chairman designee of the committee.

To the gentleman from California (Mr. COX), in the discussion of section 7, "Procedures for Handling Information," the Committee on Rules' report on H. Res. 463 makes clear that classified information may be disclosed publicly only pursuant to a vote of the Select Committee. Section 7, however, discusses the making public of any information in the Select Committee's

possession, not only classified information.

Is it the gentleman's interpretation of section 7 that the Select Committee will vote to disclose publicly any information whether the information is classified or unclassified?

Mr. COX of California. Mr. Speaker, will the gentleman yield?

Mr. DICKS. I yield to the gentleman from California.

Mr. COX of California. Mr. Speaker, I thank the gentleman for yielding to me. That interpretation is the correct interpretation. As the gentleman knows, that section of this resolution, section 7, is taken essentially verbatim from the rules of the House concerning the procedures for the Permanent Select Committee on Intelligence of which the gentleman is the ranking member. Our procedure on the Select Committee will be the same as it is on the Permanent Select Committee on Intelligence.

Mr. DICKS. I thank the gentleman from California (Mr. COX) for that answer. In its discussion of section 10 of H. Res. 463, "Tax Returns," the report of the Committee on Rules notes the committee's intention that the authority granted by section 10 extends to the Select Committee "acting collegially."

Is it the gentleman's interpretation of sections 10 and 4 of the resolution that the act of "naming" an individual or entity under section 10 for purpose of inspecting and receiving tax information about that individual or entity shall be done pursuant to a vote of the committee?

Mr. COX of California. Mr. Speaker, will the gentleman yield to me?

Mr. DICKS. I yield to the gentleman from California.

Mr. COX of California. Mr. Speaker, that is, again, the correct interpretation. As the gentleman and I have discussed privately, this is a very important power that the Select Committee will possess. It should be used sparingly, not only after a vote, but after consultation and I would hope deliberation not only of the chairman and ranking member but all of our members.

Mr. DICKS. Mr. Speaker, I would also say, as the prospective ranking Democrat on this select committee if the House approves this resolution, we will be very careful and judicious about the use of this authority.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the gentleman from Colorado Springs, Colorado (Mr. HEFLEY), one of the most knowledgeable Members of this House on national security and the chairman of the Subcommittee on Military Installations and Facilities.

Mr. HEFLEY. Mr. Speaker, I rise in strong support of this resolution. As a member of the Committee on National Security, I believe it is imperative that we form this investigative committee. We need to find out whether or not America's national security has been or is being harmed by current policies

which govern the transfer of dual-use missile and satellite technology to China.

Presently, the Committee on National Security and the Committee on International Relations are holding a joint hearing on this very subject. One thing we are consistently being told by the Clinton administration officials is that the current policies are no different than the policies under President Reagan and President Bush. Mr. Speaker, that is simply not true.

Under Presidents Reagan and Bush, all military sensitive technology was licensed by the State Department. This licensing authority was further backed up by the veto power granted to the Department of Defense if they felt our national security could be compromised by a particular transfer.

Under President Clinton, the licensing authority has been taken away from the State Department and given to the Department of Commerce. The Commerce Department's goal is to promote business, not to protect national security. Additionally, the veto power of the Department of Defense has been removed. Clearly, economic and commercial benefits have become the most important factor in this administration's licensing determinations.

But all of that aside, that is not why I support this resolution. This committee is not to serve as a political witch-hunt, but instead a bipartisan investigation into whether or not we should be more worried about our national security today than we were yesterday.

We are dealing with the only Communist country in the world with nuclear capability. I urge the support of all Members on this resolution, because we are talking about the safety of our Nation. We are talking about the safety of our families.

The SPEAKER pro tempore (Mr. FOLEY). The gentleman from Texas (Mr. FROST) has 11 minutes remaining. The gentleman from New York (Mr. SOLOMON) has 17 minutes remaining.

Mr. FROST. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. EDWARDS).

Mr. EDWARDS. Mr. Speaker, four years ago now, Speaker NEWT GINGRICH said this as quoted in the Washington Post, "Clinton Democrats should be portrayed as, quote, the enemy of normal Americans." He then goes on to say, "Republicans will use the subpoena power to investigate the administration."

Some 4 years later, 50 investigations later in this House, some \$17 million later of taxpayers' money, recently in the Congressional Quarterly, a senior Republican leadership aide was quoted as saying this, "It has been very expensive, and it has not amounted to much."

