

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

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Congratulations Bill! Now, Welcome To Lippogate

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This piece was written just before the election. I assumed as I wrote it that Bill would win, and that the GOP would retain control of Congress, picking up a seat or two in each chamber.

As I said in a recent piece entitled "Cheer Up, Weary Taxpayer, Blessed Gridlock Awaits," I believe that a second Clinton term will be marked by a considerable acrimony between the two parties. This will make legislative progress on virtually all issues slow and painful. The term "gridlock" will, I think, once again figure prominently in the political lexicon. This is not the best of all worlds but it isn't so bad either.

One of the principal forces aggravating political tensions will be continued investigations, revelations of wrongdoing, and legal actions connected to Whitewater. This situation will, I believe, be complemented by a full-scale congressional probe into allegations that Democrats engaged in serious fundraising illegalities, especially among Asians, both citizens and aliens.

Now I don't doubt that the White House will launch a very effective defense against any and all charges connected with these fundraising activities, which have come to be referred to as "Lippogate." I also don't doubt that the GOP will do a poor job of conducting the probe. As the past two years have amply demonstrated, Republicans are remarkably inept, and I must say suspiciously timid, when it comes to investigating unethical and criminal conduct. Nevertheless, I still think it is safe to predict that the White House will feel considerable heat from the on-going twin investigations.

A significant, and highly successful, component of the White House's defense against Whitewater charges has been to convince the media to not get too carried away by the issue because "it is much too complicated for the American public to understand."

Personally, I have always believed this argument was specious. But I admit that it gained credibility from the fact that most leading Capitol Hill Republicans were incapable of understanding the issue, including both Senator Alfonse D'Amato (N. Y.) and Rep. Jim Leach

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(Iowa), chairmen of the Senate and House Banking committees respectively. It is, I suppose, reasonable for the press to conclude that the average citizen is equally dimwitted.

In any case, the same thing appears to be happening with Lippogate. Indeed, none other than the self-proclaimed intellectual powerhouse, John McLaughlin, recently told Newt Gingrich, on McLaughlin's TV show *One-On-One*, that even he, McLaughlin, found the whole "Lippogate" affair to be very "complicated." Gingrich did his best to explain, but McLaughlin ended the show looking as confused as he always does.

So, this week, I asked my colleague Steve Soukup to put together a memo on Lippogate, in hopes of presenting the allegations and facts surrounding the affair in so simple a form that even McLaughlin could understand it. Here's the memo, beginning with a cast of key characters.

To: Mark
From: Steve

1. Mochtar Riady -- Member of Indonesia's Salim Group; founder and primary owner of Lippo Group; ethnic Chinese; through Lippo, the primary shareholder of the Hong Kong Chinese Bank, which is owned in part by a Chinese government holding company; friend to a whole range of Little Rock shakers and movers; was formerly a primary shareholder (with Jackson Stephens) (see below) in Little Rock's Worthen Bank, which loaned Bill Clinton \$300,000 to keep his campaign afloat on the eve of the New York primary in 1992.
2. James Riady -- Son of Mochtar Riady; Little Rock resident during the late 1970's; friend of (then) Governor Clinton; later appointed President of Worthen Bank; the person through whom John Huang (see below) was introduced to Clintons.
3. Jackson Stephens -- Cofounder of Little Rock's Stephens, Inc. the largest investment banking firm in the U. S. outside of New York; brokered the sale of Bert Lance's National Bank of Georgia to Hassan Abedi of (the now infamous) BCCI; partner of Mochtar Riady's in 1984 deal to buy 30% of Worthen Bank.
4. Joseph Giroir, Jr. -- founder and (former) chairman of Rose Law firm, of which Ms. Clinton and Webb Hubbell (see below) were partners; Arkansas bank owner whose holdings were merged with those of Riady and Jackson to form Worthen Banking Corporation.
5. John Huang -- Former Vice President of Lippo Bank, Los Angeles; former Commerce Department Deputy Assistant Secretary for International Economic Policy; described by Riady as "my man in the White House"; fund-raiser *extraordinaire* for the DNC (currently on suspension), who solicited donations from, among others, Arief and Soraya Wiriadinata (see below), and who arranged the fund-raiser at a Buddhist temple in California (see Al Gore below); formerly "at large".
6. Ron Brown -- Late Secretary of Commerce; hired John Huang; brokered \$40 billion trade deal with Indonesia (1994) and \$6 billion deal with the People's Republic of China (also 1994).

