

JOHN HUANG'S YEARS AT LIPPO

In the fall of 1996, John Huang was brought out of the obscurity of the DNC fundraising operation and into the media spotlight as a central character in the DNC fundraising scandal. A prominent figure through the course of the Committee's investigation, Huang appeared as a key player in numerous questionable fundraising ventures, including the Hsi Lai Temple fundraiser and the Yogesh Gandhi imbroglio.¹ Huang solicited approximately \$1.6 million that has been returned to date by the DNC. Further, Huang apparently violated the Hatch Act in that certain solicitations were undertaken during his tenure at the Commerce Department.

Huang's connections to his long-time patrons, the Riady family, at Indonesia's Lippo Group linked his past with his questionable fundraising practices. Two further discoveries pushed an examination of the Lippo Group and its U.S. activities to the top of the Committee's investigative agenda: First, the Committee learned that Huang obtained a security clearance in connection with his appointment to the Commerce Department and received classified briefings on sensitive trade issues of importance and value to Lippo, despite his exceedingly modest policy portfolio.² Second, extensive evidence emerged of Huang's continuing contacts with Lippo after he had left its employ. The following discussion sets forth the Committee's findings concerning the history and structure of the Lippo Group, Huang's role as the U.S. representative of Lippo,

¹ See the sections of this report on the Hsi Lai Temple fundraiser and Yogesh Gandhi.

² See generally the section of this report on Huang's tenure at Commerce.

and Huang's role in laundering Lippo and Riady monies into the U.S. political system. In brief, the evidence accumulated by the Committee establishes a pattern of John Huang undertaking questionable and illegal activities in the service of his Lippo Group sponsors.

The Lippo Group

The Committee heard expert testimony on the history and structure of the Lippo Group from Thomas R. Hampson, an investigator who specializes in advising U.S. corporations considering international acquisitions and joint ventures. Hampson, using publicly available sources as well as documents produced to the Committee pursuant to subpoena, developed the following profile of the Lippo Group, which was presented to the Committee in public hearings held July 15, 1997.³

The Lippo Group is a multi-billion dollar confederation of companies controlled by the Riady family of Indonesia. Starting from a retail banking base in Indonesia, the Lippo Group has grown over three decades to encompass banking, finance, insurance, property-development, and manufacturing interests concentrated in Indonesia, China and the United States.

The Chairman of the Lippo Group is Dr. Mochtar Riady, an Indonesian of Chinese descent. Today, Lippo Group is managed by his two sons, Stephen and James. Stephen Riady is responsible for Lippo Limited and the Hong Kong Chinese Bank Co., which are based in Hong Kong and concentrate on banking and property development in Hong Kong and mainland China. James Riady is responsible for the flagship Lippo Bank of Indonesia, and he also manages Lippo Land, a corporation constructing two new cities on the outskirts of Jakarta. Throughout the 1980s and early 1990s, John Huang was the chief representative of the Lippo Group in the United States.

³ Testimony of Thomas R. Hampson, July 15, 1997, pp. 60 - 73. Except as otherwise noted, the following background information on Lippo is drawn from the Hampson's testimony.

Over the past five years, the Lippo Group has shifted its strategic center from Indonesia to the People's Republic of China. Lippo is currently involved in dozens of large-scale joint ventures in the PRC, involving the construction and development of apartment complexes, office buildings, highways, ports, and other infrastructure. Lippo's principal partner on the mainland is China Resources, a company wholly-owned and operated by the PRC government. The interrelationship between Lippo and Chinese government-sponsored companies such as China Resources (and China Travel, another Lippo partner) has grown markedly in the last three years. Indeed, in the spring of 1997, Stephen Riady announced that the name of Lippo's Hong Kong Chinese Bank would be changed to the Lippo China Resources Bank, to reflect that China Resources is now an equal partner with Lippo in the bank. Additionally, when Indonesia-based Lippo Land faced a cash flow crisis that threatened a run on Lippo Bank, China Resources injected tens of millions of dollars into Lippo Land and became a substantial partner in that entity as well.

