

The threat to the security of Europe today no longer comes from an easily identifiable Soviet adversary; it comes from the prospect of instability. It comes from the prospect of future Bosnias. NATO must adapt to this new reality and prepare itself to undertake missions outside the territory of its member states.

Our experience at Taszar shows that Hungarian membership in NATO will help us and our allies to carry out these new missions and will enable us together to help maintain the security and stability of the continent as a whole.

Moreover, the Taszar experience shows how NATO enlargement can help reduce costs that we and our allies would face without enlargement. Enlargement will allow us and our allies access to bases like Taszar in times of crisis, and it will allow the central European democracies to rely on others for part of their security, thereby reducing the cost to them of restructuring their militaries.

Let me reiterate that the prospective new members of NATO must agree to make the financial sacrifice necessary to modernize their militaries. We will, of course, do our fair share to help. In that regard, the 15 percent of the direct enlargement costs that last month's Pentagon cost study envisages the United States will assume seems an equitable proposal. But the prospective new members and the non-U.S. current NATO members must shoulder the largest share of the costs.

My meeting with Mr. Kovacs today to discuss Hungary's progress toward NATO membership was extremely fruitful, and, as I mentioned earlier, I will visit Budapest later this month to help me ascertain for myself if Hungary is ready to join the Atlantic alliance.

I commend the Hungarian people on the progress they have made in creating a successful democracy and free-market economy over the past 8 years and for their determination to ensure their security through cooperation with their neighbors and other democracies.

I hope that Hungary will continue in this direction and will meet the criteria for membership in NATO so that in July it will be in the group of prospective members invited to begin accession negotiations with the alliance.

I thank the chair and yield the floor.

I thank my colleague from Alabama for giving me the opportunity to take the floor.

Mr. SHELBY addressed the Chair.

The PRESIDING OFFICER (Mr. SMITH of Oregon). The Senator from Alabama.

#### NOMINATION OF MR. ANTHONY LAKE

Mr. SHELBY. Mr. President, I rise tonight to give to the Senate the status on the confirmation process in the Intelligence Committee of Anthony

Lake, who has been nominated by President Clinton to be the next Director of the Central Intelligence Agency.

As I have said on many occasions, I intend to treat the confirmation of Anthony Lake, President Clinton's nominee to be Director of Central Intelligence in a serious, thorough and fair manner.

The Central Intelligence Agency and the intelligence community deserve a strong and independent leader to carry them into the 21st century. I believe that everyone in the Senate recognizes that.

This leader must be able to guide the fine men and women that serve our country and keep watch on our adversaries, sometimes under the most trying and dangerous of circumstances.

And, this leader must be deserving of the confidence of the President, the Congress, and the American people.

This is a controversial nomination, we have known this from the beginning. And it is essential that we address all of the issues associated with Mr. Lake's fitness to lead the intelligence community, and his ability to make the transition from White House insider to apolitical provider of intelligence information.

I'd like to comment on the six areas in which the committee has considerable work to complete as we proceed with Mr. Lake's confirmation hearings which will begin on Tuesday. We want to get the process moving, but it is important that we have the fullest cooperation from the White House.

These six areas are, among others: First, investigation of the role the National Security Council, under Mr. Lake's leadership, had in questionable DNC fund-raising practices, as well as any knowledge Mr. Lake may have had, if any.

Second, Mr. Lake's use and interpretation of intelligence provided to him as National Security Advisor, including how he helped translate this intelligence into administration policy.

Third, the Justice Department's settlement of Mr. Lake's ethics violations and the potential irregularities in this settlement.

Fourth, the way in which Mr. Lake handled the "no instructions" policy toward Iranian arms shipments through Croatia to Bosnia.

Fifth, review of Mr. Lake's FBI background investigation.

Sixth, review of written answers Mr. Lake provided to the committee's questions for the record, many of which require further explanation than was provided.

#### NSC INTERACTIONS WITH DNC CONTACTS

We will continue our investigation into the role of the NSC staff, under Mr. Lake's direction, in the expanding controversy over foreign campaign contributions.