7. Beryl Anthony -- Lobbyist; retained by Hong Kong Trade Development Corp. (owned by Riady); also retained by Entergy Corp.; husband of Vince Foster's sister.

8. Webster Hubbell -- Former partner of Rose Law Firm; former Assistant U. S. Attorney General; lawyer kept on retainer by Lippo Group prior to going to work at the Justice Department; paid an alleged \$250,000 by Lippo Group after resigning from Justice Dept. but before going to prison (some, including Gingrich, have referred to this as "hush money"); currently serving time for defrauding clients at Rose.

9. Mickey Kantor -- Former U. S. trade rep; current Commerce Secretary; prior to joining the administration, was a lawyer retained by Lippo Group; as Trade Rep., killed investigation into human rights abuses in East Timor (by the Indonesian government) (according to William Safire); reversed Clinton policy on East Timor and (according to Gingrich) pushed for MFN for China.

10. Charles DeQueljoe -- Former President of Lippo Securities in Los Angeles; appointed by Mickey Kantor to the U. S. Trade Representatives Investment and Services Policy Advisory Committee; naturalized citizen whose residence was described as "Los Angeles and Jakarta (Indonesia)".

11. Arief and Soroya Wiradinata -- former residents of a middle-income Virginia locale; donors of \$452,000 (through John Huang) to the DNC, some of which was allegedly given after they left the country, which would have been illegal; Mr. Wiradinata was a landscape engineering student who returned to Indonesia and now works at a marine park owned by Lippo Group; Mrs. Wirindinata is daughter of Mr. Ning, a friend of Mochtar Riady's and a co-founder of the Lippo Group.

12. Al Gore -- Vice President of the United States; featured guest at the fund-raiser arranged by John Huang and held at a Buddhist temple in California.

Before I get into the meat of the affair, it should be noted that many members of the media are treating the allegations of a potentially compromising connection between Clinton and Indonesian businessmen as new. In fact, they are not new at all. Dedicated readers of *American Spectator* will recall that the Clinton/Indonesia connection was documented in a *Spectator* piece over a year ago. Much of the background information on the formation of the relationship between the Lippo group and Bill Clinton was originally "broken" in this piece.

The story begins in the Carter administration. The newly elected Jimmy Carter wished to make Bertrand Lance his OMB Director. Before taking the job, Lance had to sell his interest in Georgia National Bank. He turned to his friend Jackson Stephens, who agreed to act as the broker in the deal. Stephens arranged for two interested parties to compete for the bank; Hassan Abedi of BCCI, and Mochtar Riady of Indonesia's Salim Group (which is estimated to account for 5% of Indonesia's GNP by itself) and the Lippo Group. Riady lost to Abedi, but his friendship with Jack Stephens had been solidified.

In 1984, this friendship would prove fruitful for both parties, as they combined to purchase approximately 30% of Little Rock's Worthen Bank. The two then combined their shares with the bank holdings of Joseph Giroir, Jr., the founder of the Rose Law Firm, to form the Worthen Banking Corporation.

Although Worthen Bank already had a president, James Riady, son of Mochtar Riady was named President of the holding company. In the mid 1970's, the younger Riady lived in Little Rock while completing a banking internship. Like his father's old friend, Jack Stephens, James Riady recognized that Governor Clinton was a political prodigy; naturally, both he and Stephens cultivated their relationship with Clinton.

In 1986, the second wave of connections between the Clintons, Arkansas, and Indonesia was in full swing. Webster Hubbell of the Rose Law Firm and Mickey Kantor of the Mannatt Law Firm were both on retainer to represent Lippo Group's interests in the U. S. Hubbell would go on to become Clinton's Assistant U. S. Attorney General; Kantor would be Clinton's U. S. Trade Rep, and later, after the death of Ron Brown, Commerce Secretary.

At this time, John Huang arrived in the country to serve as Vice President of Lippo Bank, Los Angeles. The Clintons were introduced to Huang through James Riady, and he too was soon considered an FOB (Friend of Bill). Huang himself would later join the Administration as Commerce Department Deputy Assistant Secretary for International Economic Policy, a position that would require top security clearance.

