

MEMORANDUM

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NATIONAL SECURITY COUNCIL

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ACTION

December 18, 1974

MEMORANDUM FOR: GENERAL SCOWCROFT "see me" BSO
FROM: RICHARD H. SOLOMON 1/6/75
SUBJECT: FBI Request for Permission to Develop a Source with Access to the PRC U.N. Mission

This memo describes a call I received from a Chinese living in New York who was approached by [redacted] the FBI. The man, a very casual acquaintance, asked me to help him in turning off these [redacted] who were pressing him for information about the PRC. Subsequently I had a discussion with three officials of the FBI who requested permission to cultivate this source. I want your guidance on how to handle this issue with the FBI.

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On December 10 I was called by one [redacted]

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[redacted] I subsequently met him at an academic conference this spring. That has been the limit of my previous contact with him.

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I was out of the office [redacted] called on the 10th but returned his call the next morning. He indicated that he had been [redacted]

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[redacted] approached by agents of the FBI on two occasions in December. He indicated that two agents were in his outer office at the moment I was talking to him. [redacted] he wanted the agents to leave him alone. He felt that he could be more successful as a "link" between the U.S. and PRC by operating in an open manner, and did not want to be recruited or involved in any clandestine activities. I told [redacted] knew nothing about the situation but would pass on his concern to the appropriate authorities. (It should be noted, in the FBI report at Tab A, [redacted] was rather forthcoming in his talk with the agents -- even while he was asking me

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to turn them off. We speculate that he was fearful of offending them on the assumption the Bureau could cause him problems.)

I subsequently contacted [] FBI officials I normally deal with and ascertained that indeed their people had [] in an open manner in an attempt to develop him as a non-covert source on the PRC. They indicated they had not tried to "recruit" him for controlled covert operations.

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On December 16 William O. Cregar, Special Agent (Washington Office), called on me with two of his associates. He gave me some background information [] including the attached report, and indicated that he thought [] rather unique and potentially very valuable asset for the USG. He pointed out [] could be developed as a cooperative source we would have a way of following any possible future PRC efforts to develop an active intelligence program in the U.S., as well as an asset for monitoring the activities of the PRC U.N. Mission (such as their effort [] I indicated to Cregar that my primary concern was that the effort to develop the source not embarrass us in our relations with the PRC -- as could happen if he told the Chinese of the approaches, or "went public." I said it was my understanding that the Secretary wanted us to be low-key in such matters at this time. We reviewed the fact that the man, being here only on permanent resident basis, []

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[] and good relations with the PRC U.N. Mission, having already done some special favors for the Chinese, was probably caught between his desire to prevent having his [] compromised by contacts with intelligence agents of the USG, but also his fear that he might be vulnerable to various pressures from an agency like the FBI if he proved uncooperative. The fact that he is not a U.S. citizen probably makes the man feel particularly vulnerable to pressure. (I discussed this issue further with Jerry Jennings of the staff, who feels [] unlikely to disclose his contacts with intelligence agents of the USG to the Chinese or go public because of the effect it would have on his []

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At present this situation stands as follows: [] indicated to me that he wants to be left alone [] Cregar of the FBI would like to "politely" develop this source in a low-key manner, perhaps using a covert third party as a contact, because of the unique access this man seems to have to the PRC U.N. Mission, and because of our

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likely future requirements for monitoring PRC intelligence activities in the U.S. The issue is whether pressing a reluctant source would rebound and embarrass us in our relations with the PRC 25X1
choose to further protect himself either by disclosure of the 25X1
FBI approaches to the Chinese or in some public fashion. As indicated above, we tend to doubt that he would adopt this approach, but one can never be certain. It seems more likely that if he was approached again by the FBI he might call me one additional time and again request that the approaches be turned off. (Cregar indicated that under these circumstances he would give up the effort to cultivate the source.)

If you will give me some guidance on how you would like this situation handled, I will orally pass your instructions to Cregar of the FBI (unless you would like to do this yourself either by phone to the FBI or in a memorandum).

Recommendation:

That you handle this issue with the FBI:

Approve _____ Disapprove _____

That I tell the FBI to alone:

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Approve _____ Disapprove _____

That the FBI be given the go-ahead to try to develop this source in a low-key manner, but that they be instructed to desist if 25X1
 actively indicates a desire to be left alone (as by calling me one more time):

-- approached by the FBI directly in a low-key way: 25X1

Approve _____ Disapprove _____

-- That the FBI deal with him through a covert third party contact:

Approve _____ Disapprove _____

Concurrence:

Mr. Jennings

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7:11 PM URGENT 12-13-74 PLQ
TO DIRECTOR (105-42679)
FROM NEW YORK (105-118555)

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ATT: INTD

HENRY C.K. LIU, ALSO KNOWN AS; IS-CH.