At issue is the extent to which Mr. Lake knew of the ties the White House was building with questionable fund-raisers and foreign contributors and what effect this might have had on administration foreign policy.

It is apparent that his staff had knowledge of the involvement, and although on many occasions advised against it for either political or foreign policy reasons, never seemed to raise the flag of illegality.

And if Mr. Lake was fully informed, did he participate in decisions to continue this involvement or were any admonitions he might have given regarding the nature of these meetings completely ignored?

This question goes to the heart of Mr. Lake's ability to be an effective Director of the Central Intelligence Agency.

The committee must consider this issue in great detail and determine if Mr. Lake could become embroiled in a potential independent counsel investigation into these matters, as we read in the press.

The intelligence community deserves a leader that will not be distracted by such an investigation, if it occurs.

The information supplied by Mr. Lake could be the tip of an iceberg, and more inquiry is required. For example, Mr. Lake does not appear to shed any light as to why his staff met with Pauline Kanchanalak, the Thai businesswoman and lobbyist whose contributions to the DNC were eventually returned.

New allegations about Ms. Kanchanalak appear in the press every day all over America, and perhaps the world.

For example, last Tuesday, the New York Times reported, and I quote: "One Justice Department official said subpoenas also were served on the United States-Thai Business Council, a trade-promotion group formed in part by Pauline Kanchanalak, a lobbyist who helped raise \$250,000 in political donations that have since been returned by the Democratic National Committee."

The article goes on to say: "Government officials said the Justice Department two weeks ago subpoenaed records from the Export-Import Bank concerning Ms. Kanchanalak's efforts to help Thai investors \* \* \*"

I ask for unanimous consent that this and other articles about Ms. Kanchanalak be entered into the RECORD at this point in their entirety.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times, Feb. 25, 1997]

INQUIRY INTO GIFTS TO DEMOCRATS WIDENS

(By Christopher Drew)

The Justice Department today subpoenaed the records of Johnny Chung, a California businessman who gave \$391,000 to the Democratic Party, and others who made large donations while seeking access to the White House, Government officials said.

One Justice Department official said subpoenas also were served on the United States-Thai Business Council, a trade-promotion group formed in part by Pauline Kanchanalak, a lobbyist who helped raise \$250,000 in political donations that have since been returned by the Democratic National Committee.

The subpoenas show that a Justice Department task force is continuing to widen its investigation into alleged improprieties in the Democrats' drive to raise huge sums for last year's elections.

The committee also is reviewing the donations made by Mr. Chung and others. It has already returned nearly \$1.5 million in questionable donations. And one Democrat familiar with that review said today that the party is likely to return an additional \$1 million, either because it could not verify the sources of the money or because the donations seemed improper.

Mr. Chung and Ms. Kanchanalak have declined to speak to reporters, and their lawyers could not be reached for comment last night.

Mr. Chung, an engineer who was born in Taiwan and is now an American citizen, has captured attention for his intense efforts to exploit his donations for commercial gains. Since mid-1994, he has visited the White House at least 50 times, sometimes bringing business associates from China and other Far East places that he wanted to impress.

Mr. Chung took two Chinese beer executives to a White House Christmas party in 1994, where they were photographed with President and Mrs. Clinton. The beer company later placed the photo in a glass display case promoting its product in one of Beijing's main shopping districts.

It could not be learned exactly what records were sought in the subpoenas issued today. But Justice Department officials have said they were examining whether any foreign money might have been improperly funneled into Democratic Party coffers.

Mr. Chung's lawyer, Brian A. Sun, told The New York Times last week that his client, who runs a fax-services business in Torrance, Calif., had received more than \$3 million from investors over the last three years. Mr. Sun estimated that nearly \$1.5 million of that total had come from foreigners as Mr. Chung expanded into consulting for foreign businessmen who wanted to make deals in the United States.

Mr. Sun said that Mr. Chung had done nothing wrong, and that Mr. Chung's foreign partners were not involved in his decisions to make the contributions. But it also is likely that the Justice Department investigators would want to trace the flow of money into Mr. Chung's accounts.