Hampson testified that China Resources is widely reported to be a corporate agent of economic and political espionage serving the government of China. Intelligence officials have confirmed in the press that the Chinese intelligence establishment is heavily involved in the operation of China Resources, and that China Resources selects overseas business partners in part on the basis of their value as potential intelligence gatherers.⁴

LippoBank California

In addition to heading-up Lippo Bank and Lippo Land, James Riady owns 99% of LippoBank California, a federally insured institution headquartered in Los Angeles. LippoBank is a small

⁴ See, e.g., James Wood, "Article Details Chinese Intelligence Network in Hong Kong," *BBC Summary of World Broadcasts*, March 9, 1995, p. 3.

California-chartered bank with less than one hundred million dollars in assets. The bank has experienced chronic asset-quality and management problems, and has been served with numerous “cease and desist” orders by the F.D.I.C. The bank has consistently generated losses. From 1986-1988, James Riady served as the CEO of LippoBank. Although Riady continues to own a house in Los Angeles, he moved back to Jakarta some time before 1990.

The Committee heard testimony from Harold Arthur, a director of LippoBank and its former CEO. Arthur testified that the bank is part of the Indonesia-based Lippo Group.⁵ James Per Lee, the current CEO, insisted in deposition testimony that the relationship was limited to a licensing agreement which allowed the bank to use the Lippo name.⁶ James Alexander, another former CEO of the bank, stated that the bank was not only part of the Lippo Group, but was under the direct control of Indonesia-based Lippo executives.⁷

⁵ Testimony of Harold R. Arthur, July 15, 1997, pp. 93-94.

⁶ Deposition of James Per Lee, May 2, 1997, pp. 11-19. Arthur was called to testify at public hearings rather than Per Lee because the focus of the Committee’s inquiries was not the LippoBank per se, but the activities of John Huang at the bank. Arthur worked directly with Huang for more than five years.

⁷ Memorandum of Interview of James A. Alexander, July 7, 1997. Per Lee’s position that the bank is not part of the Lippo Group is simply not tenable on the facts. In addition to the statements of former CEOs Arthur and Alexander, the Committee found that (i) LippoBank is listed as part of the Lippo Group in its promotional materials, and even in the date book carried by Per Lee, *see* Per Lee deposition, pp. 11 - 19; (ii) Per Lee and his predecessor CEOs attended bi-annual Lippo Group meetings in Jakarta, *see id.*; (iii) Per Lee’s own appointment was announced in the Lippo Group Executive Express newsletter, which holds itself out as a news source “exclusively for senior Lippo Group executives,” *see id.*; and (iv) LippoBank receives an annual budget for community and political affairs directly from the Lippo Group in Jakarta, *see* Deposition of David Sugita, May 16, 1997, pp. 30 - 33. The distinction is of import to regulators because it bears on the veracity of representations which the bank has made to the F.D.I.C. and state banking authorities, but also bespeaks the reach of the Riady empire. Further, a true understanding of the relationship between the LippoBank and the Lippo Group is necessary to a consideration of the continuing communications between Huang and the bank after he joined the Commerce Department. In a nutshell, calling the LippoBank offices in Los Angeles -- which Huang did hundreds of times after he entered government service -- was the functional equivalent of calling Jakarta.

Huang at LippoBank

The Committee interviewed and deposed several of Huang's LippoBank colleagues in an effort to gain an understanding as to his activities and responsibilities while affiliated with LippoBank.

Alexander told the Committee staff that Huang was James Riady's "man in America," and that he kept his activities largely to himself.⁸ This latter assessment is borne out by the testimony Arthur, who, although he worked in the same office suite with Huang and claimed to have had a "close business relationship for many years," testified that he had no idea how Huang passed his day.⁹ Per Lee, when asked what Huang did, replied cryptically "I don't know, I don't know."¹⁰ Despite the length of his employment at Lippo, Huang's colleagues offered little insight into his activities there and seemed to consider him something of a mystery. The Committee has, however, been able to cast some light into Huang's activities at LippoBank.