In light of the use of taxpayer dollars and duplicative and, in many cases, dead-end investigations, my original intent would be not to support with taxpayers' money one more investigation. But I think, because of the qual-

ity of the leadership of this committee and because of the importance of this issue, many of us, if not all of us, in this House want to support this resolution.

But I must express one reservation. I would imagine what an appeals court would say in reviewing a previous judge's decision in a case if, in the first statement in that court, the judge stood up and said in reference to the defendant in the case, talked about his sordid history, sordid history. Those were the words used in the very first statement by the gentleman from New York, the chairman of the Committee on Rules, in opening up what I thought was intended to be an investigation to get the facts first and then make the judgment what those facts can be concluded to say.

□ 1430

I would hope that perhaps I misunderstood, and I would be very happy to yield time to the distinguished chairman of the committee. I hope perhaps I misunderstood the context of his statement.

Mr. SOLOMON. Mr. Speaker, will the gentleman yield?

Mr. EDWARDS. I yield to the gentleman from New York.

Mr. SOLOMON. Since 1988, under Presidents Reagan, Bush and Clinton, I have opposed this policy. So there is no politics involved.

Mr. EDWARDS. So, to clarify for the record, the reference to "sordid history" refers to multiple administrations' policy in regard to technology transfer to China, and those remarks were not focused on this administration's particular actions that we are supposed to be reviewing in this matter?

I think this is an important point. If the first statement on the floor of this House is to say we are now going to review the sordid history of the person we are supposed to be investigating before we draw a conclusion, then a reasonable person in or out of this House must conclude that perhaps this will be somewhat like the Burton investigation, where the chairman of the committee was quoted as saying he wants to "get" the President before he has even concluded the investigation.

Again, I would hope to work with the distinguished chairman and others in reviewing all of the facts, listening to the committee before we determine whether this administration has been part of a sordid history or not. And, again, perhaps the chairman could better put in context the meaning of those words. I think that would be helpful to get this investigation started on a bipartisan, objective basis.

Mr. SOLOMON. Mr. Speaker, I yield myself 30 seconds to say to the gentleman, I do not know of any previous administrations where there were sordid facts, as far as companies like Loral that were involved. This is what we were referring to, that we want to get to the bottom of it; which has nothing to do with administration politics.

Mr. Speaker, I yield 2 minutes to the gentleman from Dallas, Texas (Mr. Sam JOHNSON), a very distinguished Member and former prisoner of war for 7 long years, and a great American.

(Mr. SAM JOHNSON of Texas asked and was given permission to revise and extend his remarks.)

Mr. SAM JOHNSON of Texas. Mr. Speaker, according to this administration, the President's trip to China next week marks a new high in U.S.-China relations. I am not sure that is true. The national security of this Nation is at serious risk today due to actions taken by this President and his administration regarding missile technology transfers. It is not a reason for celebration. It is not a high point.

The transfer of U.S. missile technology to China, with the direct approval of the Clinton administration, raises some rather significant questions:

One, why the authority over the waiver program was shifted from State to Commerce; two, why an American company was granted a second launch waiver when it was already being investigated by the Justice Department; three, why the Clinton administration tried to shield China from sanctions; and finally, what military benefit did China gain as a result of that technology transfer?

Mr. Speaker, today we have the opportunity to set up a committee that will search for the honest answers, and I think the honest answers are going to be forthcoming. We have a minority leader and our own majority chairman that are going to get the answers, for our national security is not a partisan issue.

I urge my colleagues to demand the truth and support this resolution today.

Mr. FROST. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. Edwards).

Mr. EDWARDS. Mr. Speaker, following up with my exchange with the chairman of the Committee on Rules, it seems to me that one of the serious subjects of discussion and review of facts for this committee is, what was the role of the Loral Corporation in this process.

The chairman of the Committee on Rules, on the floor of the House in response to my question, referred to Loral's sordid history and its involvement in this process. Once again, I would point out that for a judge, or one of the judges, in this basically being a court case or investigation, to say in the very first remarks that there has been a sordid history of involvement by one of the groups being reviewed by this investigation seems to me to be drawing conclusions before we get the facts. It seems to me to sound more like the Burton committee, which had a chairman that wanted to draw the conclusions before he even had the hearing.

So, in the midst of this discussion, my intent is not to question the mo-

tives of the chairman of the Committee on Rules; my intent is to try to start out this process on a bipartisan, objective, fair basis. And I hope the distinguished gentleman would make clear what he means by referring to the "sordid history" of Loral or any others in this case.