By October of 1996, it had become clear to a number of people, chief among them columnist William Safire, that the DNC had accepted questionable contributions from foreign donors, including several Indonesians connected to the Lippo Group. John Huang had left his post in the Administration and had become a DNC fund-raiser. He was in charge of tapping into the Asian communities. Apparently, he was very good at his job.

Most of the controversy stems from two fund-raising incidents. The first involves a \$452,000 donation made by the Wiriadinatas (see above). Given that the money does not appear to be the Wiriadinata's own (assumed because of their life-style), and the fact that, according to Gingrich, the bulk of the contribution came after the Wiriadinatas had returned to Indonesia, the contributions are questionable, if not illegal. Election Commission rules state that contributors may give only their own resources and that foreigners may contribute to campaigns only if they are permanent U. S. residents.

The second incident involves a fund-raising event held at a Buddhist temple in California and attended by Al Gore. Again, this event was arranged by John Huang. The legality of the event has been questioned for two reasons. First, as a religious institution, the temple has tax-exempt status and cannot legally participate in campaign finance events. The DNC has acknowledged this lapse in judgment, and refers to the fund-raiser as a "mistake." Secondly, a number of the temple's monks gave large sums of money, despite their vows of poverty. Consequently, some, including Bob Dole, have publicly called the event the DNC's version of "money laundering."

Now, everyone knows that campaign contribution fraud runs rampant in the American political arena. Democrats do it. Republicans do it. And both sides have done it for decades. Thus, the administration's defenders point out that this is nothing new. The DNC simply got caught. This whole thing, they claim, is no big deal and is simply politics as usual.

If it were true that all that is involved here is simple campaign contribution fraud, then many observers would be likely to agree. A few million dollars (the total amount that has come from questionable Asian sources) here or there surely would not influence the outcome of the upcoming Presidential election.

Unfortunately, when the DNC got caught, a number of potential skeletons in the Clinton Administration closet were exposed. To fully understand these, we must take a step backward and review a few foreign policy events of the last few years. By the end of this review, it will, I think, be clear by many people are tending to agree with Safire's charge, that during the reign of Bill Clinton, American foreign policy has been "for sale."

On the campaign trail in 1992, Clinton condemned alleged human rights abuses by the Indonesian government on the island of East Timor. During the early part of his presidency, he maintained this position and even instructed the Commerce Department to investigate the alleged abuses to determine how they might affect Indonesian trade policy.

Suddenly, however, the Clinton view changed. According to William Safire, Kantor, who was a U. S. Trade Rep. (and you might recall the former lawyer for Lippo) killed the investigation into abuses in East Timor. According to Gingrich, Kantor also took up the cause of reversing policy on East Timor and, at the same time, began pushing for renewal of MFN for China.

Meanwhile, John Huang had been hired by Ron Brown to serve the Commerce Department as Deputy Assistant Secretary for International Economic Policy. In this position, Huang joined with Kantor in advising on foreign trade matters. Presumably, he too was in favor of reversing the Clinton policy on East Timor.

It is alleged (by Gingrich) that Clinton's old Arkansas buddy, James Riady, also took part in advising him on East Timor. Charles DeQueljo, President of Lippo Securities, Los Angeles, also played a role. He was appointed by Kantor to the U. S. Trade Representatives Investment and Services Policy Advisory Committee, which advises on foreign trade matters. In addition, Gingrich maintains that Clinton advisors visited East Timor with members of the Lippo Group. Needless to say, Lippo had the ear of the President. The net result was, according to the *New York Times*, "[a] Clinton policy of emphasizing commercial diplomacy, often playing down human rights . . . [which] has been appreciated in Indonesia and Little Rock."

In the months to come, Ron Brown secured a \$40 billion trade deal with Indonesia. This benefited not only parties in the U. S. but Indonesian investors, (e.g. Lippo Group). The administration also eventually reversed its policy on China; although Clinton had earlier indicated that he would not grant MFN to China. As a result, Brown was able to secure a \$6 billion trade deal with China.

Another interesting twist occurred in 1992, when candidate Clinton expressed serious reservations about reversing the trade policy with Vietnam. Two years after his election, however, this policy was reversed, and relations were (somewhat) normalized with Hanoi. It would be a stretch to accuse Clinton of bowing to foreign pressure on this policy reversal, and, in fact, the pressure came internally from a bipartisan collection of Senators (including John McCain and John Kerry) who had served in Vietnam.