ON DECEMBER 11, 1974, HENRY C.K. LIU WAS RE-INTERVIEWED BY SAs THOMAS J. CARSON, JR. AND THOMAS MC GUINNESS, JR., AT LIU'S OFFICE, 919 THIRD AVENUE, NEW YORK CITY. THE AGENTS MET LIU IMMEDIATELY UPON ENTERING HIS OFFICE AT 10:30 AM. THE INTERVIEW LASTED UNTIL NOON.

AS DURING PREVIOUS INTERVIEW, LIU IMPRESSED ON SAs HIS HIGH LEVEL CONTACTS ON BOTH SIDES OF THE UNITED STATES-PEOPLE'S REPUBLIC OF CHINA "DETENTE". LIU DISPLAYED A CHRISTMAS CARD TO HIM FROM VICE-PRESIDENT DESIDERATE NELSON ROCKEFELLER AND HIS WIFE. LIU ADVISED THAT HE HAS FREQUENT CONTACT WITH RICHARD SOLOMON OF THE NATIONAL SECURITY COUNCIL. IT WAS OBVIOUS TO INTERVIEWING AGENTS THAT WHILE LIU IS A "NAME DROPPER" AND LIKES TO GIVE THE IMPRESSION HE IS IMPORTANT, IT WAS ALSO A METHOD OF DETERMINING IF THE CONTACT WAS A ROUTINE CONTACT BY THE FBI ~~WAS~~

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A BIG NAME MIGHT CREATE A DOUBT IN MINDS OF INTERVIEWING AGENTS ABOUT THE DESIRABILITY OF CONTINUING THE INTERVIEW OF IF IN FACT THE INTERVIEW WAS BEING CONDUCTED ON "INSTRUCTION FROM WASHINGTON".

ONCE LIU FINISHED HIS DISCOURSE, INTERVIEWING AGENTS ASSURED HIM THAT THE SENSITIVE NATURE OF HIS RELATIONSHIP WITH THE PRC WAS APPRECIATED BY INTERVIEWING AGENTS AND THAT THE MAINTENANCE OF THE RELATIONSHIP WAS OF THE UTMOST CONCERN TO THE U.S. GOVERNMENT.

ON RECURRING THEME THAT LIU REPEATEDLY STRESSED WAS IN ESSENCE THAT HE HAD AN "OPEN" RELATIONSHIP WITH THE PRC GOVERNMENT AND ANY SORT OF CLANDESTINE ACTIVITY HE WOULD BECOME INVOLVED IN WOULD PLACE HIM IN POSITION OF LYING TO THE PRC SHOULD THE QUESTION OF HIS HELPING CIA OR THE FBI EVER COME UP.

LIU ADVISED THAT ONE METHOD OF OVERCOMING THIS DIFFICULTY WOULD BE IF HE WERE TO BE PLACED IN CONTACT WITH A THIRD PARTY NOT ASSOCIATED WITH ANY INTELLIGENCE AGENCY.

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INTERVIEWING AGENTS ADVISED LIU THAT THE FBI HAS A REPORTING RESPONSIBILITY TO THE U.S. INTELLIGENCE COMMUNITY CONCERNING BOTH COUNTERINTELLIGENCE AND POSITIVE FOREIGN INTELLIGENCE DATA. HE WAS TOLD THAT IN FUTURE CONTACTS WITH HIM HE WOULD BE PRIMARILY CONCERNED WITH THE LATTER. THIS IS AN EFFORT TO APPEAL TO LIU'S LOGICAL OPINION OF HIMSELF AS A "SINOLOGIST".

THIS SUGGESTION WAS COMPLETELY AGREEABLE TO LIU HAS HE BELIEVES HE CAN NOW HONESTLY SAY HE HAS NOTHING TO DO WITH CIA OR FBI.

WHEN DISCUSSING THE PROMUN AND THE LOGIC, HE SAID THAT THE TURNER CONSTRUCTION COMPANY HAD DRAWINGS OF THESE ESTABLISHMENTS AND INDICATED ONCE THEY WERE OBTAINED HE WOULD ANSWER QUESTIONS ABOUT THEM.

THE FOLLOWING IS A SUMMARY OF INFORMATION FURNISHED BY LIU:

FOURTH NATIONAL PEOPLE'S CONGRESS

LIU ADVISED THAT BASED ON INDICATIONS GLEANED FROM

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CONVERSATION WITH OFFICIALS OF PROMUN AND LOPRC THAT THIS CONGRESS WILL ^{BE} CONVENED PRIOR TO THE END OF 1974.