Mr. SOLOMON. Mr. Speaker, I yield myself such time as I may consume to quote from my opening statement. It says, "Beginning in April of this year, the New York Times has focused on 'the somewhat sordid history,'" repeating exactly what they say. The gentleman should read the newspapers.

Mr. Speaker, I yield 1 minute to the gentleman from Ohio (Mr. TRAFICANT), a very admired Member of the other side of the body, and I wish I had more time to yield to him.

Mr. FROST. Mr. Speaker, I yield 1 minute. The gentleman from Ohio (Mr. TRAFICANT).

The SPEAKER pro tempore (Mr. FOLEY). The gentleman from Ohio (Mr. TRAFICANT) is recognized for 2 minutes.

Mr. TRAFICANT. Mr. Speaker, I thought I would just rise to tell it exactly like it is.

Last week North Korea threatened Uncle Sam. I want to quote what North Korea said. They said they will not only continue to build ballistic missiles, but they will sell ballistic missiles to the enemies of Uncle Sam or to whomever they choose. And if Uncle Sam does not like it, they can compensate us for it. They can compensate us; that is unbelievable.

Intelligence sources said North Korea is taking this bold stand because they see the way China and Communists are being treated around the globe, and that there is a weakening of resolve in Washington.

Now, there is nobody that opposed Reagan's economic policies more than I, maybe right or wrong. But one thing about Ronald Reagan, North Korea would have never made that threat to Ronald Reagan. Never. And Ronald Reagan was firm in his resolve about Communists. But if Communist China can get \$50-plus billion a year in trade surpluses, get free missile technology, have access to the Lincoln bedroom, why cannot all the other Communists do it? In fact, why cannot communism make a comeback, colleagues?

It is time to question the White House. We have put China on the back page because of Monica. Let me tell my colleagues, the time now is to look at China. What did they do, and did they attempt to influence our national security? I do not think President Clinton sold our country out, but I believe they have been damn casual with China and with Communists.

And I would just like to say that we have had brave military that gave their lives fighting in foreign wars to defeat communism and to secure America. And I will be damned if I am going to be a part of any situation that is going to weaken or threaten our national security because of some politi-

cal partisanship here. We should investigate and find the truth, and let the chips fall where they may. Because I will tell my colleagues what, it sounds awfully stinky to me.

Mr. FROST. Mr. Speaker, I would ask about the remaining time.

The SPEAKER pro tempore. The gentleman from Texas (Mr. FROST) has 6 minutes remaining, and the gentleman from New York (Mr. SOLOMON) has 13½ minutes remaining.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the gentlewoman from Jacksonville, Florida (Mrs. TILLIE FOWLER), a member of the Committee on National Security, who is so very knowledgeable about this issue.

Mrs. FOWLER. Mr. Speaker, I rise in strong support of this resolution. As a member of the House Committee on National Security, I cannot overstate the significance of the mission we are undertaking with the creation of this Select Committee.

More than 1 year ago, the gentleman from Illinois (Mr. HENRY HYDE) and I wrote to the Attorney General, asking her to investigate the loosening of export controls on a host of sensitive dual-use equipment and technology.

We asked the Attorney General to investigate the questionable decision to allow McDonnell Douglas to sell sophisticated machine tools to the PRC. Just last week "60 Minutes" reported that those machines have ended up in a Chinese Silkworm missile plant.

The Loral incident is what has brought us to this point today, and for good reason. According to press reports, the Defense Technology Security Administration concluded that, "United States national security has been harmed." And an April 9th, 1996, Air Force Intelligence report reached a similar conclusion.

Clearly, the questionable actions of both Loral and the administration have serious implications for our national security. But so do the questions surrounding transfers of sophisticated machine tools, supercomputers, hot section technology and telecommunications technology.

The Select Committee we are creating today faces a daunting but critical task. In a nutshell, it must answer the question: Did the United States provide technology to China that will benefit its military? And, if so, why did this administration allow it to happen?

I urge my colleagues to vote "yes" on the resolution so that the American people can find out the answers to these questions.

Mr. Speaker, the letter to the Attorney General referred to earlier is provided for the RECORD as follows:

MAY 22, 1997.

Hon. JANET RENO,
U.S. Department of Justice,
Washington, DC.

DEAR GENERAL RENO: We are writing to request that the Justice Department's investigation of alleged illegal foreign campaign contributions to the Clinton campaign and the Democratic National Committee include an investigation of the possible link between

contributions from various Asian donors and the Clinton Administration's loosening of export controls on sensitive dual-use equipment and technology, which has specifically benefited the military and intelligence services of the People's Republic of China (PRC).