California records show that Mr. Chung incorporated seven companies with investors from China and Hong Kong over the last two years, and Federal election records show that several of his largest political donations were made at about the same time as the incorporations.

Mr. Chung also donated \$50,000 to the Democratic Party in March 1995, shortly after he took high-level Chinese businessmen to watch Mr. Clinton give a radio address. Aides to Donald L. Fowler, then the national chairman of the Democratic Party, have said they arranged that White House visit at Mr. Chung's request. Mr. Fowler has said he was not personally involved and did not solicit a donation from Mr. Chung in return for the favor.

Ms. Kanchanalak, a Thai citizen who lives in Virginia, got help from John Huang, the former Democratic fund-raiser who is at the center of the Federal inquiry, in setting up the United States Thai-Business Council.

Government officials said the Justice Department two weeks ago subpoenaed records from the Export-Import Bank concerning Ms. Kanchanalak's efforts to help Thai investors win financing to build 105 Blockbuster video stores in Thailand. Ms. Kanchanalak has denied doing anything wrong.

[From the Wall Street Journal, Feb. 27, 1997]

#### FBI INQUIRY ON FUNDING IS WIDENING

(By David Rogers and Edward Felsenthal)

WASHINGTON.—A Federal Bureau of Investigation inquiry into foreign influence in Democratic fund raising could lead Director Louis Freeh to ask Attorney General Janet Reno to seek appointment of an independent counsel for the case.

Mr. Freeh briefed senior senators yesterday on the investigation, and officials later described the continuing FBI investigation as larger than previously reported and carried on outside the purview of the White House.

Serious evidence has been found of China's potential involvement in steering money to Democrats. That involvement appears to have been driven largely by business interests seeking influence and following the model of rival Taiwanese.

Pauline Kanchanalak, a major Democratic fundraiser who has represented Thai companies with large investments in China, has emerged as a key figure in the probe, officials said. While refusing to comment on details of the briefing, senate Intelligence Committee Chairman Richard Shelby said the evidence of foreign influence was "deep and disturbing."

"We need an independent counsel if we ever needed an independent counsel," the Alabama Republican said.

The Justice Department last night painted a less dire picture of Mr. Freeh's briefing, and Attorney General Reno continued to say that career prosecutors in the department can handle the fund investigation. Neither Sen. Shelby nor other officials familiar with the briefing were prepared to say what Mr. Freeh's final recommendations would be. But lawmakers of both parties said the investigation is regarded very seriously by the director, who has committed substantial resources to it.

FBI spokesman John Collingwood last night would say only that it is "a matter that is entirely within the purview of the attorney general."

Ms. Kanchanalak's role is important both because of her foreign clients and past access to National Security Council staff at the White House. As such, her prominence could pose additional problems for former NSC adviser Anthony Lake, whose nomination to direct the Central Intelligence Agency already faces opposition in the Senate. Ms. Kanchanalak couldn't be reached for comment.

Critics of the Clinton administration have recently stepped up their demands for an independent counsel, particularly with the disclosure this week that the president himself played a role in encouraging the use of the White House as a fundraising vehicle. Federal law requires the attorney general to ask the federal appeals court here to appoint an independent counsel when there are "credible" and "specific" allegations of criminal wrongdoing against an official. The law explicitly applies to the president, cabinet members and some campaign officials; the attorney general has the discretion to apply it to others as well.

Some say that threshold has clearly been crossed. "I thought [Ms. Reno] had gotten past the point where she didn't have much choice under the statute some time ago," said Theodore Olson, a Washington lawyer who was assistant attorney general during the Reagan administration. Several lawmakers—including Senate Majority Leader Trent Lott of Mississippi, GOP Sen. John McCain of Arizona and Democratic Sen. Daniel Patrick Moynihan of New York—have called for an independent counsel.

Ms. Reno said yesterday in a hearing before a House committee that she still hasn't

seen enough evidence to justify such an appointment. She added that she is still open to the idea if sufficient evidence emerges "as we proceed with the very comprehensive investigation that we now have under way." Ms. Reno has appointed a task force of career prosecutors to monitor the matter and to alert her if they conclude an independent counsel is necessary.