First, perhaps the most concise piece of evidence available to the Committee as to John Huang's activities at Lippo was a letter written by Maeley Tom, a Californian lobbyist and Lippo consultant, to John Emerson, then the Deputy Director of Presidential Personnel.¹¹ In recommending Huang for a position in the Administration, Tom opined that: "John Huang . . . is the political power that advises the Riady Family on issues and where to make contributions. They invested heavily in the Clinton campaign. John is the Riady family's top priority for placement because he is like one of

⁸ Alexander interview, p. 1.

⁹ Arthur testimony, p. 97.

¹⁰ Per Lee deposition, p. 34.

¹¹ Letter from Maeley Tom to John Emerson, February 17, 1993 (Ex. 1).

their own.”¹² This description is consistent with Alexander’s description of Huang as a “fixer” who operated in high political circles.¹³

Second, Huang’s activities can be reconstructed in part through his correspondence, particularly a letter dated October 7, 1993 that Huang sent to the Office of the Vice President, thanking the Vice President’s Chief of Staff, Jack Quinn, for meeting in the White House with Shen Jueren, the Chairman of China Resources.¹⁴ China Resources, as discussed above, is a PRC-owned entity widely reported to serve as a front for Chinese intelligence services. China Resources is also an important Lippo partner. It appears from Huang’s letter, as well as from a White House audio tape of the Los Angeles function referenced in the letter, that Vice President Gore may have met with Shen Jueren in the White House and also exchanged words with him at a subsequent DNC event.¹⁵ China Resources was no doubt impressed that the Riady’s “man in America” could gain an audience for its Chairman with senior administration officials.¹⁶ Furthermore, as discussed later, it appears that Huang paid Jueren’s way into the White House with laundered Lippo Group funds.¹⁷

¹² See Ex. 1. As discussed below, the “investments” the Riady family made in the campaign appear to have been funded with illegal overseas monies laundered by Huang through U.S. holding companies.

¹³ See Alexander interview, p. 2. Alexander had left the bank by the time Huang joined the Commerce Department. In discussions with a director of the bank, Alexander was told about Huang’s position and that things were going well for the Riadys in Washington. The director, apparently joking, said that Riady had “his own office in the White House.” *Id.*

¹⁴ Letter from John Huang to Jack Quinn, Oct. 7, 1993 (Ex. 2).

¹⁵ White House Communications Agency audio tape, Sept. 27, 1993. See the section of this report on The Hsi Lai Temple Fundraiser and Maria Hsia at notes 95-103 and accompanying text.

¹⁶ This was apparently not Huang’s first connection with China Resources, Alexander told the Committee that in 1991, Huang was sent to Beijing to negotiate with China Resources over the Lippo proposal to join forces to purchase the Hong Kong branch of B.C.C.I. See Alexander interview, p. 2.

¹⁷ See footnote 31 *infra*.

Third, whatever the precise scope of Huang's services, it is clear that he was well compensated for his achievements. Like his salary, the generous severance payment Huang received when he left Lippo's employ to join the Clinton Commerce Department was paid through Hip Hing Holdings, Inc., a Riady real estate holding company.¹⁸ Huang's total compensation for 1993-1994 was in excess of seven hundred and fifty thousand dollars.¹⁹

Finally, Huang's services for the Lippo Group clearly extended beyond his formal period of employment. As is discussed in detail elsewhere in this report, Huang had hundreds of phone calls -- well more than one per business day -- with Lippo-related persons and entities after he joined the Commerce Department.²⁰ LippoBank's CEO, Per Lee, conducted his own inquiry after press reports of Huang's Lippo contacts surfaced in the fall of 1996.²¹ To his surprise, Per Lee found that his own secretary, Juwati Judistira, was the originator of the bulk of the calls to Huang from the bank. Per Lee was surprised because he had only talked to Huang on one occasion to his recollection. Of note, Judistira, who has left the United States and declined to speak with the Committee staff, had never been Huang's secretary, but rather she had been James Riady's secretary when he served as President of the bank. Furthermore, when Per Lee asked Judistira why she had placed so many calls to Huang, she said she was "relaying messages" for him.²²

¹⁸ Memorandum from Roy Tirtadji to John Huang, June 27, 1994 (Ex. 3).