The PRC makes no secret of the fact that it is attempting to acquire a diverse, highly flexible, strategically dispersed and survivable military production capability, with force projection a key goal. The administration's pattern of decontrol and failure to enforce existing law with regard to both export procedures and punitive sanctions has substantially benefited the military goals of the People's Republic of China and presented serious new challenges to the security interests of the United States.

In our minds, there are a number of cases that raise serious questions about whether improper outside influence was brought to bear on Administration officials—including the President—and if that influence has resulted in decisions and policies that have liberalized the transfer of defense-related technologies, something which is clearly incompatible with the interest of our nation.

Examples of Questionable Decisions

Sales of sophisticated machine tools to the PRC.—A U.S. company, McDonnell Douglas, was allowed to ship an almost complete intact missile and strategic bomber factory to the PRC, despite strong opposition from specialists at the Department of Defense and evidence that the equipment was going to be diverted to military production facilities. Prior to the issuance of the original export licenses, the case was discussed with concern at the highest levels of the government, yet it was approved in the end.

News stories and a GAO report requested by the House National Security Committee (HNSC) all show that before the equipment was shipped, U.S. officials were aware that the conditions placed upon issuance of the export licenses were unenforceable, and that the Chinese possibly intended to divert the equipment they had purchased for civilian use to a military production facility.

During the period immediately before the sale—and before the export licenses had been approved—McDonnell Douglas officials showed officials from CATIC (China National Aero-Technology Import-Export Corporation) through the plant during operating hours, allowing them to videotape classified production lines in operation—a violation of current export law, which was brought to the attention of Administration officials and ignored.

Finally, once it was determined that the diversion had occurred, political appointees at the Departments of Commerce and Defense approved new licenses with different end-use conditions and destinations rather than expressing displeasure with the Chinese or exercising their legal obligation to sanction the PRC.

While aspects of this case are now under review by a grand jury in the District of Columbia, it is imperative that this matter receive full scrutiny in the context of the Justice Department's investigation of campaign finance improprieties.

Supercomputers.—The extraordinary loosening of controls on militarily-sensitive supercomputers, which began in 1994, has resulted in the sale of 46 supercomputers rated at 2,000 MTOPS and above to China in the last 15 months. According to a former Under Secretary of Defense who testified before the HNSC Procurement Subcommittee, these sales may have given the PRC more supercomputing capacity than the entire Department of Defense. Uses for supercomputers include: design and testing of nuclear weapons; sophisticated weather forecasting; weapons

optimization studies crucial for the efficient use of chemical and biological weapons; aerospace design and testing; creating and breaking codes; miniaturizing nuclear weapons, and finding objects on the ocean floor, including submarines.

The decision to loosen U.S. controls on supercomputers was made in spite of the opposition of a number of Defense Department staff experts, senior military and intelligence officials, and Members of Congress. It was justified by a report commissioned and paid for by the Department of Commerce using outside consultants supplied by political appointees at the Department of Defense. The contract for the report was awarded noncompetitively to a well-known opponent of export controls. Viewed in the context of recent revelations about Chinese efforts to influence the U.S. political scene, the significant policy changes that have been pursued in this area bring into question the Administration's motives for decontrol.

Hot Section Technology.—The Administration's decision to change the jurisdiction on so-called "hot section" technology from the Department of State, which had guarded it jealously, to the Department of Commerce, which is in the business of making it easier for foreign entities to purchase U.S. products and technology also raises serious concerns. Hot section technology allows U.S. fighter and bomber aircraft to fly for thousands of hours longer than those produced by less sophisticated manufacturers, providing our military forces with significant cost and readiness advantages over those of other nations. Again, serious questions arise with respect to policy changes in light of Chinese efforts to influence Administration actions.

Telecommunications.—In 1994, sophisticated telecommunications technology was transferred to a U.S.-Chinese joint venture called Hua Mei, in which the Chinese partner is an entity controlled by the Chinese military. This particular transfer included fiber optic communications equipment which is used for high-speed, secure communications over long distances. Also included in the package was advanced encryption software.

Both of these transfers have obvious and significant military applications, and, again, this transfer was accomplished despite opposition from technical experts at the NSA and within the Pentagon.