Lawyers agree that the independent-counsel law is fairly straightforward, requiring only a barebones determination by the attorney general of whether further investigation is necessary. But the question of what makes up a "credible" allegation is obviously a judgment call. In addition, given the complexities of the campaign-finance laws, it isn't always clear what constitutes a violation.

Some lawyers believe that the attorney general should err on the side of naming an independent counsel and leave it to the appointee to decipher the law.

But Justice Department officials maintain that Ms. Reno has very little discretion. People think that "whenever there's a mess, there's [supposed to be] an independent counsel," said a spokesman for Ms. Reno. "Congress could have written the law that way, but they didn't."

At a news conference yesterday, President Clinton reiterated his position that the decision was up to Ms. Reno. "It's a legal decision the attorney general has to make," he said. "I'm not going to comment."

Mr. SHELBY. Mr. President, these allegations about Ms. Kanchanalak, coupled with her interactions with the National Security Council, are very troubling to me and other members of the Committee. We must fully understand what part, if any, Mr. Lake played.

And while Mr. Lake has said that the NSC involvement with the individuals in question was "from a foreign policy rather than a domestic political point of view," the material he provided to the committee gives some indications otherwise.

For example, Mr. Lake advised the President against a meeting with Chinese nationals set up by Charlie (Tree) Trie, a major DNC fundraiser, based on the recommendation of his staff that it not take place for political reasons.

And when asked about providing photos of the President with Chinese nationals identified as major DNC contributors, a member of Mr. Lake's staff commented on balancing foreign policy considerations against domestic politics. He did not seem to be bothered by the fact that Chinese nationals were identified as major DNC contributors. Clearly, this is an indication of possible illegal activity.

Before questioning Mr. Lake about his leadership in these areas, we intend to question his staff further as to the role the NSC played in interactions with and vetting of these DNC contributors and foreign nationals.

Senator KERREY, vice chairman of the Intelligence Committee, and I have requested that the NSC staff be available for the interviews on the record prior to the formal hearings, which will begin, as I have said earlier, next Tuesday. We reserve the right to call NSC staff members to testify under oath, if we deem that in order.

The use of intelligence is another area.

One of the key responsibilities of the Director of Central Intelligence is to provide unbiased intelligence to the President and to the Congress. Thus, it is very critical that we examine Mr. Lake's record as a consumer of such intelligence.

How did he translate intelligence into policy at the NSC? Did he ignore intelligence estimates, spin them to fit administration policy, or raise the standards of evidence?

We have concluded our investigation surrounding the administration's use of intelligence in shaping policy toward China, and there are some serious inconsistencies. We are prepared to discuss these with Mr. Lake in the closed session of the committee.

Mr. President, given the allegations mentioned in every newspaper about Chinese involvement in DNC fundraising, this is an area for some serious questioning about potential influences on policy, and it should be.

For example, there are still documents we wish to review as to the role intelligence played in our policy toward the Government of Haiti. The administration has consistently refused to transmit this information to Congress. Senator KERREY and I have requested these documents, and we are still awaiting the National Security Council's response.

We are also reviewing United States knowledge and assessment of recent events in Iraq and their impact on our policy there and how Mr. Lake used this knowledge in formulating that policy. We are pursuing similar questions in areas relating to Cuba, Somalia, Bosnia, and Pakistan.

Ethics violations is another area we are pursuing.

While the Justice Department has reached a settlement with Mr. Lake regarding his failure to sell energy stocks that were deemed to create a conflict of interest for him, resulting in a payment of a \$5,000 fine by Mr. Lake, the Committee on Intelligence has been investigating this matter further.

Although Mr. Lake claims that the failure to sell stocks was a simple oversight, Justice Department investigators interviewed by the committee documented 14 occasions over a 2-year period on which Mr. Lake was reminded that he still owned the stocks. It was only after a White House ethics officer discovered the stocks on his financial disclosure form for a third time that Mr. Lake did divest himself of the investments. Thus, a key question is whether this violation represents financial mismanagement on the part of Mr. Lake or a complete disregard for the seriousness of the ethics standards applied to all Federal employees.