¹⁹ Testimony of Juliana Utomo, July 15, 1997, pp. 15-19.

²⁰ See the section of this report on Huang at Commerce.

²¹ Per Lee deposition, pp. 93-97.

²² *Id.* at 97-99.

In sum, the evidence strongly suggests that Huang remained in day-to-day contact with Lippo throughout his government service.²³ Because neither Huang nor virtually any of the recipients of these calls has made themselves available to answer the Committee's questions, the content of these conversations and the information imparted therein remain unknown.

Huang was a long-standing and loyal emissary of the Riady family, and was well compensated for his efforts. While his undertakings cannot be catalogued in detail, he was responsible for maintaining the political profile of his patrons. His duties extended from shepherding China Resources' Chairman into the White House, to positioning himself for an administration position by becoming a player in Democratic politics. This last effort involved using Riady money to fund favored candidates and causes, and would appear to have accustomed Huang to the use of foreign money in the domestic politics of the United States.

Lippo and Riady Political Contributions

Huang was well versed in the ways of skirting United States campaign finance laws before he joined the DNC, and, indeed, before he had even left California. The Committee has established that Huang funneled foreign-source monies through three different Riady-controlled entities to the DNC during 1992 and 1993. The facts and documents underlying these violations were presented during the Committee's public hearings on July 15, 1997.

Juliana Utomo, a former colleague of Huang's, appeared before the Committee and testified that Hip Hing Holdings, Inc., and San Jose Holdings, Inc., are real estate holding companies owned

²³ Indeed, as discussed elsewhere in this report, Huang was cagey in his efforts to hide his continued communications with Lippo, even making use of a spare office at Stephens, Inc., across the street from his Commerce Department office.

and/or controlled by James Riady and managed by Huang.²⁴ Utomo worked for Hip Hing Holdings and San Jose Holdings from 1988 through late 1996. Utomo testified that Huang made all decisions regarding political contribution expenditures, and that Huang likewise approved all requests which were made to the Lippo Group in Jakarta for operating funds and expense reimbursement. Requests for funds were frequent, typically monthly, because the expenses of the Hip Hing entities generally exceeded their income.²⁵

Utomo identified three (and the records in total show four) DNC contributions which were funded with monies from Indonesia at Huang's direction.

The first contribution was evidenced by a \$50,000 Hip Hing Holding check dated August 12, 1992, made payable to the "DNC Victory Fund."²⁶ In a memorandum to the Lippo Group dated August 17, 1992, Huang requested reimbursement for the contribution, and several weeks later a wire transfer was received from LippoBank Jakarta in the amount requested in the August 17 memorandum.²⁷ In 1992, the year of the \$50,000 DNC Victory Fund contribution, Hip Hing Holdings actually lost \$482,395.33.²⁸ Utomo testified that the entire shortfall was made up with funds transferred to the United States from Jakarta.

²⁴ Utomo testimony, pp. 14-15.

²⁵ *Id.*

²⁶ \$50,000 check from Hip Hing Holdings to DNC Victory Fund, August 12, 1992 (Ex. 4).

²⁷ Memorandum from John Huang & Agus Setiawan to Ong Bwee Eng, August 17, 1992 (Ex. 5).

²⁸ Hip Hing Holdings 1992 Earnings Statement (Ex. 6).

