



The Phyllis Schlafly Report

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The China Connection Is the Real Scandal

Now we know why the Democrats were so vicious in their attacks on Senator Fred Thompson (R-TN) and Rep. Dan Burton (R-IN). Theirs were the committees that were closing in on the China connection, the scandal that can bring down the Clinton presidency, the scandal that has made Congressmen start to utter the T word (treason). A series of front-page news stories in the *New York Times* (May 15, 16, 17) essentially vindicated Thompson's charge that the Chinese Communist Government tried to influence the 1996 U.S. election with campaign contributions.

Bill Clinton's friend and ubiquitous Democratic fundraiser Johnny Chung told Federal investigators that he funneled nearly \$100,000 from the Communist Chinese military to the Democratic campaign in the summer of 1996. The money was handed to Chung by the daughter of the top commander of China's People's Liberation Army, General Liu Huaqing, who was also one of the top five members of the Chinese Communist Party's ruling Politburo.

Chung's liaisons with the Clinton Administration were so cozy that he was able to arrange for the daughter, who goes by the name of Lt. Col. Liu Chaoying, to get a speedy visa and come to America to be photographed with Clinton on July 22, 1996. She is what is called a "princeling," one of the privileged offspring of China's ruling elite. In addition to her title as Lieutenant Colonel in the People's Liberation Army, she is a senior manager and vice president for China Aerospace International Holdings, which is the Hong Kong arm of China Aerospace Corporation, a state-owned jewel in China's military-industrial complex, with interests in satellite technology, rocket launches, and missiles.

Johnny Chung told Federal investigators that Col. Liu actually gave him \$300,000, which she said originated with China's military's intelligence arm, and told him to use the money for Democratic campaign contributions. He apparently kept \$200,000 for his "businesses." Soon after the picture-taking fundraiser, Col. Liu had Chung open a California branch of Marswell Investing, another of her Hong Kong enterprises, whose

chief "business" was parking Chinese money in the United States. She also invested \$300,000 in Chung's facsimile business. Chung was quite a hustler; he visited Clinton's White House 49 times.

After fundraising investigations began last year, the Democratic National Committee returned \$366,000 to Chung which were suspected of being illegal foreign contributions. Chung has pleaded guilty to campaign-related bank and tax fraud.

The Democrats' Largest Contributor

U.S. intelligence discovered in 1993 that China had sold missile technology to Pakistan. Because of bipartisan Congressional demands, Clinton barred the U.S. space industry from using Chinese rockets to launch their satellites. U.S. satellites were put on the "munitions" list, the list of our most sensitive military and intelligence-gathering technology. The reason these commercial satellites are important is because they carry technological secrets essential to "significant military and intelligence interests."

In June 1994, the CEO of Loral Space and Communications, Bernard Schwartz, made a \$100,000 contribution to the Democratic National Committee. He then joined a Ron Brown trip to China that led to a \$250 million telecommunications deal for Loral's satellites to be launched by Chinese rockets.

In October 1994, Clinton lifted the sanctions he had imposed on China for selling missile technology to Pakistan. In early 1995, Schwartz sent a letter to Clinton urging that responsibility for satellite-export licenses be shifted from the State Department to the Commerce Department. Meanwhile, both Schwartz and Johnny Chung made more huge donations, in excess of \$100,000, to the Democratic Party.

On February 6, 1996, despite reports that China continued to export nuclear technology to Pakistan and missiles to Iran, and over the objections of our State and Defense Departments, Clinton signed waivers for four U.S. satellites to be launched by Chinese rockets. On the very same day, Wang Jun (a "Chinese arms

dealer") attended one of Clinton's now-famous campaign coffees in the White House and spent some time in Ron Brown's Commerce Department office. Wang Jun owns a huge stake in a Chinese enterprise that benefited from Clinton's waivers, China International Trade and Investment Corporation.

On Feb. 15, 1996, the Chinese rocket launching a \$200-million Loral satellite blew up. Without telling the U.S. Government, Loral scientists prepared a 200-page report advising China how to improve the guidance of its missiles and forwarded this helpful advice to China without Pentagon approval.