It does, however, appear to be strangely coincidental that Mochtar Riady (whose "man in Washington," John Huang, happened to be at the Commerce Department) foresaw the upswing in trade with Vietnam and a year earlier had traveled to Hanoi "to size up business opportunities there." According to the *Washington Times*, "Lippo has a huge financial interest there [Vietnam] . . . [and] stood to benefit enormously from expanded trade between Vietnam and the United States." All this leads to the question asked by the *Times*, "Did Lippo know what was coming, perhaps through its man in Washington, John Huang -- whose top secret clearance provided access to trade negotiation strategies?"

Meanwhile, back in Arkansas, Webb Hubbell had been convicted of defrauding clients at his (and Hillary's) Rose Law Firm. Naturally, these legal difficulties forced him to resign from the Justice Department. While awaiting sentencing, Hubbell was again put on the payroll of the Lippo Group. According to the *Washington Times*, James Riady claims that he felt badly seeing an old friend without a source of income; thus, Hubbell was paid \$250,000. No one knows for sure what the money was for, but many, including Gingrich, have speculated that it was "hush money," intended to keep Hubbell quiet about any number of misdeeds at Rose and in Little Rock and Washington.

Congressional investigators have begun a probe into the Lippo-to-Hubbell payment. The October 30 edition of the *Washington Times* quotes an unnamed investigator as saying, "One of the questions [under] serious consideration is, what did Hubbell do for that money and was there some kind of quid pro quo? Was it payoff or a bribe?"

It now appears that not only did Huang sit it on important sessions where sensitive information about Indonesia, China, and perhaps Vietnam, was discussed, but that the White House initially lied about his presence. The *New York Times* has reported that, despite White House claims to the contrary, John Huang attended at least two meetings "at which important Indonesian trade issues were discussed." Telephone logs also show that at least three phone messages were left for Huang by Hubbell, while he was awaiting sentencing.

In an even more damning piece, the *Wall Street Journal* indicated that in a deposition given on October 29, Huang admitted that he "had met President Clinton in the White House 'quite a few times . . . many times.'" In addition, Huang's phone records indicate that he received several calls from members of the Lippo group, members of Clinton's inner-circle, Mark Grobmyer (a golfing buddy of Clinton's who traveled to East Timor with James Riady in 1993), and even the ambassador from Indonesia.

Despite the White House's initial claims that Huang never had anything to do with Indonesia or Lippo after joining the Commerce Department, documents indicate otherwise. As the

Journal put it, "In fact, just days after leaving Lippo, Mr. Huang attended a meeting of the Indonesian Working Group, an administration-wide group of officials from the Commerce, State, Energy, and Transportation departments, the Central Intelligence Agency, and the Export-Import Bank. On his copy of the agenda for the group's July 18, 1994 meeting, Mr. Huang scribbled some suggested additions, including 'labor rights' and 'East Timor.'"

It has become clear to some media mavens, especially conservative columnists like Wesley Pruden and Safire, that Clinton's Indonesian connections may be more than a case of over-zealous contributors. Needless to say, the Riady's, whom Clinton has described as "friends", have influence at the White House.

Nevertheless, there is no clear way to document such accusations. One may speculate as to whether or not foreign policy "flip-flops" are related to influence exerted by these friends, but the only thing that, at this point, may be documented is the questionable nature of contributions to the DNC, some of which have come from Riady related sources.

If this is merely a contribution scam, then all of the strange tentacles reaching from Mochtar Riady into Washington have created a strange coincidence. The fact that all of these tentacles connect Riady with not simply the government, but with Clinton himself has created an even less believable coincidence.

Steve's memo ends with a quote that I believe puts the whole affair in perspective. He says: "The editorial board of *The Washington Times* perhaps summed it up best saying "There is no smoking gun here, just a reminder of the kind of power the United States wields throughout the world and the incentives someone might have to influence its use."

As I indicated earlier, the Republicans reportedly intend to spend a great deal of time during the 105th Congress looking for this proverbial "smoking gun." While they aren't particularly good at this sort of thing, I think they will at least keep Clinton off balance, and take up a lot of time that he and his staff could use to support their side in the upcoming legislative battles. We'll see. In the meantime, welcome to the second Clinton term.

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