The second overseas-funded contribution was evidenced by a Hip Hing check, dated September 23, 1993, for \$15,000 made payable to the DNC.²⁹ Huang's signature, as well of that of Hip Hing's Comptroller, Agus Setiawan, appears on the check. In 1993, Hip Hing Holdings actually lost \$493,809.93.³⁰

Third, Utomo also identified a \$15,000 check written on the San Jose Holdings account and made payable to the "DNC" dated September 27, 1993.³¹ In 1993, San Jose Holdings lost \$65,177.32.³²

A fourth check, dated September 23, 1993, from another Riady company, Toy Center Holdings, Inc., was also drawn payable to the DNC in the amount of \$15,000.³³ In 1993, Toy Center Holdings lost \$26,886.67.³⁴

In the course of the Committee's July 15, 1997, hearing, the Minority attempted to downplay the significance of these foreign contributions, claiming that so long as U.S. income (rather than profits) was sufficient to cover the contributions, such contributions were legal, regardless of

²⁹ Composite of checks from Hip Hing Holdings, San Jose Holdings, and Toy Center Holdings (Ex. 7).

³⁰ Composite of 1993 Earnings Statements of Hip Hing Holdings, San Jose Holdings, and Toy Center Holdings (Ex. 8).

³¹ *See* Ex. 7.

³² *See* Ex. 8.

³³ *See* Ex. 7.

³⁴ *See* Ex. 8. Thus, Huang drew two checks for a total of \$30,000 on September 23, 1993, and a check for \$15,000 on September 27, 1993. *See* Ex. 7. It cannot escape notice that on September 24, 1997, Huang brought China Resources Chairman Shen Jueren to the White House, as discussed above, and on September 27, Huang and Shen Jueren attended a DNC event in Los Angeles. *See* Ex. 2.

reimbursement from overseas.³⁵ This position simply mis-states the law. In order for the subsidiary of a foreign corporation to make legal political contributions, the funds must be derived from U.S. profits. As the FEC opined in June 1992: “The domestic subsidiary of a foreign corporation may make political contributions even though it receives subsidies from its foreign parent if the contributions are made from domestic profits.”³⁶

The information developed by the Committee relating to these contributions constitutes a compelling case that Huang broke the law in furtherance of the Riadys’ political agenda. Certainly in the case of Hip Hing’s \$50,000 contribution, there could be no more compelling evidence than Huang’s own memorandum request for reimbursement from overseas. To the knowledge of the Committee, the Department of Justice has not pursued these apparent violations, and, indeed, the Department may have allowed the statute of limitations to lapse on at least one of the illegal contributions identified by the Committee.

In addition to the four Lippo holding company contributions discussed above, the Committee also identified a large number of 1992 contributions from James Riady and his wife, Aileen, to the DNC and various Democratic state party organizations.³⁷ The checks total \$465,000 and were produced pursuant to a Committee subpoena from the files of Hip Hing Holdings, suggesting that Huang may have directed these contributions as well. Notably, while Riady has claimed in the press that he possesses a green card and was thus eligible to make contributions in the 1992 election cycle,

³⁵ Comments of Minority Chief Counsel Alan I. Baron, July 15, 1997, pp. 35-38.

³⁶ *See* Federal Election Commission Advisory Opinion 1992-16: Contributions by Domestic Subsidiary of Foreign National, June 26, 1992 (emphasis added) (Ex. 9).

³⁷ Composite of checks from James & Aileen Riady to various Democratic state party organizations (Ex. 10).

it is uncontested that he moved back to Indonesia in 1990, and has not been a resident of the United States since that time. Because Riady declined the Committee's invitation to explore these and other issues when Committee staff were in Indonesia, the Committee has been unable to reach a final determination. The legality of these contributions remains in doubt.

Conclusion

The record developed by the Committee establishes that Huang was well accustomed to the use of political giving -- and the laundering of funds -- to further the interests of the Riadys. The Riadys and their Lippo empire, in turn, have become increasingly intertwined with Chinese government-owned enterprises. In the case of Shen Jueren's White House visit, Huang's value to Lippo was demonstrated by the combination of money laundering and political string pulling -- all for the sake of the president of China Resources, the Riadys' business partner. As discussed in detail in other sections of this report, the evidence uncovered by the Committee pertaining to Huang's tenure at the LippoBank California, and his political activities there, set a pattern which was often repeated.