The rationale for allowing U.S. satellites to be launched by Chinese rockets is that the technology is safely locked up in a black box, and Americans monitor the launch to assure that it stays secured. But when the Loral rocket blew up, the parts were scattered. The Pentagon refused comment on the Drudge report that the Loral engineers who reviewed the recovered debris said that the encryption hardware was missing.

U.S. intelligence has reported that China has targeted 13 of its 18 CSS-4 long-range missiles against U.S. cities. The CIA says that China's targeting was made more accurate by Loral's unauthorized help. The Justice Department started a criminal investigation of Loral, and the State Department warned that Loral's actions were "criminal, likely to be indicted, knowing and unlawful."

In March 1996, despite the objections of Secretary of State Warren Christopher, the Defense Department and our intelligence agencies, Clinton personally transferred jurisdiction over satellite-export licensing from the State Department to his pal, Commerce Secretary Ron Brown. Meanwhile, Bernard Schwartz stepped up his contributions to the Democratic Party and became the largest single contributor in the 1996 election cycle. Clinton signed another waiver this year to allow Loral Space to export a satellite that is scheduled to be launched by the Chinese in November.

Congress is finally starting to realize that American national security is at stake. On May 20, the House voted 364 to 54 to ban the export of all satellites to China. And, by 417 to 4, the House passed a resolution warning Clinton not to enter into any new agreements with China involving space or missile technology during his forthcoming trip to Beijing. The resolution also rebuked Clinton by declaring that his decision to issue the waiver to Loral Space and Communications earlier this year was "not in the national interest of the United States," and instructed the President to indefinitely suspend all U.S. satellite exports to China, including a pending Loral deal.

The fact that Clinton personally issued the waivers to allow shipments of U.S. technology that greatly improved the accuracy and reliability of Communist China's missiles is grounds for impeachment, regardless of whether or not there was any quid pro quo for

those decisions. U.S. space technology was just what China needs to make intercontinental ballistic missiles and point them more accurately at U.S. cities. And he did it despite the objections of the U.S. State Department, Defense Department, Justice Department, and intelligence agencies.

Because China shared U.S. technology and equipment with Pakistan, Clinton is also responsible for India starting the nuclear race in Asia. India has fought three wars with its neighbor, Pakistan, since the end of World War II and looks upon Pakistan's new military capabilities as a direct threat.

Clinton's policy decisions were, on their face, damaging and dangerous to U.S. national security. And the calendar provides an ominous frame of reference. When Clinton's policy decisions that dramatically benefited China's military capability and Loral's profits, and the hundreds of thousands of dollars of campaign donations from the Chinese government and from Loral, are all placed on the calendar, the sequence shows a pattern of corruption that cannot be ignored. That's the real campaign finance scandal.

The Chinese Military Threat

Communist China views the United States as its major adversary and is building an awesome military arsenal, with modern weapons, planes and missiles. China already has the world's largest army (3 million men), 5,000 combat aircraft, and 300 nuclear warheads. The Chinese shopping list includes aircraft carriers, missile-equipped warships, nuclear attack submarines, fighter aircraft, and land-based intercontinental ballistic missiles with multiple warheads.

China is capable of buying such costly, warlike luxuries only because of the U.S. cash that flows from the pockets of Americans, known as our trade deficit, which has been running about \$40 billion a year for some years. That's enough money to build up a military/nuclear force capable of threatening the United States, as well as dominating the Pacific.

China's expansionist aspirations are no secret. Now that China has pocketed Hong Kong, China can turn its avaricious eyes on Taiwan, Singapore, Indonesia, Guam, and even threaten the sailors of the U.S. Seventh Fleet. When China was harassing Taiwan during its election, General Chi of the People's Liberation Army crudely commented about China's ability to deliver a nuclear warhead on Los Angeles.

A classified Air Force report released in May 1997 warned that China's effort to build an advanced ICBM capability is "steadily increasing." The report stated that this missile "will be a significant threat not only to U.S. forces deployed in the Pacific theater, but to portions of the continental United States and to many of our allies."

China is determined not only to become a nuclear

superpower but also a world-class industrial power, and the Communist bosses expect slave labor, theft, and U.S. folly to help them achieve those goals. They require a transfer of U.S. high technology as part of every business deal so that, in the next round, they expect to manufacture the goods without U.S. help and become a major exporter of cars, chemicals, steel, electronics, and aircraft. China has made several spectacular deals, which pretended to be merely commercial, but will vastly expand China's military and industrial espionage and subversive capabilities.