The administration's actions in the above-mentioned cases, and others, have resulted in a significant increase in indigenous Chinese military production capabilities. Given China's willingness to sell weapons and technology to the highest bidder—including rogue nations such as Iran, Iraq, and Libya—these transfers could represent a profound threat to U.S. military personnel. Moreover, the increased capabilities that China has gained portend a regional arms race and increase the possibility of conflict in a region in which the United States has major interests.

Under the circumstances, if flies in the face of common sense for us to provide the PRC with the means to achieve their military and strategic goals. The administration's decision seem very suspect to us, and we strongly believe they should be investigated.

In closing, we would note that this letter does not reflect a change in our belief that a special counsel should be appointed to investigate allegations of improper fund-raising and campaign contributions, but rather an acknowledgement of the investigation as it presently exists.

Thank you for your consideration of this request. We look forward to your timely response.

Sincerely,

TILLIE K. FOWLER,
Committee on National Security.
HENRY HYDE,

Chairman, Committee on the Judiciary.

Mr. FROST. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I think it is vitally important that this matter be approached on a bipartisan and objective basis. The two people who are involved, the designated chair and the designated ranking minority member, clearly are fair-minded and will proceed in a reasonable and forthright manner. I would urge other Members on the other side of the aisle to give the gentleman from California (Mr. COX) and the gentleman from Washington (Mr. DICKS) the opportunity to conduct a fair and bipartisan examination into these vital questions.

We will support this resolution. We would urge that this investigation be done promptly and fairly and in a bipartisan manner.

Mr. Speaker, I have concluded my remarks. I urge adoption of the resolution.

Mr. Speaker, I yield back the balance of my time.

Mr. SOLOMON. Mr. Speaker, I yield myself such time as I may consume to, first of all, just concur in exactly what the gentleman from Texas has just said.

Mr. Speaker, I yield the balance of my time to the gentleman from California (Mr. COX) to conclude for the majority. We have heard a lot of praise heaped on this gentleman. I only wish I had his demeanor and his calmness in the way that he approaches measures on this floor. He would make a great Supreme Court Justice some day, as well as a great Congressman.

Mr. COX of California. Mr. Speaker, I certainly thank the chairman of the Committee on Rules for those generous comments and, obviously, all of us being in politics here know that at this point I should sit down, because never will people say nice things like this about me again and I am enjoying the opportunity.

But I want to begin by saying exactly the same kinds of things about my colleagues who have brought us to this point, the threshold of investigating in exactly the right way a very serious matter. In particular, the ranking member on the Permanent Select Committee on Intelligence, the gentleman from Washington (Mr. DICKS), with whom it has been my pleasure to work for the last several days in a very serious and urgent way; and, as well, the minority leader of the House, who made this his priority, exactly as did the Speaker of the House.

As a consequence, I can thank the gentleman from Texas (Mr. FROST), who has conducted the debate on the minority side today, for his recommendation of an "aye" vote. And I can thank my colleagues for what I believe is the collective and considered

wisdom of the House in proceeding in this way.

Much of what we will undertake, much of what we will look at in this Select Committee will be secret information, and we will keep it to ourselves. Much of the reason that we are here, frankly, rests upon classified information. But the reason that we are here is also largely a matter of public record, and so what I would like to do now is begin with what is publicly known about why it is important for us to proceed in this way with this Select Committee.

In 1996, the People's Republic of China's Long March rocket, carrying a Loral satellite, exploded shortly after lift-off. It was at least the fifth Long March rocket to fail in the last 7 years. On April 4th, 1998, the New York Times, in a story by Jeff Gerth, first reported that a Federal grand jury was investigating whether, during the investigation of that 1996 launch failure, Loral and Hughes provided any information to the Chinese People's Liberation Army without the necessary State Department approval, and whether such illegal actions may have advanced the Chinese People's Liberation Army nuclear missile capabilities.

According to the April 4 New York Times article, since this proposed export could involve the transfer of the same kind of expertise that prompted the Justice Department to investigate in the first place, some Clinton administration officials claimed that the February waiver undermined the investigation.

□ 1445

The Justice Department made these very concerns known to the White House prior to the February 1998 waiver.

On April 5, 1998, Ronald Ostrow and Jim Mann reported in the Los Angeles Times that missile guidance technology transferred to the People's Liberation Army may have gone beyond China's own nuclear arsenal. They quoted a Defense Department official, who stated, "Guidance for missiles seems to be a critical factor for Iran and North Korea. And they are getting it from China."