PROMUN

DEBUGGING EQUIPMENT--LIU ADVISED THAT APPROXIMATELY TWO YEARS AGO HE WAS ASKED BY LIU CHUNG-JEN, SECOND SECRETARY, TO PURCHASE "DEBUGGING EQUIPMENT" FROM A FIRM IN CONNECTICUT. LIU HAD A BROCHURE FROM THE FIRM DEPICTING TYPE, MODEL NUMBER, ETC. LIU PURCHASED THE EQUIPMENT, PAYING FOR IT BY CHECK AND THEN WAS REIMBURSED BY THE PROMUN. THE EQUIPMENT COST THREE HUNDRED DOLLARS. LIU WAS UNABLE TO REMEMBER THE FIRM'S NAME BUT WILL LOCATE THE CANCELLED CHECK AND ADVISE THE FBI.

DESTRUCTION METHODS

WHEN THE PROMUN FIRST OCCUPIED THEIR PRESENT SPACE THEY ASKED LIU ABOUT INSTALLING A GAS OPERATED INCINERATOR TO BURN PAPER. LIU SAID HE DISCOURAGED THE PROMUN FROM USING GAS FOR SAFETY REASONS. HE WAS NOT ASKED ANY MORE ABOUT THIS.

PERSONNEL

LIU ADVISED THAT HOU TUNG, CURRENTLY RESPONSIBLE FOR

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BUDGETARY MATTERS IN THE PROMUN, WAS FORMERLY ASSIGNED TO ENGLAND WITH THE BANK OF CHINA. DURING THE CULTURAL REVOLUTION HOU WAS CRITICIZED FOR RIDING AROUND LONDON IN A ROLLS ROYCE.

HSING SUK-YI

HSING, A COUNSELOR, IS RANKING PARTY OFFICIAL. THIS OBSERVATION IS BASED ON CONVERSATIONS WITH HSING, WHO ALTHOUGH NEVER OPENLY INDICATING HIS PARTY STATUS TO LIU, IS TREATED WITH A CONSIDERABLE AMOUNT OF DEFERENCE BY OTHER PROMUN OFFICIALS. HSING WHO HAD LIAISON WITH LIU, WOULD ON OCCASION GIVE LIU NEWS OF LIU'S UNCLE, A HIGHLY PLACED OFFICIAL IN THE PRO GOVERNMENT.

LI WEN-CHUAN

LIU SAID HE BELIEVED LI WAS PROBABLY AN INTELLIGENCE OFFICER. LIU BASED THIS ON THE FACT THAT ALTHOUGH LI NEVER SAID MUCH, HE WAS ALWAYS AROUND LISTENING.

TURNER CONSTRUCTION COMPANY

LIU ADVISED THAT THE ABOVE CAPTIONED FIRM HAS COMPLETE DRAWINGS OF THE ALTERATIONS COMPLETED IN THE PROMUN AND PROPOSED

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CONSTRUCTION IN THE LOPRC. LIU FURNISHED THE NAMES OF OFFICIALS OF THE FIRM THAT SHOULD BE DISCREETLY CONTACTED AND WOULD BE ABLE TO ASSIST THE FBI.

LOPRC

AMBASSADOR HUANG CHEN, HAN HSU, YANG HSU-CHIANG, AND INTERPRETER CHI CHAO-CHU WERE PRESENT DURING THE PRINCIPAL CONFERENCES CONCERNING THE DECISION TO PURCHASE THE REAL ESTATE ON WHICH LOPRC IS PRESENTLY LOCATED.

THE CONTRACT FOR AIR CONDITIONING FOR THE MAIN RECEPTION HALL WAS ONLY RECENTLY AWARDED. THE STEEL FOR THE SUPPORTS FOR THIS AREA HAS ALREADY BEEN PURCHASED.

LIU SAID HE WAS ADVISED THAT THE LOPRC HAD ANTICIPATED HAVING THIS RECEPTION HALL COMPLETED PRIOR TO THE PRO ARCHAEOLOGICAL EXHIBIT COMING TO WASHINGTON, D.C.

OBSERVATIONS

THE OVERALL IMPRESSION OF LIU AS A RESULT OF ABOUT THREE AND ONE HALF HOURS OF INTERVIEWS IS THAT HE HAS A CONSIDERABLE AMOUNT OF INFORMATION OF VALUE TO THE U.S. INTELLIGENCE

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COMMUNITY. HIS UNIQUE RELATIONSHIP WITH FROMUN AND THE
LOPRC IS WORTH THE EXTRA EFFORT HE WOULD REQUIRE.

HIS CONCERN FOR HIS SECURITY IS PRINCIPALLY MOTIVATED BY
HIS FEAR OF DISRUPTING HIS RATHER LUCRATIVE RELATIONSHIP WITH
THE PRC. AT THE SAME TIME HE MAY FEEL HIS LACK OF COOPERATION
WITH THE FBI COULD HAVE THE SAME RATHER ADVERSE EFFECT.

HE IS OBVIOUSLY CONCERNED WITH STATUS, AND NEEDS
REASSURANCE HIS COOPERATION IS OF ASSISTANCE TO THE U.S.
GOVERNMENT.