The China Ocean Shipping Company (Cosco), a 600-ship global shipping company controlled by the People's Liberation Army, is trying hard to acquire a 20-year lease on the U.S. Naval Shipyard in Long Beach. Clinton personally lobbied for the Cosco deal at a White House meeting in September 1995. U.S. taxpayers recently spent \$500 million to modernize this deep-water port at the epicenter of our defense research and production in southern California. Rep. Duncan Hunter (R-CA) is trying to amend the Defense Authorization bill to stop the deal from going through.

A Cosco subsidiary made an agreement to lease the ports of Colon and Cristobal at both ends of the Panama Canal (the strategic American property that Jimmy Carter gave away). Another Cosco subsidiary made a deal for a shipyard in Mobile, Alabama, facilitated by a \$138 million, 25-year, U.S.-taxpayer-subsidized loan guarantee. It was arranged under a 40-year-old Transportation Department program that was intended to help the American shipping industry.

Congress Must Stop Kowtowing to China

The vote on Most Favored Nation (MFN) status for Communist China is coming up again. Taking a principled position against MFN would give Republicans the high ground on morals, national security, and economics. It would put them on the side of human rights, freedom, fair trade, and jobs for Americans, while at the same time exposing Clinton's policy of abandoning human rights, exporting U.S. jobs, and endangering national security in order to get cash for his reelection.

We were promised that trade relations would encourage the Chinese Communists to become civilized members of the family of nations and open up a billion-person market. We gave them 17 years of MFN to prove it, and they flunked the test.

The Chinese cracked down brutally on all the brave Tiananmen Square youngsters in 1989. If we care about human rights, we must not forget those who marched with the papier-maché Statue of Liberty.

China leads the world in the persecution of people of all religious faiths, especially Christians. China bans all religious activity and expression unless directed by Communist Party officials. Priests have been arrested for saying Mass. Evangelical "house churches" have

been disrupted and closed. Christians have been interned for "re-education." The police intimidate the people with anti-religious slogans painted in public places. China's policy of forced abortions, sterilizations, and infanticide is a festering scandal.

The Chinese are professional thieves. Chinese plants openly steal, then manufacture and sell, our computer software, video films, musical recordings, compact disks, books, and other intellectual property. These illegal products are sold all over the world, resulting in a loss to Americans of \$2 billion a year.

In 1996, the Chinese were caught red-handed smuggling 2,000 AK-47 automatic assault rifles to Los Angeles street gangs. Our BATF uncovered a sophisticated operation, which must have enjoyed the complicity of the Chinese government, to sell weapons at a 400% mark-up to U.S. big-city gangs that want to wipe out their rivals. Those arrested had direct links to China's Defense Ministry, Deng Xiaoping's son-in-law, and arms dealer Wang Jun (the same one who attended a Clinton White House coffee).

Chinese "businessmen" are into weapons trafficking in a big way. China sells missiles, nuclear components, and chemical and germ warfare equipment to our enemies such as Libya, Iran and Iraq.

Why do the advocates of "free trade" and "global economy" continue to insult our intelligence with the fiction that friendly commercial relations will cause China to respect democracy and human rights? The evidence is overwhelming that China looks on the United States, not just as an economic competitor, but as the enemy.

U.S. trade with China is a one-way street: China sells to us but won't buy from us, resulting in our annual trade deficit with China of \$40 billion. People who won't buy aren't much of a "market." China has a 35% tariff on U.S. goods going to China, while we have only a ridiculously low 2% tariff on Chinese products imported to America. Congress should impose a tariff on imported Chinese goods equal to the tariff they impose on our goods going into China. It's more important to reduce U.S. income taxes than to favor the people who want to buy imports from China made with slave labor.

Congress should reject Most Favored Nation (MFN) status for China and notify the World Trade Organization that, if it admits China, we pull out — not only for national security reasons, not only because of its persecution of Christians, not only because of its massive theft of our intellectual property, not only because of its outrageous arms trafficking with our enemies, but also because of China's scandalous attempt to influence the 1996 American elections.