On April 13, the New York Times reported further that in May 1997, the Pentagon issued a classified report which concluded that Loral and Hughes provided information that "significantly improved China's nuclear missile capabilities."

The New York Times reported on May 15, 1998, that a Chinese military officer, Lieutenant Colonel Liu Chao-Ying, funneled nearly \$300,000 to Democratic fund-raiser Johnny Chung. Lieutenant Colonel Liu is an officer of China Aerospace, a state-owned company directly involved in China's satellite launching program. Lieutenant Colonel Liu was previously an officer of China Great Wall Industries, the manufacturers and sellers of M-11 missiles components to Pakistan.

On May 23, the New York Times reported that on February 18, 1998, while the Justice Department investigation of Loral was ongoing, President Clinton issued another waiver for Loral to export a satellite to China.

On June 1, 1998, the New York Times reported that the State Department also advised the White House prior to the February 1998 waiver that Loral's actions in 1996 appeared to be "criminal" and "knowing" and that U.S. law might prohibit satellite exports to the People's Republic of China in any event due to the PRC's transfer of missile technology to Iran.

The June 1 article also reported that the administration was aware of the Defense Department's concerns over possibly aiding the People's Liberation Army's nuclear missile program, citing a February 12 memorandum to the President from National Security Adviser Samuel Berger.

Also, according to the June 1 article, and again citing internal White House and State Department memoranda, National Security Adviser Berger and the President were made aware of the fact that Loral stood to lose the contract and to incur a financial penalty if the waiver were not granted soon.

The waiver was issued shortly after the supposed deadline. The launch project was kept on schedule for November 1998, and Loral did not incur any penalties from the Communist Chinese Government.

The press has also reported that the CEO of Loral, Bernard Schwartz, has become a close personal friend of the President and was the largest single donor to the Democratic Party in 1996.

On June 10, the General Accounting Office testified before the Senate Intelligence Committee that President Clinton's March 14, 1996, decision to transfer ultimate control of satellite exports from the State Department to the Commerce Department diminished the ability of the Defense Department to block satellite exports for national security reasons.

Until that 1996 decision by the President, the Department of Defense was routinely deferred to by the Department of State and national security was paramount when waivers were sought. Now, however, the Commerce Department, whose mission it is to promote exports, is the agency in control.

In testimony before the House Committee on National Security in November of 1997, Commerce Department official William Reinsch acknowledged that while some 47 supercomputers have been sold to the People's Republic of China, the United States Government was unaware of their whereabouts. These supercomputers may be used for, among other purposes, simulating testing of nuclear weapons.

60 minutes, on CBS, reported on June 7, 1998, that the People's Liberation Army illegally diverted enormous McDonnell Douglas aeronautics machine tools, approaching the length of a football field, for use in People's Lib-

eration Army military aircraft production. McDonnell Douglas is now the subject of a grand jury investigation of the diversion.

All of these media reports give rise to a number of unanswered questions that will be the object of the Select Committee's focus. There is no more important question before the Select Committee than the one with which we will begin. "Has the reliability or accuracy of nuclear missiles in the arsenal of the People's Liberation Army been enhanced; and, if so, how did this happen?"

I agree with all those who have spoken that this Select Committee is the most effective means to inquire into these matters. There are some 8 committees of the House of Representatives, with nearly 300 members, that properly have jurisdiction over these committees. Consolidating this investigation into a Select Committee whose members have been chosen by the Speaker of the House and by the minority leader, who are expert in the matter, who can consult collegially with one another, and who can maintain discretion and confidentiality, will reflect credit upon this House.

I urge my colleagues to support this resolution, to support the creation of the Select Committee, and to answer this serious question in the serious manner that it deserves.

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. GILMAN).

(Mr. GILMAN asked and was given permission to revise and extend his remarks.)

Mr. GILMAN. Mr. Speaker, I thank the gentleman from New York for yielding.

I rise in strong support of this measure to establish a Select Committee on U.S. National Security and Military/Commercial Concerns of the People's Republic of China. I commend the gentleman from California (Mr. COX) for his statement.

I want my colleagues to know, we have just concluded 2 days of extensive hearings on this measure, which underscores the importance of moving ahead with the Select Committee. I urge my colleagues to support the measure.

Mr. Speaker, I want to thank the gentleman from New York, Mr. SOLOMON, for allowing me the opportunity to provide my views on the establishment of a Select Committee to examine U.S. policy regarding the transfer of U.S. satellites to China.