Additionally, what example does this set for the intelligence community professionals who must be held to the highest standards of personal conduct?

The Intelligence Committee is also investigating the thoroughness of the

Justice Department's investigation into Mr. Lake's stocks, particularly those energy-related stocks which created a conflict of interest and subsequent fine. Given that Mr. Lake garnered a profit of over \$25,000 on these investments, I have trouble, as other members of the committee do, understanding the Justice Department's arbitrary fine of \$5,000, which is the maximum allowed, I understand, for a potential misdemeanor offense.

If the case, on the other hand, had been referred to the Justice Department's civil division, a much greater fine of up to \$50,000 per offense could have been imposed. Why wasn't this course taken? We do not know, but we will pursue it.

Iran-Bosnia and the "no instructions" policy.

A key criterion for a Director of Central Intelligence is the extent to which he or she can gain the confidence of the Congress in keeping Members fully and currently informed of intelligence community actions. Mr. Lake's role in the execution of the secret "no instructions" policy toward Croatia allowing Iranian arms to flow into Bosnia and the decision, Mr. President, not to inform Congress of this action has called into question Mr. Lake's ability to be forthright with the Congress.

The distinguished former chairman of the Intelligence Committee, my colleague and an expert in the area, Senator SPECTER, has raised serious questions regarding this matter which we intend to explore fully during our hearings.

While Mr. Lake has admitted that it was wrong not to inform Congress of the "no instructions" policy, there remains a number of inconsistencies in testimony before both Houses of Congress as to the extent of the policy decision and its implementation. The Intelligence Committee is working with other congressional committees to review pertinent testimony and decide on an appropriate panel of witnesses to pursue this matter during Mr. Lake's confirmation hearings. The Senate confirmation hearings will represent the first time that Mr. Lake will testify under oath on his role in the development and execution of this policy.

As to the FBI background investigation, there has been no resolution regarding requests made by me and a large number of my colleagues to review Mr. Lake's complete FBI background file. Negotiations between White House Counsel Charles Ruff, Senator KERREY, and I are continuing.

A significant number of my colleagues have written the distinguished majority leader stating that they need to review the complete background investigation before they would be prepared to vote on this nomination. Our thorough review of Mr. Lake's background investigation, I believe, is key to a fundamental understanding of Mr. Lake's character and integrity, as it would be for anyone else.

Finally, the committee is reviewing information provided by Mr. Lake in

response to questions propounded by the committee earlier. We require some clarifications to Mr. Lake's answers, and therefore additional questions have been put forward that must be addressed.

There are some areas where we are requesting additional supporting documentation to Mr. Lake's answers, such as his financial disclosures and issues associated with a potential conflict of interest, and we will request for the committee a review of material that was redacted for various reasons.

I thank you, Mr. President, for this opportunity to provide the Senate with a status of the Lake confirmation process and an opportunity for me to lay out some of the concerns that I and some of my colleagues have about this nomination. We intend to work through each of these issues in a fair and a thorough manner and look forward to questioning Mr. Lake and others beginning next Tuesday, March 11.

#### MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

#### EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the Committee on Armed Services.

(The nominations received today are printed at the end of the Senate proceedings.)

#### REPORT OF THE NOTICE OF THE CONTINUATION OF THE IRAN EMERGENCY—MESSAGE FROM THE PRESIDENT—PM 20

The Presiding Officer laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Banking, Housing, and Urban Affairs.

#### To the Congress of the United States:

Section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)) provides for the automatic termination of a national emergency unless, prior to the anniversary date of its declaration, the President publishes in the *Federal Register* and transmits to the Congress a notice stating that the emergency is to continue in effect beyond the anniversary date. In accordance with this provision, I have sent the enclosed notice, stating that the Iran emergency declared on March 15, 1995, pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701-1706) is to continue in effect beyond March 15, 1997, to the *Federal Register* for publication. This emergency is separate from that declared on November 14,