Congress should move rapidly with Congressional investigations of Asian attempts to influence U.S. policy through cash contributions to Bill Clinton and the Democratic National Committee.

Holy Smoke! Smokescreen for Bigger Government!

Raise taxes on American workers who make little more than \$250 a week, and pay billions of dollars to lawyers who make far more than \$250 an hour! That's what the tobacco bill will do. The trial lawyers promoting it are so powerful that they even got the Senate to vote 58 to 39 to defeat an amendment that would have capped their fees at \$250 an hour. The trial lawyers are one of the most important special-interest groups that elected Bill Clinton, and the tobacco bill is better than winning the lottery.

Contrary to what Clinton and sponsor John McCain (R-AZ) claim, the tobacco bill isn't about kids or about health. It's about greed, big tax increases, and Bigger Government.

While the trial lawyers will "only" get billions of dollars from the tobacco bill, Clinton will get hundreds of billions of dollars to expand the reach and mischief of Big Government. The bill will create seventeen new government agencies with awesome new powers including the authority to spend three-quarters of a trillion dollars.

All this money will come from a tax increase of up to \$100 a month on low-income smokers. About 34 percent of the new tax will be paid by those who make less than \$15,000 a year, and about 59 percent will be paid by those earning less than \$30,000, while only two percent will be paid by those making more than \$150,000.

The bill will increase the cigarette tax by \$1.10 a pack. Wall Street analysts believe that, when all provisions of the tobacco bill are taken into account, the actual price increase will be closer to \$3 a pack.

Why is Congress spending taxpayers' money to subsidize the farmers who grow tobacco, and at the same time imposing a discriminatory tax on the people who use their products?

The money generated by the gigantic tobacco bill all flows in the wrong direction. Low-wage American workers will be hit with an oppressive tax because of the sins of the tobacco companies, and the tobacco companies will be hit with oppressive fines for the sins of teenagers who refuse to stop smoking.

The bill might make some sense if the three-quarters of a trillion dollars were refunded to the taxpayers in tax cuts. But that's not the plan; instead, the money will enrich the politicians beyond their wildest fantasies.

The National Taxpayers Union has issued a "Comparison-Report Card" showing that the tobacco bill is "strikingly similar" to Clinton's tremendous tax hike in 1993. Every single Republican in Congress courageously voted against Clinton's 1993 tax hike, but today the weak-kneed Republican leadership supports the tobacco tax bill because it's wrapped in kids.

There are two enormous differences between these

two big tax increases — both in where the burden falls and where the money goes. The 1993 tax hike fell mostly on the so-called rich and the excess revenues went for deficit reduction, but the tobacco tax will fall mostly on low-income Americans and the revenues will fuel Bigger Government.

The tobacco bill is deviously designed to provide tax revenues for all Clinton's liberal spending programs, particularly federal babysitting, "educating parents," institutionalizing children at ages three and four, giving extravagant new funding to the highly politicized Centers for Disease Control, and even Clinton-Kennedy nationalized health care.

The tobacco bill gives Big Brother Federal Government vast new powers by creating dozens of new federal crimes. It gives broad new powers to the Food and Drug Administration to regulate, and even ban, both tobacco and tobacco advertising.

The tobacco bill is a prescription for a federal police state. It gives the Federal Government the power to conduct monthly, random and unannounced inspections of all retail establishments, and to control the entire distribution chain of tobacco products in an effort to stop the inevitable black market that the high cigarette tax will cause.

It gives the Federal Government the power to conduct multi-million-dollar mass-media propaganda campaigns to control our thinking. It provides \$350 million dollars for Clinton and his cronies to go on junkets around the world to lobby foreign governments to ban smoking. (What a great opportunity to sell plane seats on these official trips to donors to the Democratic Party!)

The tobacco bill sets a dangerous precedent for the Federal Government to take control of a private, legal industry and milk it in order to enrich the politicians and the trial lawyers.

This year, the target is smokers. When Big Brother has an extra three-quarters of a trillion dollars to spend, who will he target next? Owners of Sport Utility Vehicles? Gun owners? People who won't wear seat belts? Parents who spank their children? Home-schoolers? Wake up, Americans, to how Clinton and Congress are trying to spend even more of our money and control even more of our lives.

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