I strongly support the creation of this Select Committee. The Committee, headed by the able gentleman from California, Mr. COX, will be well-positioned to examine not only such issues, as whether American satellite companies divulged militarily-sensitive technology enabling China to improve its ballistic missiles.

The Committee will also be able to engage major policy issues, including whether our national security has been jeopardized by this Administration's policy of placing commercial interests above national security interests in granting licenses and national interest waivers

for the export of commercial communication satellites to China.

In the 1992 Presidential campaign, Governor Clinton attacked President Bush for "coddling dictators" including those who ordered the massacre of pro-democracy demonstrators at Tiananmen Square.

Who could have imagined then that President Clinton's Administration would face questions about compromising our national security at the hands of those same Chinese leaders.

Yet, in May of 1997 a highly classified Pentagon report has reportedly concluded that scientists from two leading American satellite companies, Loral Space and Communications and Hughes Engineering, provided expertise that significantly improved the guidance and reliability of China's ballistic missiles.

Moreover, documents released by the White House disclose that the Justice Department had concerns about issuing a waiver in February 1998 for the export of a Loral satellite, and the Clinton Administration knew it. Accordingly to a memo prepared for the President by his National Security Advisor, Justice "has cautioned that a national interest waiver in this case could have a significant adverse impact on any prosecution that might take place * * *"

Despite this, the President decided to grant Loral a waiver for the export of a satellite to China.

I am concerned that in its desire to promote the commercial interests of key U.S. companies, the Administration may have undercut its own efforts to limit the spread of missile technology to China, which today is the world's leading exporter of weapons of mass destruction.

The Administration has insisted, that nothing untoward has occurred, that no inappropriate decisions or actions have been taken that resulted in harm to U.S. national security.

We will look to this proposed Select Committee to examine these issues and look forward to its conclusions and recommendations. Accordingly, I urge Members of the House to support the establishment of this important panel.

Mr. SOLOMON. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. FOLEY). Pursuant to House Resolution 476, the previous question is ordered on the resolution, as amended.

The question is on the resolution, as amended.

The question was taken; and the Speaker pro tempore announced that ayes appeared to have it.

Mr. SOLOMON. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The SPEAKER (during the voting). The Chair will remind Members that it is their responsibility to be in the Chamber when a vote is underway.

The vote was taken by electronic device, and there were—yeas 409, nays 10, not voting 14, as follows:

[Roll No. 245]

YEAS—409

Abercrombie	Dingell	Kelly
Ackerman	Dixon	Kennedy (MA)
Aderholt	Doeggett	Kennedy (RI)
Allen	Dooley	Kennelly
Andrews	Doolittle	Kildee
Archer	Doyle	Kilpatrick
Armye	Dreier	Kim
Bachus	Duncan	Kind (WI)
Baesler	Dunn	King (NY)
Baker	Edwards	Kingston
Baldacci	Ehlers	Klecza
Ballenger	Ehrlich	Klink
Barcia	Emerson	Klug
Barr	Engel	Knollenberg
Barrett (NE)	English	Kolbe
Barrett (WI)	Ensign	Kucinich
Bartlett	Eshoo	LaFalce
Barton	Etheridge	LaHood
Bass	Evans	Lampson
Bateman	Everett	Lantos
Becerra	Ewing	Largent
Bentsen	Farr	Latham
Bereuter	Fattah	LaTourette
Berman	Fawell	Lazio
Berry	Fazio	Leach
Bilbray	Filner	Lee
Bilirakis	Foley	Levin
Bishop	Forbes	Lewis (CA)
Blagojevich	Ford	Lewis (KY)
Bliley	Fossella	Linder
Blumenauer	Fowler	Lipinski
Blunt	Fox	Livingston
Boehlert	Frank (MA)	LoBiondo
Boehner	Franks (NJ)	Lofgren
Bonilla	Frelinghuysen	Lowey
Bonior	Frost	Lucas
Bono	Galleghy	Luther
Borski	Ganske	Maloney (CT)
Boswell	Gejdenson	Maloney (NY)
Boucher	Gekas	Manton
Boyd	Gephardt	Manzullo
Brady (PA)	Gibbons	Markey
Brady (TX)	Gilchrest	Mascara
Brown (CA)	Gillmor	Matsui
Brown (FL)	Gilman	McCarthy (MO)
Brown (OH)	Goode	McCarthy (NY)
Bryant	Goodlatte	McCollum
Bunning	Goodling	McCrary
Burr	Gordon	McDade
Burton	Goss	McGovern
Buyer	Graham	McHugh
Callahan	Granger	McInnis
Calvert	Greenwood	McIntosh
Camp	Gutierrez	McIntyre
Campbell	Hall (OH)	McKeon
Canady	Hall (TX)	McKinney
Cannon	Hamilton	Meehan
Capps	Hansen	Meek (FL)
Cardin	Harman	Meeks (NY)
Carson	Hastert	Menendez
Castle	Hastings (WA)	Metcalf
Chabot	Hayworth	Mica
Chambliss	Hefley	Millender-
Chenoweth	Hefner	McDonald
Christensen	Herger	Miller (CA)
Clay	Hill	Miller (FL)
Clyburn	Hillery	Minge
Coble	Hilliard	Mink
Coburn	Hinchey	Moran (KS)
Collins	Hinojosa	Moran (VA)
Combest	Hobson	Morella
Condit	Hoekstra	Myrick
Cook	Holden	Neal
Costello	Hooley	Nethercutt
Cox	Horn	Neumann
Coyne	Hostettler	Ney
Cramer	Hoyer	Northup
Crane	Hulshof	Norwood
Crapo	Hunter	Nussle
Cubin	Hutchinson	Obey
Cummings	Hyde	Olver
Cunningham	Inglis	Ortiz
Danner	Istook	Owens
Davis (FL)	Jackson (IL)	Oxley
Davis (IL)	Jackson-Lee	Packard
Davis (VA)	(TX)	Pallone
Deal	Jefferson	Pappas
DeFazio	Jenkins	Parker
DeGette	John	Pascarell
Delahunt	Johnson (CT)	Pastor
DeLauro	Johnson (WI)	Paul
DeLay	Johnson, E. B.	Paxon
Deutsch	Johnson, Sam	Payne
Diaz-Balart	Jones	Pease
Dickey	Kaptur	Pelosi
Dicks	Kasich	

Peterson (MN)	Sanford	Stupak
Peterson (PA)	Sawyer	Sununu
Petri	Saxton	Talent
Pickering	Scarborough	Tanner
Pickett	Schaefer, Dan	Tauscher
Pitts	Schaffer, Bob	Tauzin
Dogbo	Schumer	Taylor (MS)
Pomeroy	Scott	Taylor (NC)
Porter	Sensenbrenner	Thomas
Portman	Serrano	Thompson
Poshard	Sessions	Thornberry
Price (NC)	Shadeegg	Thune
Pryce (OH)	Shaw	Thurman
Quinn	Shays	Tiahrt
Radanovich	Sherman	Tierney
Rahall	Shimkus	Trafficant
Ramstad	Shuster	Turner
Rangel	Sisisky	Upton
Redmond	Skaggs	Velazquez
Regula	Skeen	Vento
Reyes	Skelton	Visclosky
Riggs	Slaughter	Walsh
Riley	Smith (MI)	Wamp
Rivers	Smith (NJ)	Waters
Rodriguez	Smith (OR)	Watkins
Roemer	Smith (TX)	Watt (NC)
Rogan	Smith, Adam	Watts (OK)
Rogers	Smith, Linda	Waxman
Rohrabacher	Snowbarger	Weldon (PA)
Ros-Lehtinen	Snyder	Weller
Rothman	Solomon	Wexler
Roukema	Souder	Weygand
Roybal-Allard	Spence	White
Royce	Spratt	Whitfield
Rush	Stabenow	Wicker
Ryun	Stark	Wise
Sabo	Stearns	Wolf
Salmon	Stenholm	Woolsey
Sanchez	Stokes	Wynn
Sanders	Strickland	Young (AK)
Sandlin	Stump	Young (FL)

NAYS—10

Conyers	McDermott	Oberstar
Furse	Mollohan	Yates
Kanjorski	Murtha	
Lewis (GA)	Nadler	

NOT VOTING—14

Clayton	Gutknecht	Moakley
Clement	Hastings (FL)	Torres
Cooksey	Houghton	Towns
Gonzalez	Martinez	Weldon (FL)
Green	McNulty	

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Mr. OBERSTAR, Mr. NADLER and Ms. FURSE changed their vote from "yea" to "nay."

Ms. CARSON changed her vote from "nay" to "yea."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. SOLOMON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the resolution just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

BIPARTISAN CAMPAIGN
INTEGRITY ACT OF 1997

Mr. LINDER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 458 and ask for its immediate consideration.

The Clerk read the resolution, as follows: