

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Tanya E. Martin to Kent S Pekel at 10:24:38.00. Subject: Re: FW: Today's Papers - Slate Briefing - August 28, 1998. [partial] (1 page)	08/28/1998	b(6)

COLLECTION:

Clinton Presidential Records
Automated Records Management System [Email]
OPD ([Latin America, IMF])
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FOLDER TITLE:

[08/08/1994 - 09/16/1998]

2019-0152-F

ab1696

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or
financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President
and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of
personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed
of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C.
2201(3).

RR. Document will be reviewed upon request.

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of
an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial
information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of
personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement
purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of
financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information
concerning wells [(b)(9) of the FOIA]

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: John L. Evans-Klock (EVANSKLOCK_J) (OMB)

CREATION DATE/TIME: 8-AUG-1994 19:57:08.01

SUBJECT: Debt Meeting

TO: FAX (9-622-0218,Mary Chaves) (TLXA1MAIL_\F:9-622-0218\C:Mary ChavesREAD:NOT READ

TO: FAX (9-225-3185,Joe Whitehill) (TLXA1MAIL_\F:9-225-3185\C:Joe WhitehillREAD:NOT READ

TO: FAX (9-647-7453,Richard Huff) (TLXA1MAIL_\F:9-647-7453\C:Richard HuffREAD:NOT READ

TO: FAX (9-377-7951,Jim Hess) (TLXA1MAIL_\F:9-566-7524\C:Jim Hess)
READ:NOT READ

TO: FAX (9-720-5435,Rita Carleton) (TLXA1MAIL_\F:9-720-5435\C:Rita CarletonREAD:NOT READ

TO: FAX (9-622-0218,Bill Schall) (TLXA1MAIL_\F:9-622-0218\C:Bill SchallREAD:NOT READ

TO: FAX (9-647-1681,Robert Glass) (TLXA1MAIL_\F:9-647-1681\C:Robert GlassREAD:NOT READ

TO: FAX (9-377-7954,Clem Miller) (TLXA1MAIL_\F:9-377-7954\C:Clem MillerREAD:NOT READ

TO: FAX (9-343-0539,Dan Bond) (TLXA1MAIL_\F:9-343-0539\C:Dan Bond)
READ:NOT READ

TO: Helen C. Walsh (WALSH_H) (OPD)
READ:NOT READ

TO: Kim H. Burke (BURKE_K) (OMB)
READ: 9-AUG-1994 08:01:08.20

TO: Richard P. Emery Jr. (EMERY_R) (OMB)
READ: 9-AUG-1994 09:50:49.05

TO: Debra Cammer (CAMMER_D) (OMB)
READ: 9-AUG-1994 09:46:20.40

TO: Harry E. Moran (MORAN_H) (OMB)
READ:22-AUG-1994 09:18:13.73

TO: Christopher M. Lewis (LEWIS_CM) (OMB)
READ: 9-AUG-1994 08:12:10.84

TO: Rodney G. Bent (BENT_R) (OMB)
READ: 9-AUG-1994 09:15:37.34

TO: John D. Burnim (BURNIM_J) (OMB)
READ: 9-AUG-1994 10:44:13.30

TEXT:

PRINTER FONT 12_POINT_COURIER

August 8, 1994

MEMORANDUM TO: (Distribution)

FROM: John Evans-Klock, OMB International Affairs

SUBJECT: Meeting, International Credit Scoring Review

You are invited to the fifth and possibly last regular meeting of the international credit scoring review.

We will meet in room 10103 of the New Executive Office Building, at the regular time of Thursday at 10 am, August 11. If you plan to attend and were not at a previous meeting, please call so we can have you cleared in.

Virtually all items on the agenda have been introduced. We would like to see concrete proposals for resolution, especially in terms of data which would help to resolve the outstanding questions or procedures to facilitate policy level resolution.

Notes from the last meeting are attached.

Thank you for your interest.

#8

Distribution:

Charles Flickner, SBC
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Diana Ohlbaum, SFR
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#9

Helen Walsh, NSC/NEC
William Danvers, NSC/NEC
Mary Chaves, Treas/IDD
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Max Hudgins, Treas/IDD
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Kelle Bevine, Treas/IDD
Robert Glass, State/RPP
Richard Huff, State/OMA
Mike Mozur, State/OMA
Dan Bond, Exim
James Hess, Exim
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Valerie Brown, USDA
Rita Carleton, USDA
Elizabeth Kreitzman, USDA
Rand Ruggieri, USDA
Kim Burke, OMB/BRD
Debra Cammer, OMB/BRD
Richard Emery, OMB/BRD
John Evans-Klock, OMB/IAD
Chris Lewis, OMB/EP
Rusty Moran, OMB/BRD

\$8

Notes from International Credit Scoring Review

Meeting #4: August 4, 1994

- I. Value of debt after debt reduction - the "no cost" view
 - A. One view is that the total amount of payments which can be expected to be collected will not fall when debt is partially forgiven. So if \$10 M was owed and the payment capacity was \$4 M, we could forgive \$6 M at no cost. In fact, a 50% forgiveness might be expected to lead to enhanced payment capacity, so that the total collection would actually increase.
 - B. Another view was that the moral hazard associated with forgiveness would tend to damage the rate at which a country made payments on its debt. Empirically, however, it was claimed that willingness to pay has increased after forgiveness, as well as ability.
 - C. In the "no cost" view, the elasticity effect does not increase the expected payments by enough.

As evidence, the improved performance was cited of countries, especially in Latin America, who have undergone major debt reduction. [The Brady Plan consolidated much of a country's outstanding commercial debt into new instruments with a face value "marked to market", but with collateralization and other enhancements, along with conditionality associated with IMF agreements.]

II. Value after reduction - the "uncertain capacity" view

A. A different view was that the country's payment capacity would be uncertain, with the actual number distributed around whatever estimate we use as best. When debt relief is granted, we cut off the upper tail of the distribution by forfeiting the ability to collect when actual capacity is high. This reduces the value associated with the debt.

B. This view [associated with the paper by Steve Kamin circulated in advance] was seen as too static an analysis by other participants. Additional capacity tends to result from inflows of capital (and declines or re-inflows of flight capital). This is at least partly due to the end of the "debt overhang." [A debt overhang is a situation in which a country's debt is substantially beyond its ability to pay, so that any increase in capacity will be captured 100% by the debtors, so there is a seriously diminished incentive to invest.]

C. This was seen in one view as an essentially empirical question, which the elasticity estimate was meant to capture.

D. One view is that payment capacity must be uncertain in the future because the country's situation could change for reasons unconnected with forgiveness, such as the price of its exports.

In response, it was asserted that the IMF projects capacity for 5 to 10 years, but that in fact they project improvements after debt reduction\reform, and that they had underestimated the growth that would result, in the cases of Mexico, Nigeria, the Philippines and Venezuela [and perhaps others].

II. The empirical prospects

A. The claim of rising capacity due to debt relief was challenged as coming mostly from oil producers, who have experienced increases in oil prices during the years at issue.

B. One view is that many factors have intervened, and we should look at the evidence on countries who experienced debt relief with the 411 and 572 programs.

The problem with these cases was a payment capacity of almost zero, in another view.

C. One view was that the question of the size of improvement from debt relief could only be settled empirically, and that the elasticity effect used in the

budget was based on an attempt to do that, although the attempt was flawed by a lack of dynamics.

III. Implementation of elasticity effects

A. The elasticity effect in the budget is based on evidence on the relation between a country's indebtedness and the price of its debt. The estimated elasticity of price change with respect to indebtedness change is 1.35, for budget purposes.

It was observed that current practice uses only Bilateral and Commercial debt in the denominator of the share of debt being treated. The debt from International Financial Institutions (IFI's) is omitted. This is not consistent with the measurement on which the estimation of the coefficient was based, (or on the discussion at the time of its introduction, it was claimed).

B. The reason for omitting IFI debt was given as World Bank provision of sufficient new capital every year to enable repayment on old loans.

Another view was that the subordination of bilateral debt to IFI debt was the basis. This is considered by others to be a practice without standing in law or proper scoring, in which those responsible for the IFI shift the burden of their callable capital onto the debt of other agencies.

C. It was also asserted that the practice deviates from guidance in OMB's A-11, which requires the same estimate of deviations or defaults on the post-modification loan as on pre-modification. In this view, the international programs need a special exception to allow the elasticity effect.

D. The question was raised whether the coefficient was statistically significant. [Both of the papers, Cohen and Claessens, et al, found estimates statistically significantly different from zero, but not significantly greater than 1. A "backward bending debt Laffer curve" depends on a coefficient greater than one. Cohen arrived at $E = 1.5(1-P)$ and Claessens, et al at $E = 1.4(1-P)$, where P is the country's estimated debt price. Standard errors were around .3].

E. It was observed that these estimates omit the effects of the policy reform leveraged by the programs. They also have omitted characteristics of the new loans such as agreements not to bring them to the Paris Club.

F. Another problem is that there are few observations on debt forgiveness for use in answering the questions.

IV. Symmetric effects

A. It was noted that there is no estimation of the effects of new loans on indebtedness, even though at least one case may increase a country's liability by 100%.

V. Project actual capacity?

A. In one view, the responsibility to show increases in

debt valuation should lead to a careful evaluation of the repayments expected post-forgiveness, in an ICRAS like process.

B. It was observed that the ICRAS process is not forward looking enough to incorporate the expected benefits into its ratings, especially the benefits of an agreement tranching over 3 years. Normally ICRAS would downgrade a country which had sought debt relief.

VI. Prices vs. premia

A. The problem with premia is that they make prices very time sensitive. Markets tend to rate short-term debt [maybe not trade credits?] as being close to as risky as long term for some countries.

This may be due to the expectation of extensive future rescheduling over many years.

B. The problem with prices is that they are completely insensitive to maturity, but uncertainty increases with time.

C. One view is that a more sophisticated approach would combine these options.

VII. Relation of receipt forecast to price.

A. The relationship is hard to spell out. It does seem to depend on where a country lies on the risk spectrum.

For countries in good shape (e.g. Chile) we may project 100% payment in the near future, but longer term have to allow for possible deterioration - giving a price less than 100%.

For countries near the bottom, we may project only 8% payments as the country goes through repeated reschedulings, but we price above 8% because there is some chance of eventual recovery.

In between are many countries whose long-term prospects are reasonable but are experiencing liquidity problems leading to receipt projects in the near term that are very low.

B. One suggestion was to project how long the country would be going through workouts at the Paris Club.

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Elgie Holstein (HOLSTEIN_E) (OPD)

CREATION DATE/TIME:27-JAN-1995 18:08:18.50

SUBJECT: GINGRICH AND DOLE SAY CLINTON MUST LOBBY HARDER FOR ...

TO: David J. Lane (LANE_D) (OPD)

READ:27-JAN-1995 18:51:22.21

TEXT:

Date: 01/27/95 Time: 17:14

Gingrich and Dole Say Clinton Must Lobby Harder for Mexico Rescue

WASHINGTON (AP) After two days of high-profile lobbying by President Clinton and senior Cabinet officials, Republican congressional leaders said Friday the administration still hasn't made its case for a Mexican rescue package.

The administration is pressing Congress to approve \$40 billion in loan guarantees to help Mexico out of a currency crisis that has seen the value of the peso plunge about 40 percent since Dec. 20.

House Speaker Newt Gingrich, R-Ga., an early supporter of the plan, said Friday, "You can't carry it directly against the will of the American people.

"Frankly, the president and the secretary of the treasury and others may have to spend more time explaining to the country why it is in America's interest to help our next-door neighbor avoid a collapse," he said.

Clinton told a group of 200 mayors on Friday, "I know this is not the most popular issue in America today, but it's important It's not a gift, it's not a loan, it's cosigning a note with collateral. It's in our interest."

Meanwhile, Senate Majority Leader Bob Dole, R-Kan., told reporters Clinton must become more personally involved and should personally lobby senators for the package.

"Support for the present procedure is eroding and there are some even questioning whether \$40 billion is going to be enough," he said. "The president needs to step up to bat. ... Something dramatic's got to happen."

At a meeting with a senior aide to Mexican President Ernesto Zedillo in Dole's office, Republican senators pressed for creation of a currency board that would tightly control the peso, keeping it pegged to the dollar.

However, according to Sen. Conrad Burns, R-Mont., the Mexicans are resisting such a step.

"Until Mexico accepts some kind of currency board approach to protecting the peso ... I think it's going to be very hard to pass that package," Burns said.

Earlier this week, Treasury Secretary Robert Rubin, Secretary of State Warren Christopher and Federal Reserve Chairman Alan Greenspan spent two days appearing before House and Senate committees.

The president himself has plugged for the rescue repeatedly in

speeches and a television interview this week. The administration says the package is needed to prevent the crisis from spreading to other developing countries, to protect U.S. jobs linked to exports to Mexico and to head off a renewed wave of illegal immigration across the United States' southern border.

At a briefing at the White House, Laura Tyson, Clinton's chief economic adviser, said if the Mexican economy collapses, 700,000 U.S. jobs would be endangered.

And, if Mexico's economic woes spread to other developing markets in Latin America, it ``could lead to a full percentage point off the U.S. growth rate over the next two years," she said.

On Thursday, International Monetary Fund officials agreed to lend Mexico \$7.8 billion over 18 months in the largest such emergency loan in the agency's 51-year history.

The value of the peso had partly recovered after Thursday's announcement but on Friday reverted to pre-announcement levels. Administration officials are stressing that the U.S. loan guarantees are still crucial to stabilizing Mexico.

Various factions of U.S. lawmakers are pressing for a number of conditions on the package that go well beyond provisions to ensure Mexico repays the United States if Mexico defaults.

House Democrats want greater protection of worker rights in Mexico and assurances the peso's devaluation won't further depress the wages of Mexican workers at factories exporting to the United States.

Others, both Democrats and Republicans, want Mexico to end its assistance to Fidel Castro's Cuba.

White House press secretary Mike McCurry said the administration hopes ``in the course of the next several days" to wrap up negotiations on loan-guarantee legislation.

House Banking Committee Chairman Jim Leach, R-Iowa, who is writing the bill, said it has been largely finished since Tuesday. ``Whether sufficient (political) will can be developed is still an issue," he said.

APNP-01-27-95 1716EST

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Eric S. Rubin (RUBIN_E) (NSC)

CREATION DATE/TIME:18-MAR-1998 08:20:52.22

SUBJECT: March 18 National Security News Summary Early Edition

TO: Gene B. Sperling (SPERLING_G) Autoforward to: Remote Addressee (Gene B.
Sperling@eop@lngtwy@eopmr x) (OPD)
READ:NOT READ

TEXT:

COMMENT

AUTHOR : National Security Council

OPERATOR : Eric S. Rubin

COMMENT :

PRINTER FONT 12_POINT_ROMAN

NATIONAL SECURITY NEWS SUMMARY

WEDNESDAY, MARCH 18, 1998

EUROPE/NIS/CANADA

N. IRELAND: In whirlwind of meetings, Clinton makes case for peace to all
key players. (WP8, NYT10)

CANADA: Charest faces tough choice: head Canadian opposition or lead
anti

-secession cause in Quebec. (WP16)

NATO: The three CEE candidate members are lagging in meeting requirements
for membership. Senate abruptly opens debate on enlargement ratification.
(WP16, NYT12)

FRY: Serbian policeman is wounded in attack on checkpoint. Russia urges
autonomy for Kosovo. (WP17, NYT10)

RUSSIA: In tit

-for

-tat retaliation, Russia expels two Norwegian diplomats.
Yeltsin is still bed

-ridden with infection. Expensive theme restaurants
are the latest trend in Moscow. (WP17,18; NYT/C6)

ITALY: FM Dini says he expects Marine jet crew to face court

-martial for

Cavalese disaster. (WP17)

TURKEY: Court rules former PM Ciller will not face prosecution. (WP17, NYT4)

ARMENIA: Presidential runoff will be required between PM and ex

-Communist

official. (WP18)

U.K.: Government proposes balanced budget within two years, calls for welfare

-to

-work efforts. (WP18, NYT4)
AFRICA

SUDAN: Government hinders, obstructs U.N. famine relief as population in south faces starvation. Anti

-government militia reports gains. (NYT1,8)
S. AFRICA: MFA official who fought apartheid is linked to charges of gun

-running in Mozambique. (WP16)
ZAMBIA: Chiluba lifts state of emergency to appease Western aid donors. (WP17)
MIDDLE EAST/SOUTH ASIA

MEPP: After British FM Cook visits Har Homa amid protests, Netanyahu snubs him and cancels dinner. Palestinians mourn boy killed by Israeli troops during clash with stone

-throwers. (WP17, NYT3)
ASIA/PACIFIC

JAPAN: Government is purging central bank officials in wake of scandal. (WP17)
KOREAS: Little progress reported in first days of Geneva talks. (WP17)
CHINA/TAIWAN: Taipei signals acceptance of Beijing's conditions for talks. (WP17)
CAMBODIA: Court convicts deposed co

-PM Ranariddh of coup plotting. (WP17)
LATIN AMERICA/CARIBBEAN

GUATEMALA: U.N. helicopter crash kills five, including an American. (WP17)
BRAZIL: Huge forest fire is endangering Brazil's Amazon rain forest. (WP17)
GLOBAL/DEFENSE/ECON

ENERGY: World oil prices hit lowest level in ten years; benefits seen for U.S. economy. (WP1)
AVIATION: Culture clashes seen as possible factor in airliner disasters. (WP1)
U.N.: Scheffer hints that U.S. may modify its demands on creation of an international criminal court. (WP2, NYT10)
DEFENSE: Residents are evacuated regularly from area near New Mexico missile range. DoD is creating 10 special CW/BW response teams. (WP3)
IMF: Senate Appropriations Cttee. OKs \$18 billion but with conditions that

Rubin calls impractical. (WP5, NYT8)
IMMIGRATION: Family of girl killed by Makharadze crash is facing

deportation by INS. (WP13)
OPINION

NYT: Editorial calls on the Vatican to fully explore Pope Pius XII's conduct during WWII. Editorial supports Cohen's gender integration judgment and cautions him not to separate sexes in the face of sexual misconduct. (26)

WP: Editorial calls McKinney verdict unsatisfying to everyone, suggesting the court

-martial may have been the wrong instrument to use in this case. Editorial pushes back on former Assistant Secretary of State Wroblewski's defense of Burma following drug decertification, reiterating that Burma is a global supplier of opium and heroin. Broder criticizes Senate and Administration for pushing NATO vote without adequate debate. Samuelson sees U.S. economy eventually confronting Asia's crisis and says the benefits have come before the problems. Tripplett op

-ed calls on the Administration to withdraw the peaceful nuclear agreement today on a temporary basis to send a clear message to China on its proliferation responsibilities. (20)

-21)

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:20-MAR-1998 09:51:50.00

SUBJECT: NSC News Summary

TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

----- Forwarded by Peter A. Weissman/OPD/EOP on 03/20/98
09:51 AM -----

CROWLEY_P @ A1
03/20/98 09:21:00 AM

Record Type: Record

To: Gene B. Sperling, Lael Brainard, Jake Siewert
cc:
Subject: NSC News Summary

NATIONAL SECURITY NEWS SUMMARY
FRIDAY, MARCH 20, 1997

ASIA/PACIFIC

CHINA: Zhu Rongji sets out an ambitious reform plan for every sector of government, from overhauling state industry to cutting the work force. Changes are not expected to be matched in terms of political change. Zhu is trying to replace cradle-to-grave health care system with one based on individual responsibility. Religious leaders respond to criticism of trip by underscoring importance of issue to future relations with China. Chinese legislature wraps up session. China considers manned space flight.
(NYT1; WP27; LAT2; WSJ11; WT6, 11, 12)

INDONESIA: Both Indonesia and the IMF signal new flexibility as talks resume in Jakarta. Police break up protest in Jakarta. Indonesia has come full circle and is now reconsidering currency band to stabilize rupiah. Australia fears Indonesia bailout will fail. (NYT8; WP28; WSJ13; WT13)

JAPAN: Many Japanese born in Latin America who moved to Japan are now considering moving back. Ambassador Saito asks U.S. to stop giving economic advice. (WT12)

AFRICA

AFRICA TRIP: President and First Lady leave Sunday for 12-day, six-nation tour. Paul Allaire and Bob Johnson will accompany the President on Air Force One. There are no major trade initiatives or business deals expected on the trip. (USA4; WSJ1, 13)

NIGERIA: Maryland considers a bill boycotting goods from any company with direct or indirect interests in Nigeria. Government lashes out at critics in U.S. and Europe. (WT/B9; WT13)

RWANDA: Rwanda begins mass genocide trials. (WT13)

SOUTH AFRICA: Mandela testifies in rugby union case. (WP29)

EUROPE/NIS/CANADA

KOSOVO/FRY: Russia voices opposition within UN for an arms embargo resolution, saying sufficient progress is being made in Yugoslavia. Gelbard accuses Milosevic of 'state terrorism' in Kosovo crackdown. People rally in Kosovo as Contact Group deadline passes. Milosevic makes last minute bid, pulling special police back. (NYT3; WP30; LAT3; WSJ1; WT11)

ARMENIA: Kocharian and Demirchyan will participate in runoff election on March 30. (WP28)

CANADA: Seal hunt starts next week. Halifax has ties to Titanic. (WP28; WT13)

FRANCE: Prosecution recommends 20-year sentence for Papon. (WP28)

GREECE: FM Pangalos arrives today, will have talks with MKA and SRB during visit. (WT12)

HUNGARY: Hungarian scientists have had a tremendous impact on the 20th century. (NYT4)

IRELAND: Ireland promotes tourism. (WT14)

NORTHERN IRELAND: Trimble reiterates Adams' membership in terrorist organization, while Adams calls Trimble's charges 'bizarre.' (WP30)

RUSSIA: Drop in oil prices provides new threat to Russian economy. Lebed is using campaign for governor of Siberia and stepping-stone to Kremlin. Citizens of Murmansk worry more about economic survival than radioactive pollution. Russia may limit foreign adoptions. Chubais plans a spring reform attack to boost economic growth. (NYT5; WP30; LAT3, 4; WSJ13)

TURKEY: Turkey sentences five officers to jail terms for beating a journalist to death. Human rights critics say seven and a half-year sentences are too light. (NYT4; WP28)

MIDDLE EAST/SOUTH ASIA

INDIA/PAKISTAN: Vajpayee appears more somber as he assumes control of government, probably because this is not the government he hoped for. Government will likely survive vote of confidence, but is clearly constrained by coalition and will have to steer a more moderate course. Pakistan says it will review nuclear policy in light of new Indian government. (NYT3; WP1, 31; WSJ12; WT11)

ALGERIA: Government allows more journalists to enter, but blocks human rights experts. (WT13)

IRAQ: Ryan Crocker will be among diplomats accompanying inspectors through presidential sires. Iraqi cooperation is a mixed blessing that may reduce support for UNSCOM in the long run. (NYT11; WP27; WSJ1)

ISRAEL/MEPP: Netanyahu says that only Israel can make decisions on its security after failing to convince U.S. to shelve West Bank withdrawal plan. Jordan looks for protective cover for recent support of U.S. against Iraq. PM calls teenage hacker clever, but dangerous. (USA5; WSJ1; WT11, 13)

LIBYA: Libya will push for end of sanctions today in UNSC. (WT13)

LATIN AMERICA/CARIBBEAN

CUBA: At the urging of Pope John Paul II, the Administration will ease restrictions on direct flights, money sent to relatives and religious and humanitarian assistance. Fears mount that four members of the Cuban national baseball team have perished in effort to defect. (NYT1; WP1; LAT1; USA1, 3; WSJ/A3; WT1)

ARGENTINA: Former President Alfonsin calls for Argentines to take up arms to protect constitution against a third Menem term. (WP28; WT13)

BRAZIL: Wildfires threaten primitive Yanomami Indians. (WP29)

COSTA RICA: Ministers agree to start negotiations on free trade zone later in the year. (WP28)

MEXICO: Governor of Morelos is under fire for allowing, knowingly or not, a drug trafficker to set up a base of operations in his state. NAFTA brings constant traffic jam along border, as infrastructure can't keep pace with booming trade. Mexico's dual citizenship law will allow people to invest in Mexico, but not restore voting rights. (NYT10, 12; LAT1, 2; WT1)

PERU: Police trade gunfire with 15 assailants who might have been trying to kidnap German ambassador. (USA5)

GLOBAL/DEFENSE/ECON

DEFENSE: Court fight appears likely as Justice and Lockheed trade threats of legal action over Northrop merger. Family of homeless man killed near Pentagon consider lawsuit. By choice, the man lived on the streets for 20 years since his Army discharge. Five teens in California suspected of hacking Pentagon computers. (WP16, C1, F1; LAT/B4; WTB9)

CIA: Harvey Point, N.C. is a base where the CIA conducts its paramilitary and counter-terrorism courses, most recently for the Palestinian Authority. (NYT1)

DEA: Employee admits theft of \$500,000 in electronic equipment. (WP10)

ENCRYPTION: San Francisco company, Network Associates, will sell its encryption software through a Dutch subsidiary without a back door for law enforcement, this circumventing U.S. export controls. (NYT/C1; LAT/B4; WSJ/B7)

IMF: Lott says Michel Camdessus should be fired. (USA4; WSJ6; WT4)

IWO JIMA: J. Carter Brown strikes back at Iwo Jima defenders as 'petty and vindictive' (WT3)

SPACE: Astronomers agree to consult next time before suggesting the sky is falling. (NYT21)

STATE SECURITY: Security is tightened following document theft. (WP23)

TERRORISM: Six organizations and two individuals file suit against the government over the prohibition to aid terrorist groups. (WP22; LAT9)

TRADE DEFICIT: January trade deficit expands to \$12B, clear evidence that the Asia financial situation is having an effect on the U.S. economy. (NYT/C1; WP/F1; LAT/B4; USA/1B; WT/B9; WSJ/2)

WHO: WHO can't control the spread of tuberculosis. (WT11)

ADMINISTRATION

NATO EXPANSION: NATO expansion has gone from a big political risk to a sure thing. Moynihan says U.S. has no idea what it's getting itself into, given historical enmities in CEE. Lebed says that all Russia can do is make believe she is enjoying something she doesn't like. (NYT1, 10; WP12; USA5)

KAMEN: Crowd forms outside restaurant where MKA was dining in Rome because of rumor Spice Girls were there. Louis Caldera appears to be leading candidate to be Secretary of the Army. Kevin O'Keefe and Thomas Donahue are the early contenders to be the ambassador to Ireland. (23)

IRELAND: Mark Gearan, Tom Quinn and Education Secretary Riley are also on the list. (WSJ1)

LUXEMBOURG: Hormel's nomination remains stalled in Senate, along with nominee to be deputy administrator of the SBA. (WT7)

MEXICO: President faces criticism over Davidow appointment. (WT12)

OPINION

WP: Editorial on Kosovo says the American claim to be taken seriously on this and other similar threats to peace is now on the line and we have to demonstrate our determination to follow through. Rosenfeld column on the Africa trip is mostly positive but asks why we are spending less on aid than three years ago. Abu-Hamad op-ed says sanctions on Iraq are the wrong way to deal with Saddam. (24-25)

NYT: Editorial on the Africa trip praises Clinton for going but says the President has to show he is serious about democracy, human rights and development and make clear our rejection of anti-democratic actions by Kabila, Museveni and others. Rosenthal columns assails China's "useful idiots," including Rupert Murdoch and the clergymen who went to China. (26-27)

LAT: Editorial on Africa trip praises the President for focusing on business and economic opportunities for American firms in Africa, and urges Congress to pass the Africa trade bill. Editorial urges an end to Comsat's monopoly. Editorial on murders of journalists abroad cites cases in Colombia, Mexico and Brazil as especially troubling. Letters on the Vatican's Holocaust statement. Sauvage op-ed says the Vatican statement falls short of the necessary acceptance of a significant measure of Christian responsibility for the Holocaust. Op-ed debate between Gary Bauer and Jonathan Power on how best to pursue improved observance of human rights in China. Ben Zuckerman op-ed urges cutting legal immigration for environmental reasons. (2,10-11)

WSJ: Editorial strongly supports NATO enlargement ratification not only as "penance for Yalta" but as vital to "preserve the very large investment the U.S. has made in European security over the past 50 years." Hong Kong minister's letter on trade controls. Cardenas op-ed is hopeful on the future of the Colombian economy. (14-15)

WT: Editorial is pessimistic about prospects for a lasting settlement in Northern Ireland, saying the problem is not with the majority but with extremists on both sides; it praises Mitchell's role but slams Jean Kennedy Smith for partisanship. Odom op-ed urges prompt ratification of NATO enlargement. Meyer column urges use of force against Serbia if Milosevic

persists in oppressing the Kosovars. Tonelson op-ed opposes the Caribbean Basin and Africa trade bills. (16-19)

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SUBJECT: 1998-04-13 Trip Briefing by Berger, McLarty, and Barshefsky

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THE WHITE HOUSE

Office of the Press Secretary

April 13, 1998

PRESS BRIEFING BY
NATIONAL SECURITY ADVISER SANDY BERGER,
SPECIAL ENVOY FOR THE AMERICAS MACK McLARTY,
UNITED STATES TRADE REPRESENTATIVE CHARLENE BARSHEFSKY

The Briefing Room

3:43 P.M. EDT

MR. RUBIN: Okay. It's a briefing on the President's trip to Santiago by the National Security Adviser, Samuel Berger; the United States Trade Representative, Charlene Barshefsky; and the Counselor to the President and Special Envoy for the Americas, Mack McLarty. Thank you.

MR. BERGER: Thank you, Eric. I'm pleased to be joined by Charlene Barshefsky and Mack McLarty. Together we want to preview for you the President's to Chile this week, both for a state visit and for the Santiago Summit of the Americas.

I'd like to spend a few minutes describing what we hope to accomplish during this trip and how it fits into the President's focus on the Western Hemisphere. I'll also run through the schedule of key events. Mack will speak about the summit in more detail, the road traveled from Miami, and what we'll be focusing on in Santiago. And then Charlene will talk about our vital trade agenda in the Americas and update you on where we are with respect to the free trade area of the Americas.

Let me start, first of all, on the focus that the President has placed on our hemisphere over the past year. The state visit to Chile and the Santiago Summit are the culmination of a yearlong engagement with the Americas, arising from -- originating back, actually, three and a half years ago with the first Summit of the Americas, which the President convened in Miami in 1994. As you know, the President then last year went to Mexico, Central America, and the Caribbean in May, and in October went to Venezuela, Brazil, and Argentina.

The objective of these trips, of these visits is to build upon an extraordinary convergence of our hemisphere around values and interests we share -- in democracy, open market economies, and cooperation against common threats. There has been a quiet revolution in this hemisphere, and the President is determined to build upon it.

As the chart that is not behind me illustrates, but the one that's behind the one that's behind me -- 34 of the 35 nations today in the hemisphere embrace democracy and free markets, as you can see, compared to the time of the '67 and '56 summits. Now, lest

you add up the numbers and say that our crack graphics squad cannot add, there obviously have been an additional number of countries in the hemisphere during this period.

Decades of civil war and coups have given way generally in the hemisphere to peace and stability. Despite the peso crisis in Mexico and the effects of the Asian financial problems, economic reforms in the hemisphere have resulted in the lowest inflation and highest growth in two decades. Forty-two percent of all US exports -- Ross Perot does this somehow easier, I don't know quite how he does it -- forty-two percent of all U.S. exports, \$286 billion go to

hemispheric countries in 1997. That represents a 17 percent increase in exports in 1997.

Q From when?

MR. BERGER: From the year before. Versus a 5.6 rise worldwide. And if you look at this chart, you see the extent of our overall exports that go to the western hemisphere. And quite a bit of that is to Latin America, but when you take out Latin America, Canada, and the Caribbean, it's \$308 billion. The result is -- in a sense these two charts capture the two important trends of democratization and economic growth and economic market opening which resulted in the hemisphere being united as never before as we enter the 21st century.

Now, Mack will talk more about the road from Miami to Santiago, but it certainly has been a road that has been marked by a number of concrete realizations of commitments that were made in Miami. In Miami we agreed to expedite ratification of a protocol providing that any state that ceased to become a democracy would be expelled from the OAS. That was done in October '97. We agreed to initiate a process of regional confidence building. Since then we have established an OAS committee on hemispheric security. On the economic integration side, you can see from these charts, what is happening is not only economic growth but economic integration between us as and the hemisphere and within the hemisphere, within regional groups within the hemisphere.

We talked at the summit about eradicating poverty and trying to combat disease. In 1995, for example, the First Lady launched a measles elimination program. Those cases today have been reduced from 23,000 in 1994 to roughly 2,000 in the hemisphere today. In Miami we agreed to recommend that multilateral development emphasize microenterprises, microlending. The Inter-American Development Bank has adopted a five-year \$500 million strategy to promote microenterprises.

In the area of the environment, there were a number of commitments made in Miami, national action plans to take the lead out of gasoline. In 1996 12 countries had eliminated leaded gas, and by 2001 there will be 20.

Those are simply illustrative of a series of the roughly 100 commitments that were made in Miami and the progress that has been made on most of them.

Now, the people in Latin America have chosen democracy and open markets, but for democracy and markets to endure they must deliver for their people. That is, their people need to understand that democracy delivers, that democracy works. They need to move beyond the basic building blocks of elections and market economics to the second generation of issues faced by all democracies, but particularly new democracies: education, rule of law, health care, worker rights, press freedom, anti-corruption. And this is precisely what the agenda and the focus of the summit in Santiago will be -- the second-generation issues that these countries face together, and where cooperation can help give democracy deeper roots. And Mack will have more to say about this in a few minutes.

On the economic integration side, the Miami Summit set forth a vision of bringing the Americas together around open markets through a Free Trade of the Americas Agreement by the year 2005. In Santiago the leaders will launch negotiations with timetables and a work plan. They will direct their trade ministers to begin negotiations with the objective of concrete progress by the year 2000. Charlene will talk more about that.

They will establish a mechanism to allow labor, the environment, and other civil groups to contribute to this FTAA process. And they will also pursue commitments to strengthen bank regulation and market oversight to promote stability in financial markets, something that since Miami we have come to learn is far more important.

Now, let me talk a bit about Chile itself, because the first two days of the trip is a state visit to Chile, and it will really give the President an opportunity to spotlight Chile's quite impressive achievements. Chile is a country that has succeeded in achieving both an increase in economic growth and a decrease in its poverty rate. Its annual growth since 1990 has averaged 6.9 percent, while its poverty rate has dropped from 40 percent in 1990 to 23 percent in 1997.

President Frei is committed to providing access to computer networks, for example, for all 1,500 secondary schools and 50 percent of primary schools by the year 2000.

The Chile of today has emerged from the turbulent and dark past that we are all too familiar with to become a vibrant democracy working to ensure that all of its citizens share in the fruits of an open market economy.

Now let me briefly just run through the schedule so you can know where you're going to be at various points. We will leave Wednesday at about 8:30 p.m. and arrive in Santiago at 6:30 a.m. in

the morning -- a delightful red-eye, all-night flight.

On Thursday the President will meet with President Frei. They will finalize and then sign a U.S.-Chile communique on which we've been working. They will tour a neighborhood of Santiago and have a roundtable conversation with community leaders, which will provide an opportunity to discuss Chile's record of economic growth and poverty reduction. And then finally -- not finally, next to finally -- the President will address business leaders, which together with the event in a poor neighborhood, will provide I think the two sides of the coin that we've talked about so much; that is, economic growth to provide opportunity, a social safety net in order to make sure that that opportunity is spread widely. And then that evening there will be a state dinner.

On Friday we will helicopter to Valparaiso, where the President will address a joint session of the Congress, in which he undoubtedly will highlight Chile's success in reclaiming its democracy and spreading the benefits of its prosperity to more of its people. We'll tour a rural area near Valparaiso, and return to Santiago.

Saturday begins the summit. In the morning most of the events will take place in the Sheraton Hotel. In the opening session the President and President Frei will make opening remarks which will be open to the press. Then they will have sessions during the day from 10:00 a.m. to 6:00 p.m., three discussions: one on democracy, one on education, one on poverty alleviation. And then that evening there will be a summit gala for leaders and spouses.

And then on Sunday the summit resumes at 9:00 a.m. at the Sheraton. There will be two leader discussion sessions, one on trade, and the final one, which really has no specific agenda will be essentially an open-ended discussion. At about 12:30 the summit will conclude at the former Congress building with statements from several leaders, including President Clinton, President Frei, Prime Minister Chretien, since Canada is likely to be the host of the next Summit of the Americas.

The President will then go speak to the staff and families at the embassy, as he always does when he travels. And we will depart for Washington about 3:45 p.m. and a mere 10 hours later we will be back in Washington.

Let me ask Charlene and then Mack to speak and then we'll take -- Mack, then Charlene.

MR. MCLARTY: Sandy, thank you. The President and our administration has had a policy of sustained engagement and the intense Presidential focus that was noted in Sandy's comments for the past several years, in fact, beginning from the first days of the administration.

We are well aware, the President is acutely aware, of

our history in the region from time to time, which has been marked by intervention or neglect. I think he is also keenly aware of this quiet revolution that Sandy noted, a profound change, in many ways as profound as the fall of the Berlin Wall. We have both, from time to time, used the phrase "this is not your father's Latin America," which is, I think, a good way of describing some of the changes -- remarkable changes of 34 out of 35 countries are now democratic. In Central America we don't have the United States and the Soviet Union in a Cold War battlefield or civil wars there. And in fact the export market for U.S. goods in Central America is larger than all of the former Soviet states put together.

The real story from an economic standpoint has been the taming of hyperinflation, which, of course, was the cruelest burden to those below the poverty line. Some example of that is Argentina in 1989 had an inflation rate of 5,000 percent; today it's .3 percent with a 7 percent annualized growth rate. As the minister of finance told us in Brazil when we traveled there, our inflation rate, Mr. President, is 5 percent; the difference is, that is an annual figure not a weekly one. So a remarkable economic change.

In terms of the sustained engagement, our goal is to create what we have phrased as a Greater Americas, based on mutual trust, respect, and reward. And we have certainly discussed with the American people about our views regarding Latin America. After all, we are the fifth largest Hispanic nation in the world, the United States, and in turn, to sharpen and improve their views of us.

Sandy has already noted the first-term record of the convening of the summit -- restoring peace in Guatemala, as friends of that process; restoring democracy in Haiti; the support of the Mexico peso crisis; and the passage of the NAFTA; as well as the two presidential trips to the region, including two summits with the Central American leaders and the Caribbean leaders.

The Vice President has traveled to the region five times, emphasizing economic growth and environmental stewardship. The First Lady has traveled to the region four times, emphasizing issues of health care, poverty, and including all aspects of women's inclusion in society as well as indigenous people.

Now, the Miami Summit affirmed what is called the first generation of reform, which are free and fair elections, stable and open economies. And I think it's fair to say an architecture was put in place to further that progress, and one of the centerpieces -- not the only, but one of the centerpieces was the Free Trade Area of the Americas by the year 2005.

We have made real progress on that road from Miami to the promise of Santiago, but the key point here is that progress is not assured and not guaranteed. It is critical in my view, as someone from the private sector, to have a second generation of reform in order to sustain the first generation, the macroeconomic reform.

I think most of us would agree the bright line between foreign policy and domestic policy has blurred. You'll see that at this summit. From a U.S. perspective, whether it's jobs, the economy, energy prices, gasoline prices with summer vacations coming up, education, fighting the drug trade, alleviating poverty, or protecting the air we breathe, the issues we will discuss at this summit are the issues that affect our citizens and families here at home. They are issues that our people care about and care about deeply.

The summit agenda will very much follow the Miami agenda: first, strengthening our respective democracies; secondly, trade and economics, including financial coordination, which I think should be emphasized and highlighted; thirdly, addressing poverty; and fourth, of course, emphasizing education. We'll certainly try to marshal resources, particularly where we have leverage in the multilateral organizations -- the Inter-American Development Bank, the World Bank, the Pan-American Health Organization -- particularly focusing those resources on education.

I think in terms of education the emphasis to strengthen the resources devoted in Latin America to primary and secondary education is particularly important to strengthen their democracies and their economies. There are clearly dramatic changes in terms of distance learning taking place throughout the hemisphere and indeed the world and our own country. And some of the same issues, including resources, teachers in the classroom, size of the classroom, and so forth, will be very much discussed at the summit.

I think it's a fair question to ask, how is improving education in Latin America going to help people here in the United States? I think the answer is, good schools make good neighbors. Education advances our economic and security interest in the region. First, it expands the middle class that buys U.S. goods and services that are noted on this chart. Secondly, it reduces the opportunity to buy or sell illegal drugs to be part of that undercurrent and undertow. It reduces illegal immigration by encouraging people to stay at home with their families, and it makes for more stable democracies, and with partners who are ready and willing and able, as they have demonstrated, to stand by us not only in the hemisphere, but in terms of our peacekeeping efforts in Bosnia and our efforts in the Persian Gulf.

You have a number of presidents who have spent a number of years devoting their efforts to education, including President Clinton. President Cardoso has been a lifelong teacher and academician, as has his wife; President Zedillo a former Minister of Education; President Frei, President Figueres and others have talked about and been dedicated to educational reform for at least a decade, if not longer.

I think all of us would agree in this global economy, which Ambassador Barshefsky will talk about, the key to inclusive growth both here in this hemisphere and worldwide, is education. And in many ways I think that will be the legacy of this summit.

In terms of democracy, I think we will see an emphasis on broader democratic participation, certainly the strengthening of the judicial system in Latin America -- a fair, open professional judiciary is key to any modern contemporary working democracy. Attorney General Reno, Justice Breyer have worked very diligently on this effort.

Press freedom -- something important specifically to all of you in this room, is an issue we have pushed, encouraged, and the President raised it when he went to Argentina on our last trip, and the hemisphere embraced it. And through the inter-American human rights part of the OAS, no new bureaucracy, we will establish, I think, at this summit a special rapporteur to advocate for freedom of expression.

Now, that may be perhaps even more important than just the fundamental tenant of freedom of expression, because over the past 10 years 200 journalists have been killed in Latin America and some in the United States in pursuit of a story, doing their job professionally and responsibly. And I think this effort will clearly help address these crimes of impunity.

I think, finally, corruption is certainly a very important issue in the hemisphere. The hemisphere is leading the way with the signing of the Corruption Convention over a year ago, and that measure, as I think was announced here, has been sent to our Congress for ratification.

The region clearly still has too much poverty -- over 150 million below the poverty line, despite the progress that Sandy noted. And these targeted issues, while they can be viewed as rather mundane, are critical for including everyone in an open-market democracy in terms of microcredit to small business -- which I certainly can identify with coming from a small business, a family-owned business -- land titling; and certainly women's issues and inclusion in the economy and the democracy.

In terms of the economic issues, Charlene will speak to the trade issues specifically. I'd just like to note a couple of things very briefly. First of all, we should look at not only trade, economic integration, which is obviously occurring in a rather dramatic way, but we should look also at investment and we should look at financial coordination, that is. the stability of the banking system and the financial markets. We've seen what can happen seriously in Mexico, in this hemisphere, when that does not take place in the right way, and certainly in Asia. And I think Latin America in many ways has become a model to emulate there, as opposed to avoid, and has shown a remarkable resilience in the face of Asia contagion because they've had the capacity and the will to act in

relatively modern financial systems.

In terms of energy on the economy, three of our four top energy suppliers are from this hemisphere. And I think all of us understand the relation to energy prices, inflation, and our overall economy.

In terms of the FTAA launch, there is a true consensus we'll have a comprehensive and a credible launch, and that should not be taken for granted and it should not be minimized. The importance of it I think is very clear, with 40 percent of our exports going to this hemisphere, with our exports growing twice the rate to this hemisphere as any other region in the world.

One fact, as a business person, about half of the population in Latin America is under 21 years of age. So if you project that market potential out in a natural market, the numbers obviously become very compelling and very important. We export more to Brazil than we do to China, more to Chile where we are visiting than we do to India.

In terms of the summit process, I think the region has found its voice on the world stage. We have a much more mature dialogue in the region than in any times, I think, in the past. I think it is time to put our consultations on a more regular basis and I think this Santiago summit will accomplish that. We'll schedule the next time and place for the next summit meeting. I think the agenda has been one reached by consensus and I think, in that regard, we have a common agenda. The issues that we address in Santiago are issues that matter to the American people and to the people throughout the Americas.

I think the real opportunity of Santiago is to change the very shape and nature of the character of our relationship in the hemisphere, and to have truly a foundation for both security and prosperity as we move toward the 21st century.

AMBASSADOR BARSHEFSKY: I'll try and be brief. We've talked about the political declaration that the leaders made in 1994 at Miami, that there should be a free trade area of the Americas. As important as that political declaration was in 1994, the formal launch of these negotiations following three and a half years of preparatory work, ensures the realization of the Miami vision. There will be a free trade area of the Americas. A comprehensive launch will be initiated in Santiago, along with all that that implies.

And let me tell you what has been agreed. First off, the entire negotiating structure from here to 2005 has been agreed. The first three years of the process will be hosted by Miami. The final two and a half years of the process will be co-chaired by the United States and Brazil. We in the United States were very concerned about this launch that is in the start and the conclusion,

because there are two parts of a negotiation that matter, and only two: the setup in the beginning, and the end.

The middle will always go as the middle goes -- up and down, sometimes fast, sometimes slow, the trajectory is usually positive. But the setup is very, very important, and that's Miami. And the conclusion, by co-chairing with our other major hemispheric partner, ensures that we will indeed conclude the agreement on time.

We have also agreed on concrete progress by 2000. I think this will largely be reflected in the negotiation and adoption of a series of business facilitation measures. Let me give you some illustrative examples of what that might encompass: customs, meaning customs coordination, meaning paperless entry with respect to customs; a series of provisions related to government procurement and transparency in government procurement -- there is very little transparency of the process in our hemisphere now; services trade, I think we'll see some progress there of a very concrete nature. I also think we'll see some progress with respect to telecommunications trade and some other areas.

We have also for the first time established a committee within the FTAA itself to receive the views of labor, environmental NGOs, and other groups who obviously have a stake in the outcome of the process. The setting up of this committee is really rather a milestone in the history of the FTAA thus far. Our hemisphere has been reluctant to establish a committee within the FTAA to listen to the views of civil society broadly and to take those views into account in the course of the negotiation.

This year there has been rather -- I should say over the last several years -- there has been rather a change of attitude, and I think a growing recognition in our hemisphere that people -- all segments of society -- need to feel empowered by this process of hemispheric integration, not disempowered by it. And so we have for the first time now established a committee within the FTAA to be chaired by the ministers themselves, that is to say, by those most responsible directly to their political constituencies, to take into account these views and to translate these views, where appropriate, into negotiating objectives.

In addition to, as Mack said, a credible launch, the launch will be very comprehensive, covering all areas of trade and covering areas of trade we can project into the future -- so global electronic commerce now figures prominently on the agenda, as it should, since Internet usage in our hemisphere has the highest rate of usage, the highest growth rate in the world, including in Asia, interesting.

Economically, as you know, the markets of Latin America are the most dynamic, and the most dynamic export markets for us. And let me just add for your use a couple of extra numbers. As Sandy Berger said, in 1997, our exports for Latin America and the Caribbean grew more than three times as fast as our exports to the rest of the

world. During the second half of 1997, we exported more to our hemisphere than to the entirety of the European Union.

In 1997, Mexico surpassed Japan as our second largest trading partner. Think about that a minute. Mexico has an economy one-twelfth the size of Japan. We sell more to Mexico than we do to Japan, and they have now surpassed Japan as our second largest trading partner.

And last, our export increases to the Western Hemisphere accounted for 63 percent of our export growth worldwide in 1997. That is to say, 63 percent of the growth in our exports globally stayed in our hemisphere, went to our hemisphere. And much of that is accounted for indeed by Canada and Mexico.

Let me just say in closing that because of the economic transformation in Latin America, including, as Mack pointed out, reigning in hyperinflation, you have 500 million consumers, a burgeoning middle class, and extraordinary opportunity for American exports. And this is exports in all of the categories that we see, and in all of these categories we've experienced substantial growth already -- and that is in goods, in services, in agriculture as well.

You also have a wave of privatization in our hemisphere, and as we look at areas like power generation, energy, telecommunications, the United States is well poised to capture those opportunities as well. And this range of opportunity will be enhanced substantially as Latin American barriers come down. Their tariff barriers alone average four times what ours are to their products, and non-tariff barriers in Latin America remain a persistent problem. So we see a substantial expansion of opportunity for the United States as we pursue the FTAA.

And by opportunity, of course, I mean U.S. jobs, because that's what the bottom line is here from our point of view. We already have an economy in which, of new jobs created, one in five depend on exports. One in five new jobs are in manufacturing and dependent on exports. And we know that exports pay on average 15 percent more than non-export related jobs.

Our future in terms of increasing U.S. economic growth is in exports; it is in opening markets abroad where the other 96 percent of the world's population lives, and most particularly, in our hemisphere, which we ought to view as our neighborhood. We need to remain well-positioned to capture that opportunity, and that is what the FTAA will do.

MR. BERGER: Questions. Have we worn you down?

Q -- have you been able to convince the labor unions that this is such a good thing for them?

MR. BERGER: We will obviously be consulting as we go along in these negotiations with labor and business, with Congress

and all other affected segments of society, to convey what I think is clear, and that is that the future of America's economic growth and a greater production of jobs is going to come in greater trade.

Q How far can you negotiate until you need fast track? How many months or years until you absolutely --

MR. BERGER: Let me answer and then I'll ask Charlene to answer. We launched the Uruguay Round of the GATT negotiations -- in Uruguay, by the way -- (laughter) -- without fast track authority, and did not have fast track authority for over two years in those negotiations. Obviously, as we come to the conclusion -- or before we get to the conclusion of these negotiations, that is something that we will need to have, and it's something the President is deeply committed to obtain, and we will continue to work towards that objective. But I don't think it is necessary for the launch of these negotiations.

Charlene.

AMBASSADOR BARSHEFSKY: Yes, if I might say, I think the fast track question points up to a kind of split dynamic that's occurring in our hemisphere. The launch of these negotiations is as well positioned as it could possibly be. That's with or without fast track. We have precisely the launch, the scope, the U.S. at the center of it, that we want it to have, and that we would have had whether we had fast track now or not.

But what you see in our hemisphere, on the other hand, is an acceleration in sub-regional integration -- that is, in countries integrating with each other around the United States, not with the United States. And so you see an acceleration of ties between Mercosur -- that is, Brazil, Argentina, Paraguay and Uruguay -- and the Central American countries. An acceleration of the ties between Mercosur and the Andeans; an acceleration between Canada and Chile; between Chile and certain of the Central Americans; or between Chile and Mexico; Mexico and Mercosur; the EU and Mercosur; Asia and Mexico.

That acceleration has occurred, I believe, because countries see a potential window of opportunity that they might not have envisioned had the U.S. had fast track right now. That's not from our point of view an overly positive development. We don't object to these sub-regional arrangements, obviously, where they expand trade, as most tend to do. But we do want to ensure that the United States remains at the center, as the center of a constellation of trading relationships. The FTAA launch helps us reassert that central role, but the acceleration of sub-regional integration is something I think we have to look at very carefully.

Q When do you need to have fast track, though? The launch is next week, but obviously, you're going to need -- and it

looks now like the administration is not going to even push again until next year.

AMBASSADOR BARSHEFSKY: We have said all along that the timing of fast track depends on two things -- one is the substance, and the second is the chemistry, both of which we continue to consult with Congress on. And, as Sandy has said, fast track remains a priority for this administration.

Q -- going to be embarrassing, really, because this was the goal, wasn't it -- to have Chile on board for a NAFTA thing? It sounds like everything you've said is a rationale of trying to get around the fact that you failed in --

MR. BERGER: I'll say a couple of things, Helen. First of all, what we set out to do in Miami in 1994 was to launch a free trade area for the Americas, a negotiation at this summit; we're going to do that. And those negotiations will proceed vigorously.

There is, in addition to that, obviously more to this summit, as there was more to Miami, than trade. And I think one of the things that I've talked about, Mack has talked about, are the other issues that increasingly are important to the quality of democracy and the quality of society in these countries. Obviously, to take full advantage of the growth in this hemisphere and to reach fruition in a free trade agreement we will need to have fast track authority. But I believe we will have it.

MR. MCLARTY: Sandy, let me just reenforce a couple of points there. First of all, I think the Miami summit, it should be restated -- if the centerpiece, as many suggested, was the establishment of the FTAA with Chile having a comprehensive trade agreement, the heart of the Miami summit was democracy -- the 34 countries that had moved toward democracy; indeed, established political liberty and democracy. And they are two sides of the same coin.

Secondly, I think we should keep agreements in perspective. What is driving this process and these numbers are not trade agreements. What is driving this process is the interconnective global economy and the private sector, both businesses large and small, and ultimately the consumers' knowledge of and desire for lower priced, competitively priced goods and services.

So I think Helen, had the President and the administration -- and I have heard this on my some 40 or so trips to Latin America -- not made a concerted effort to achieve fast track, then I think you would have some concerns and problems. I think it is well recognized in these democratically elected governments that, as we discussed earlier, our batting average on legislation and trade legislation is very good. They have their own Congresses, and they're not always successful in a perfectly straight line either.

So I think what is important is to move forward with momentum on this agenda, as Ambassador Barshefsky has noted. And finally, I would suggest the actual summit agenda, which was reached by consensus, was actually essentially agreed upon in large measure over a year ago, well before the fast track vote even took place.

Q Ambassador Barshefsky, you said that the United States is at the center of this process. In Santiago, Brazil will be signing a number of trade agreements, and the President won't be signing any. I wonder, most commentators seem to think that Brazil is now at the center of this process. How do you avoid having the President look like he's become superfluous?

AMBASSADOR BARSHEFSKY: Well, should I start with the fact that we're a \$7 trillion economy? The United States will always be at the center. But your question goes exactly to the point I made before, which is you see an acceleration in the coming together of sub-regional arrangements to the exclusion of the United States. And this is really where fast track becomes important -- not for the launch; the Uruguay Round was launched without fast track and we're well positioned here, excellently positioned here with respect to the launch of the FTAA negotiations.

Where the rubber hits the road is where you see other countries integrating around us, and for that we're going to need fast track authority.

I do think, now that there will be this comprehensive launch of negotiations, we will soon see countries focus their resources on that. And I think that will begin to subsume a lot of this other sub-regional activity, but for right now what you see, in this last six months especially since the fast track vote was postponed, is an acceleration with respect to the level of sub-regional negotiation. But in terms of the United States, the United States is a 7 trillion pound gorilla.

MR. MCLARTY: One quick thing, I think the negotiations are not win-lose. I think the FTAA is clearly a win-win proposition, and I think the markets are indeed very complementary of each other. I think we see that in terms of resources -- I spoke of energy -- and of investments in the region, which Charlene spoke of, infrastructure projects -- so I want to make sure when we talk about the center of what we do need to have is the position in the launch, which we have, to shape the agreements, particularly on issues that are important to us and the American people.

Q Is Pinochet going to attend the Congress, the National Congress event on Friday? Do you know what to expect?

MR. BERGER: We don't know whether he will.

Q Have there been conversations with Chilean officials about whether he's going to come?

MR. BERGER: I know it's been a subject of some discussions at the advance level, but I have no idea whether he's going to be there or not.

Q Will that affect what the President says if he's in the audience?

MR. BERGER: No, he will say the same thing whether he's in the audience or not. Chile is a democracy with a glorious recent history of having reclaimed its democracy, and I can assure you that what the President says will not be affected by whether General Pinochet is in the audience or not.

Q And what bilaterals is he going to have on the sidelines of this summit?

MR. BERGER: Not absolutely clear because of the nature of this. This is a little bit more like -- for those of you who were on the Africa trip -- Entebbe in a sense than a situation where there will be formal bilats. There will be opportunities in the breaks for the President to sit down with President Zedillo, Prime Minister Chretien, and a number of others. It will be somewhat more informal.

Q What about -- will he have a special message about Paraguay's recent turmoil over the elections there?

MR. BERGER: Our message will be the same as the message of all of the countries that are in the region -- Argentina, Brazil, Chile, and others -- which is that we hope and expect that constitutional democracy will be upheld in Paraguay.

Q Sandy, two of the subjects of the summit are education and combatting poverty. What is the United States going to do concretely on those issues? Are there going to be commitments of money or --

MR. BERGER: Well, on education there will be commitments, not only in terms of multilateral funding but also bilateral commitments as well. I'll let Mack, perhaps, speak more specifically about it. Go ahead, Mack.

MR. MCLARTY: John, I'll get you the precise figure. I think your question is on point in terms of marshaling resources and leveling and leveraging the multilateral agencies, particularly the Inter-American Development Bank and the World Bank and both President Iglesias and President Wolfensohn will be in attendance at the summit. I think the AID has had an active program in the hemisphere; as you know, they will continue that with somewhat reduced funding over the last several years, but targeting that funding, particularly in terms of the poverty efforts.

But I think what you will see is a continued, concerted, focused, and effective effort on the part of the governments, both at the federal, state, and local levels in Latin America, take full

advantage of these expanded resources. And I think you will see their efforts in terms of poverty alleviation to be quite effective and to be sustained efforts. We obviously want to be fully supportive of that.

In terms of education, there will be a number of memoranda of education agreements signed with Chile, with Brazil. And Secretary Riley, of course, will be on the trip and can answer, I think, in specific detail the educational aspects that will take place at the summit and with Chile.

Q I apologize if it's been asked before -- are there American business leaders going with the President.

MR. BERGER: There are not American business leaders going with the President. There of course are many American companies that have subsidiaries in Chile. The President will be speaking to the American Chamber of Commerce in Chile, as he does in a number of countries. But there -- as far as I know, none going on the trip.

Q So there's no delegation as there was to Africa.

MR. BERGER: There will be a Congressional delegation that will be going with us, as there has been in all of our trips in the second term. And we look forward to that. But I don't -- there will be no private delegation.

Q Many members of the Hispanic caucus in the delegation?

MR. BERGER: Yes.

Q Mack, you mentioned that on the economic agenda, international financial stability will be a big point in Santiago. Right after the peso crisis, the United States took the lead in international fora, particularly the G-7, to address this problem through the IMF, with greater transparency and surveillance of international banking, et cetera. And for about a couple of years, there was an awful lot of self-congratulations, that a lot progress had been made -- it's even in the Halifax and Leone communiqués -- and boom, we got the Asian crisis when there had been every indication that enough prevention had taken place.

What are you going to be doing in Santiago to reassure investors and consumers and everybody else in the world that something is finally taking hold to prevent this kind of crisis?

MR. MCLARTY: Well, I think, increasingly, as I noted, Latin America has been looked at as a model to emulate, not avoid, in terms of financial institutions, central banking functions and reform of the banking system. I saw that both at the APEC conference in Vancouver, where you had Asian leaders and members of the private sector from those countries attending APEC talk to President Zedillo,

discuss with President Frei, what they had done in that regard. I saw it again at the Davos Conference World Economic Forum.

While it is not perfect, clearly the leaders in Latin America have had the capacity and the will to act in terms of fiscal discipline. That's why their inflation rates have stayed under control, that's why their budget deficits are much, much smaller, I think, overall, than even many countries in Europe. And I think we will want to support an increasing and deepening of that kind of transparency and openness that the financial markets clearly judge. And I think that's why you have seen to date stable financial markets in Latin America despite a sharp decline in oil prices, where many of the economies are very dependent on oil prices.

I think you're correct in terms of the efforts the President has made to provide leadership in overall financial architectures -- Secretary Rubin and Secretary Bentsen before him and actually started at the G-7 in Naples. I think it's clear more needs to be done, and particularly reform, in a local basis in the individual countries affected, which is at the very heart of the IMF program. I think the difference is Latin America has taken those reforms and has taken very positive steps, and in some of the areas they have not.

MR. BERGER: And if you meant to ask by that question whether we would welcome Congress passing the supplemental, which would provide IMF funding and funding for the NAB, which grows directly out of Halifax and is specifically designed to provide for these kind of circumstances -- the answer is yes.

Q Sandy, also what I was wondering about was having put their house in order, as you put it -- the Latin American countries -- are you going to try and enlist them in Santiago to help you globally, have them put some pressure on Asian finance ministries and banking supervisor groups and so on.

MR. BERGER: I think this is happening informally already. In Vancouver, when APEC met at the end of last year, I think President Zedillo had an enormous impact there. In a sense, he's walked through the valley of the shadow of death, and he's come out on the other side. And he said to the leaders, there are certain rules that you've got to follow: you've got to tell the truth, you've got to take the hard knocks as quickly as you can, and you've got to restore the confidence of the markets.

I think there is beginning to be, as I've said before, a differentiation in this global financial marketplace. Not all emerging markets are alike; not all Asian markets are alike; not all Latin Americans are alike; some are more disciplined than others; some are better run than others. And I think that the time that's passed since the Asian problems began, in some ways established that degree of differentiation on the part of international investors to be a little bit more discriminating and a little less spontaneous in terms of the movement of capital.

Q While we're on international stabilization issues, Japan a few weeks ago announced a package of stimulation measures to revive the Japanese economy. But despite that, the IMF global world economic outlook today forecasts zero growth for Japan for 1998. Does that mean that they have taken insufficient steps? Are you looking for them to do anything else?

MR. BERGER: Well, I don't know what factors they took into account when they made that judgment. We have said that the steps that the Japanese government undertook last week were good steps forward but that, as we've said before, it is extremely important that that economy be stimulated and increase at a faster rate of growth -- not only for its own health but also for the overall health of the Asian economies.

Q Sandy, you just touched on drug trafficking briefly -- what progress do you expect on the idea of multilateral drug certification and on the possibility of a Latin counter-narcotics center in Panama?

MR. BERGER: Well, let me answer and then ask Mack to add. We will make progress at this summit in expanding the multilateral alliance against drugs that we began to talk about when we were in Mexico and Brazil and elsewhere. The purposes of these efforts are to increase cooperation throughout the hemisphere, both a demand reduction and supply reduction. And to the extent that we can -- and they will include an element of evaluation of the performance of individual countries. And we think this is an important step forward.

Q Could this be a replacement of certification with time?

MR. BERGER: Well, certification is an act of Congress; it's the law of the land. We obviously intend to comply with it. Both of these are directed toward the goal of enhancing cooperation in fighting drugs in the hemisphere. If at some future point the alliance were strong enough and viable enough that it were advancing that goal, obviously one might take a look at that. But I think at this point I would say they complement each other.

Q Yes, but if this certification is U.S. -- I mean, unilateral measure from the United States, and as you are trying to build a partnership with Latin America, this alternative would be the only politically correct solution on the long run, wouldn't it?

MR. BERGER: Well, we certainly want to be politically correct. As I said, both of these -- the motivation of both of these regimes is to enhance the cooperation throughout the hemisphere on fighting drugs, which is a deadly threat to each country in this hemisphere. Whether it's the United States that purchases \$57 billion worth of drugs, which poisons our children, or other countries where the narco-traffickers are eating away at the very

foundations of democracy, there is no greater threat we have in common. And so it is extremely important that we work on this problem together through whatever means we can. We think the alliance against drugs will be one more instrument to advance that cooperation.

MR. MCLARTY: Well, the only -- I think Sandy really has covered the subject very well. The only additional point I would make in terms of the cooperation is that from a Latin standpoint or a Caribbean standpoint, they view this deadly threat, as Sandy noted, as seriously as the families of our countries do. This is not something we are imposing are having to try to change any views. The truth is, it is a very formidable foe. So I think it calls for increased cooperation. I think that will be achieved at Santiago. The goal of cooperation, the multilateral drug alliance, and certification are the same. Certification is the law, as Sandy noted, and we'll continue certainly to abide by and enforce that law.

In terms of the Panama multilateral drug counter-narcotics center, it is an idea that has been well received, but there are a lot of issues still outstanding, and I would not anticipate that it would come to fruition at this summit. I think it could obviously be a part of a multilateral effort.

MR. LOCKHART: I just wanted to let you all know about a change in the schedule on the trip we're taking tomorrow. The President will now overnight in Houston and travel Wednesday morning

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to Alabama to view the tornado damage and the work that FEMA and the local authorities are doing to help with the cleanup.

The trip presents some logistical challenges to us, not the least of which is some of the people who are going on that trip are also going on the Chile trip, besides some other ones we're working through. So we will let you all know as soon as we can, possibly by tonight, on the coverage details, but I think it's important that people going on the trip tomorrow pack for two days.

Q Will he then come back here?

MR. LOCKHART: He will come back. There is a possibility that we will bring the press plane back tomorrow night and just take an expanded pool for the trip over to Alabama. We are working through those things now, but for your own comfort you should assume you're staying for an extra day.

Q Will the press charter leave at the same time from Andrews?

MR. LOCKHART: The press charter is still leaving at the same time, and that's what we're trying to work through now, how we reconcile the two things. But the press charter is still leaving early Wednesday morning.

END

4:40 P.M. EDT

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CREATION DATE/TIME:17-APR-1998 12:57:16.00

SUBJECT: 1998-01/30 remarks by President to conference of mayors

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TO: Beverly J. Barnes@eop (Beverly J. Barnes@eop [WHO])
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TEXT:

THE WHITE HOUSE

REMARKS BY THE PRESIDENT
AT U.S. CONFERENCE OF MAYORS BREAKFAST

State Dining Room

9:57 A.M. EST

THE PRESIDENT: Thank you for that wonderful welcome. When Secretary Pena started talking about Mayor Helmke being on Jeopardy, I thought he was going to say -- and I knew we were getting into this law school business -- I thought he was going to say, which two politicians in this room went to the greatest lengths early in their career to cover up the fact that they went to Ivy League schools. (Laughter.) Once you get gray-headed you can fess up to that.

I'm delighted to be here with you, Paul, and I'm very proud of your success and the partnership we've enjoyed. Mayor Webb, good job in the Super Bowl. (Laughter.) I want to say to all of you -- my Mayor, Jim Daley, is here. I want to thank Secretary Cuomo and Secretary Pena, Secretary Riley, Secretary Babbitt, Secretary Slater, OMB Director Frank Raines, OPM Director Janice LaChance, John McCaffrey, Gene Sperling, my National Economic Advisor. And I want to thank our whole team. There are others who are here.

I also want to say a special word of thanks to Mickey Ibarra and Lynn Cutler, who have been working with you on this conference. I think they've done a superb job and I hope you are pleased with it. (Applause.)

And we have a lot of other members of the administration here from other departments in the White House. We all like it when the mayors come to town -- we get to talk about real people, real issues and building a real future for America, because that's what you embody.

Earlier this week in the State of the Union address I asked the American people to continue working with me to strengthen our nation for the 21st century -- just 700 days, more or less, left in this century and in this millennium.

We can be very grateful for the strength that our country enjoys today. We got some new evidence, actually, this morning of that strength with the new economic report. Our economy

continues to grow steadily and strongly. In the fourth quarter of last year, our economy expanded at a vigorous 4.3 percent rate with continued low inflation. (Applause.) Last year, economic growth for the entire year was fueled by strong exports and strong business investment. It was 3.8 percent on an annual basis. That's the highest growth rate for the United States in a decade, after years of economic expansion.

This economic strategy that we have embraced of fiscal discipline, expanded trade, and investment in our people and our future is working. What I want to talk to you about today is that we have to continue that until every American is a part of this success story.

The next steps we have to make -- in education, in economic development, in crime, in partnerships with our cities, in involving all of our citizens in the work of our cities and nations -- these next steps will be critical -- whether we can empower all of our urban areas and our urban citizens to make the most of their own lives will be critical to determining whether we can, in fact, take all this success that our country has had and reach every neighborhood, every block, every family, every child.

Today, thanks to your leadership, there is truly an urban renaissance taking place all across America -- from New York, where crime has dropped to record lows, to Detroit, where the unemployment rate has been cut in half, to Long Beach, where the downtown is once again bustling with shoppers and students in school uniforms are learning more in safer environments.

The urban revitalization is one of the most extraordinary successes of the past five years. It is a great achievement of America's mayors and the people whom they lead. Our cities are back because so many of you rolled up your sleeves and went to work. I thank you for your leadership and for the extraordinary opportunity that we have had to work together. I can tell you, for me, it's been a lot of fun, and we've done a lot of good. And we're going to do even more in the next three years. I know we can. (Applause.)

The other night in the State of the Union address, I tried to capture for the American people the different direction in government that our administration has pursued for the last five years. I said that one of the reasons I came to Washington as the governor of a small state -- sort of like being the mayor of a big city -- was to break out of this old gridlock between those who said government is the problem and those who said government is the solution. It was obvious that, if for no reason than the deficit, government could not be the solution. Plus the nature of the problems we have and the nature of the changing economy and society that we're living in, and certainly the one toward which we are moving, made it impossible to think about the solutions to today's

problems in sort of 1930s through 1960s terms.

So what we said is there has got to be a third way here. These two extremes won't work. We think government ought to be a catalyst for new ideas to experiment. We think government ought to be a partner with the private sector and community groups. We think the government ought to focus on creating the conditions and giving people the tools so that people can --- their own lives and chart their own futures and build this country from the ground up. That is what you represent for me. You do that all day every day, sometimes without even thinking about it. You do it because it is the only way to proceed, and you do it without regard to party. A long time ago, Mayor LaGuardia said, there's no Republican or Democratic way to pick up the garbage, it either gets picked up or it doesn't. (Laughter.)

Now, I tried to reflect that third way approach in how we have related. A lot of you were terrifically understanding when I came into office and I said, you know, you're my friends and I care about you, but the first thing I've got to do is get this deficit down; otherwise the economy will never come back and you won't have any jobs anyway. And we found a way to find some more investments, to make some innovative partnerships, while we were continuing to follow the discipline necessary that has brought us to the point where we are now -- where the budget deficit was estimated to be \$357 billion for this year when I took office; now the estimate is \$10 billion. That's a pretty big difference -- (applause.)

We know, and I think you can see by the extraordinary presence of Cabinet members here today, we know that every single part of this federal government has a responsibility to work with you and to be a good partner. Secretary Cuomo's reinvented HUD exemplifies the kind of approach we're trying to take to working with the cities all across the federal government. We want to be your partner, and we want to be a good partner and help you be a good partner with the private sector, with community groups, with individual citizens.

Now, on Monday, as a part of my balanced budget, I'll be proposing one of the broadest, strongest, and most innovative urban agendas in a generation that will focus on three keys to closing the opportunity gaps in America and building one America for the 21st century: education, economic development, and crime.

First, as I said the other night, all Americans know I think in the marrow of their bones that we have the finest system of higher education in the world. Therefore, when I was able to announce to the American people the other night all the steps we had taken essentially to open the doors of college to all Americans, I could hear the cheering in living rooms all across this country. You didn't have to say -- people knew we were giving them a good thing.

We have to keep working until people have that same level of confidence that their elementary and secondary schools will

give their children the best education in America. And we can do it. If we can build an international space station in the sky, if we can put all the telephone calls on Mother's Day on a single piece of fiber the width of a human hair -- which will happen just in a couple of years -- if our scientists can unlock the secrets -- the genetic secrets of Parkinson's disease in nine days -- all those things I talked about the other night -- this is not rocket science. This is not rocket science. We can do this. We have never had, in the last 20 years, when we have known we needed to do it, the kind of systematic, disciplined approach to giving our children the education they need that we must bring to bear on this problem now. But we can do it. (Applause.)

One thing I know, there are some cities where the mayors have direct jurisdiction over the schools, and other cities where the mayors seem to have no legal say over the schools, but in every city the mayor should be involved in the schools. I am thrilled that you're going to have a conference on public schools. I thank you for your invitation, and I expect to be there. I want us to continue to work together on this important issue. (Applause.)

I am -- as you know if you heard the speech the other night, I'm very excited about what's going on in Chicago with the schools. I have been there twice. I have spent a lot of time both in the schools and sitting around tables talking to the people who are part of the restructuring of the way they're operated, not only from the district down, but from the school level up, with parental involvement.

I think it is a good thing to do end social promotion, but I think you have to couple that with second chances. And so when they ended social promotion, they also had mandatory summer school to give every child a second chance. You can stand up and say something like, I'm ending social promotion, and it sounds great and everybody will clap and your popularity will go up, but in the end, the only thing that really matters is, are the children learning or not. And the reason we should stop the practice is that it covers up the sins of the system which is not producing an educated citizenry among our children and not preparing them for the future.

So it's a good thing to do to end it, but it's not enough, because you have to put something in its place. And the thing that's exciting to me about Chicago is they have -- if these children don't perform at grade level, then they have a mandatory summer school program and everybody goes. By the way, it cuts down on juvenile disruption problems as well.

But it's an exciting thing. I went to a school there, with a principal and a parent, and the parent had a child in the school as a student and a child in the school as a teacher. And it was an inner city school, and all of these parent groups showed up. None of them felt aggrieved because this school had ended social promotion. They felt empowered because it had, because it was done at the grass-roots level. And they thought it was a fair system

because they were involved in it and because there kids had a positive alternative. So it wasn't just that they were going to be held back. We have to do things like that all across the country.

I am proposing new education opportunity zones to help poor school districts close down failing schools, promote public school choice, remove bad teachers, follow the model of the Chicago system to try to help to stop social promotion, but start learning an opportunity for our kids.

I also proposed the first ever federal help to help our local schools hire 100,000 more school teachers, so that we can have smaller classes in the early grades. We can reduce class sizes in the first, second, and third grade to an average of 18 nationwide if my proposal is adopted. And because that will create enormous problems when we have both more teachers and more students, we have to have more classrooms, I have proposed a school construction tax cut to help communities modernize or build 5,000 schools. And that will help a lot of you in this room. (Applause.)

The second thing we have to do is keep working to extend economic opportunity to every corner of every community. Over the past five years, with the leadership of the Vice President, we've created 125 empowerment zones and enterprise communities, offered tax cuts to clean up and redevelop brownfields, offered a network of community development banks to make loans to people in places where they're not normally made, and we have dramatically strengthened the Community Reinvestment Act.

I don't know if anybody has talked about that here yet, but that act has been on the book since 1977. Over 80 percent of all the lending done in the 20-plus year history of the Community Reinvestment Act has been done in the last five years, since we've been here. And it's made a big difference in communities all across this country to grow the economy and bring opportunity. And I'm very proud of that. (Applause.)

Our balanced budget will propose, as I'm sure Secretary Cuomo has already said, new housing vouchers to help people stay off welfare and move closer to jobs, an expanded low-income housing tax credit, new opportunities for homeownership, tougher efforts to fight housing discrimination.

We have created 14 million new jobs here in the last five years. Just 13 percent of them, though, have been in the central cities. We have to get the message out to our businesses. And that's why I went to Wall Street the other day with Jesse Jackson and people from Wall Street to say, the most important emerging market for a strong American economy, the most important way to continue to grow the economy and keep inflation low, is to move into the markets that are right here within the borders of the United States, into these neighborhoods that have not been developed. (Applause.)

That's why I am announcing today that my balanced budget will create a new \$400 million community empowerment fund to be run by HUD that will help local governments attract more businesses and jobs to poor and underserved neighborhoods. The fund will encourage the standardization of economic development lending, a first step in creating a secondary market for such loans. It will provide capital to businesses who recognize the potential and the possibilities of the inner cities. This is the right way to help our cities. It is not a handout. It will bring new credit, new jobs, and new hope to the people. I thank Secretary Cuomo for developing it, and it's going to bring a lot of economic opportunity to many of you. (Applause.)

Let me also say, though, one of the things I appreciate about the mayors is that you not only want me to help you do the things you have to do, you understand that some of the things we do create the framework within which you proceed. So mayors have been very good about supporting my efforts to balance the budget. Mayors have been very good, across party lines, in supporting my efforts to expand trade. And I was very excited with the focus you put on Africa trade. You know, we've got an Africa trade initiative coming up. And I just wanted to say to you, one of the things that we have to understand about this new world is that the old dividing line in our mind between a domestic issue and a foreign policy issue has come crashing down. And, increasingly, the dividing lines in our mind between what is a national security issue and an economic issue is coming crashing down.

Yesterday, I had my annual meeting with the Joint Chiefs of Staff and our other Commanders in Chief of our regions around the world of various military functions like space and transportation and other things. And, what we do every year is we sit around and basically they go around the table and they make a report to me about their area of responsibility, and I then I make a comment and we talk a little about it. And yesterday at the meeting, a big topic of conversation was the financial crisis in Asia.

Now, you say, well, what are the military people worried about that for? Well, it affects the ability of those Asian countries to modernize their militaries. It affects their capacity to cooperate with us. It affects the internal stability of their government. So, all of a sudden, if you get to wear four stars around on your shoulder and go to the Pacific, you got to become an expert in international finance. And you have to care about whether the Congress will vote to have America do its part in contributing to the International Monetary Fund and rebuilding the economy.

So, if you're a mayor in Indiana or Wyoming or Wisconsin, why should you care about it? Because you know that the overall health of the American economy will determine the parameters within which you must proceed. Now, you may do a better or worse job on any given day, like all of the rest of us, but you know that.

So I would say to you again, thank you for your concern

for and support for trade. But I think the mayors, without regard to party and without regard to the particular conditions in each city, understand that over the long run we are much better off when we continue to expand trade and when we build good, constructive economic partnerships with free countries who share our values around the world.

So I ask you for your support for the international trade agenda I announced, for more open doors to Africa and Latin America, for an extension of the fast track authority, and, most immediately, for the United States doing its part with the International Monetary Fund to stabilize the situation in Asia. Those are very important markets for us, and I ask you for your help in securing that in Congress. (Applause.)

The third thing that we have to do if we really want to bring all the cities back and all the neighborhoods back is make the streets safe. People are not going to invest money, they're not going to open businesses, they're not going to stake their future on the schools of a place where they don't feel safe. The greatest thing that's happened in some ways to all of our cities is the capacity that you have developed to dramatically lower crime rates.

Now, we have worked with you to empower that strategy, to make it work more. The crime bill we passed in '94, with the strong support of many of the mayors here, was written, in effect, by local law enforcement officials, local elected officials like mayors, and local community group leaders who were concerned about making our streets safe. You know, I wasn't Einstein up here coming up with a bunch of ideas; I just took what I knew would work based on the experience that was sweeping the country. And it has been working. More police, tougher punishment, better prevention -- those things work, working at a neighborhood level where everybody works together to try to keep from happening in the first place. Now, crime is down now for five years in a row in this country.

So even though we have to balance the budget, we have to do more to invest in the fight, for two reasons: One, we have to finish what we started in '94 and finish the work of putting all 100,000 police on the street; second, we have to recognize that we still have some issues out there that we have to face. Particularly, as all of you know, the juvenile crime rate has not dropped as much as the overall crime rate has. We have the biggest group of young people in our schools in history. Finally, we've got a group of kids in our schools more numerous than the baby boom generation. And by the time they all start turning 12, 13, 14 years old, we better have found a solution to the juvenile crime problem, or we will not be able to continue to say, we're lowering the crime rate. It will become a new, horrible problem for the cities.

Now, we have seen from what many of you have done that there are ways to dramatically lower the juvenile crime rate. So all we're trying to do here is basically to do a step two in the fight against crime that reflects a national effort to give you the tools

to do with juvenile crime what you have already done with the overall crime rate.

I have proposed a federal effort to help to hire as many as 1,000 neighborhood prosecutors across our country to work closely with police and residents to prevent crime as well as prosecute criminals. They'll try to prevent crime with a lot of tools like injunctions to clear playgrounds of drug dealers, and other legal strategies to rid neighborhoods of troubled spots.

You know, I've seen what has happened when we have more prosecutors and more probation officers and they're working in a systematic way. I've seen -- I see Mayor Menino back there -- the experience of Boston has become legendary, but it is not unique now because so many others are doing this. We have to do this everywhere.

I remember one day I spent with Mayor Menino in Boston, my jaw dropped when the people that were sitting at our roundtable said that they young people on probation -- they had a 70 percent compliance rate with probation orders. And I figured that's probably about double what the national average is for any city of any size in America, because they were going into homes, working in the streets, bringing the neighborhoods back into the real life of the community.

So that's what this juvenile initiative to have more community prosecutors and more probation officers is all about. We also are going to strengthen our efforts against illegal gun-trafficking, helping local police departments and the ATF to trace all guns discovered at crime scenes.

I want to hire over 160 new ATF agents to investigate and arrest gun traffickers who sell guns illegally to gangs and to juveniles. That's our responsibility. We need to do more to help you with that. (Applause.)

Finally, on the domestic front here, in addition to the prosecutors and the probation officers and the gun efforts, I think it's important that the mayors sent a loud and clear, nonpartisan message to the Congress and to the country that most juvenile crime is not committed by people who don't have anybody in their family who cares about them. Most juvenile crime is committed by young people who get in trouble when the school is out and mama or daddy aren't home from work -- between 3:00 and 8:00 p.m. at night is when most juvenile crime is committed. So we've got to do more to have after-school programs either in the schools or in community centers. That would do more than anything else. (Applause.)

Now, we have some money coming through the Justice Department for this; we have some money coming through the Education Department for this for community-based learning centers. I think Secretary Riley initiative is called 21st Century Community Learning Centers, or something like that. We need your help. We really need your help to tell the Congress that this is not a political issue,

this is not a partisan issue, and this is not shoveling some old-fashioned grant to the cities that some of the members of Congress may not want. This is children's lives. And this is whether you can succeed or not in really building the kind of cities you want for the 21st century.

You cannot make it unless we can do something about the problem of juvenile crime. And we're not going to do it, with all those kids, when all their juices are flowing and they're out there vulnerable to get in all kinds of trouble, unless you give them something positive to do when the schoolhouse door is open for the last time in the day until they can go home and be under proper supervision at night. We have got to do this. And we need your help to do it. And we can do it.

Let me also say that there is something else we have to do more of -- and General McCaffrey is here -- I want to mention this. We want to do a better job of keeping drugs from coming into this country in the first place. (Applause.) Not long ago I went to Miami with General McCaffrey, and we saw the work that the Coast Guard is doing there to try to interdict drugs. The problem is that the better job we do in stopping drugs from coming in in the water and through the air, the more pressure it puts on land through Mexico.

I mean, these people didn't get rich being stupid. They are a very powerful, well-organized, violent and phenomenally wealthy enemy of the children and the future of the United States. What we want to try to do is to dramatically increase our capacity to deal with border imports. And we proposed to hire another 1,000 border patrol agents to continue our antidrug media campaign, which is important, to crack down on heroin and methamphetamine trade, to boost drug abuse treatment and prevention -- also very important.

We're also going -- and Secretary Slater is here-- we're also going to try to bring to bear the latest technologies and really spend some money. And we've reauthorized this new transportation bill. And I want all of you to support us, whether you live near the border or not, because it affects you. We need to spend some serious money on the border to have the best available technology to do everything we can to find drugs.

Now, it is not possible yet with technology, but if I could paint a picture of the future and I could have any technological breakthrough, if a genie came down the aisle here and said, in the next three months, you could have any technological breakthrough you want for your country, what would you do, I think that if I could pick one for the next three months I would say I would like to have a border patrol system for picking drugs that is as effective as airport metal detectors are from getting weapons away from people. I mean that should be our model. That's what we should be imagining.

Why? Because it not only is effective, we don't hold up

everybody else very long. You never hear anybody griping about going through an airport metal detector anymore. And every now and then you've got a money clip in your pocket or something, you've got to go back around and go through again, but it's not any kind of a big deal. That should be what we are working for. We should be working and working and working -- we shouldn't stop until we basically have the capacity to check every vehicle that crosses our border in a way that doesn't shut commerce down and unduly burden totally innocent people who are just going about their lives.

And I want you to help us when this transportation bill comes up, and I want you to help us when the drug budget comes up to get that kind of structure, because you have got to have more help in trying to cut off the drugs at the source in the first place. And we're going to do our best to give it to you. (Applause.)

The last point I want to make is I believe that our cities can embody the image that I have for America in the 21st century because they are the most diverse places in America. And as we become more diverse, in a funny way we've got to become more united. As we become more diverse, we have to learn to celebrate what's different about ourselves, but we have to hold even tighter to the things that bind us together at the family and the neighborhood and the community level.

We're going to reauthorize the national service program, AmeriCorps, this year. I hope all of you will support because you have really used it a lot. (Applause.) I know General Powell is going to speak to you before you end your conference, and I hope all of you will support what he's doing. That Presidents' Summit on Service in Philadelphia last April was a remarkable thing. The idea that we ought to mobilize hundreds of thousands of volunteers, maybe millions of them, to give every child a safe street to grow up on, a good school to attend, a good health care system so that the child is healthy, a mentor, and the chance to serve -- those are five laudable goals.

And if you think about it, in terms of what I just said, about the economy and education and crime -- if we have a country in which in every city, across the lines of race, people have an equal chance to work together, to learn together, to serve together, we're going to get along together just fine. You all show that every day. And most of you have a good time doing it. I think it's fun to be a mayor these days, isn't it? (Laughter and applause.) I think you're having a good time doing it.

When I think of one America, I think of all the places I've been in all of your communities, where people are living together, learning together, working together, serving together, closing those opportunity gaps, building one country. The best days of this country are ahead of us. All we have to do is to bear down and do more of what you have been doing these last few years.

Thank you and God bless you all. (Applause.)

END

10:30 A.M. EST

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Eli G. Attie (CN=Eli G. Attie/O=OVP [UNKNOWN])

CREATION DATE/TIME: 1-MAY-1998 15:57:53.00

SUBJECT: Remarks by Sandy Berger as Prepared for Delivery

TO: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Andrei H. Cherny (CN=Andrei H. Cherny/O=OVP @ OVP [UNKNOWN])

READ:UNKNOWN

TEXT:

FYI -- includes material on IMF...

----- Forwarded by Eli G. Attie/OVP on 05/01/98 04:03 PM

Elizabeth R. Newman @ EOP

05/01/98 03:46:24 PM

Record Type: Record

To: See the distribution list at the bottom of this message

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Subject: Remarks by Sandy Berger as Prepared for Delivery

THE WHITE HOUSE

Office of the Press Secretary

(Palo Alto, California)

For Immediate

Release

May 1, 1998

As Prepared for Delivery

REMARKS BY SAMUEL R. BERGER

ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

THE BROOKINGS INSTITUTION

WASHINGTON, D.C.

MAY 1, 1998

"The Price of American Leadership"

Some Congressional actions bear upon our nation's most immediate needs. Others touch off broader debates about how we view the world and our country's role within it. In the weeks ahead, Congress faces a choice on an issue that does both. It can send the message that there still is a strong bipartisan foundation for an active U.S. role in the world -- as it did last night with the overwhelming vote to admit Poland, Hungary and the Czech Republic to NATO.

It can reaffirm our vision of an America committed to its obligations, confident in its power, courageously leading the world. Or that vision can begin to blur) a victim of complacency and of fear.

In the emergency supplemental that passed yesterday, Congress left out two critical parts of the President's original request -- satisfaction of our long overdue debt to the United Nations; and payment of our share of support to the International Monetary Fund. Each constitutes a necessary investment in our national security -- and each will pay off, many times over.

But these two items are only the more visible tip of a profound debate that must concern all Americans -- whether we will remain engaged abroad and maintain our leadership in the world, or turn our back and retreat within our national borders.

The outcome is by no means certain. Americans, willing to assume global responsibility when their safety is at stake, are equally prone to turn inward once that safety appears to have been assured.

World War I, World War II, the Cold War) in each instance, an existential threat to our vital interests and our fundamental values constituted a clarion call to action. And in each instance, we responded brilliantly.

In the wake of the Cold War, we are not presented with a single, overriding threat. Instead, we face a range of threats) dangerous, but diffuse. Some believe the time therefore has come once again to &tend to our own business.⁸ The argument presents itself in different shades, but at its core is the perception of the world essentially as a burden) as something to be dealt with only if necessary, ignored whenever possible.

This view is premised on the belief that the foundations of our wealth and security are exclusively home-grown, that there is little to gain from foreign engagement and much to surrender) in resources expended, sovereignty diluted, jobs or even lives lost.

That view, in my judgment, suffers from two basic fallacies) first, that we can isolate ourselves from the world, and second that we should. Globalization) the process of accelerating economic, technological, cultural and political integration) is not a choice. It is a growing fact.

It is bringing citizens from all continents closer together) allowing them to share ideas, goods and information at the tap of a keyboard.

It is a fact that will proceed inexorably, with or without our approval. It is a fact that we ignore at our peril. Our workers and businesses will suffer if foreign markets either collapse or lock us out; terrorists and drug traffickers ignore national boundaries even if we don't; and the highest domestic environmental standards won't protect us if we can't get others on board, for their carelessness threatens us as much as our own.

In short, our citizens have a direct stake in the prosperity and stability of other nations -- in their open markets, in their ability to combat international crime, in their clean waters and clean air.

Let's be clear: the alternative to engagement is not withdrawal from the world; that is an impossibility. The alternative is a passive submission to powerful forces of change -- all the more ironic at a time when our capacity to shape them is as great as it has ever been.

In short, we cannot isolate ourselves from the world. But just as important, we should not want to. Of course, military strength remains a pre-requisite of American power. Without American power, American security is vulnerable, American interests are at risk, and American diplomacy is undercut. Yet more than ever before, our strength also grows out of our involvement in the world. Our engagement not only can fend off an existential threat -- it reduces the likelihood of such a threat emerging in the first place. That's what the international community is doing in Iraq, seeking to disarm Saddam Hussein before he threatens the region again.

And our engagement not only protects our safety -- it enhances our prosperity. That's what our aggressive trade policy has achieved -- opening markets to American products and services throughout the world. The bottom line is this: our nation's economic performance is unrivaled, our military might is unmatched, our political influence is unsurpassed, very much because of -- not in spite of -- our engagement in the world.

We have moved from a zero-sum game in which the Soviet Union's gain was our loss to a logic of interdependence in which our interests often are served by the strength of former adversaries -- not by their weakness; in which our prosperity is advanced by the vitality of our economic partners -- not by their frailty.

The strategy put in motion by President Clinton flows from this fundamental understanding.

We seek to create and strengthen a broad system of international arrangements built around our core values and interests -- democracy, open markets, free enterprise, peace and stability.

Our military alliances, global arms control regimes, market opening trade agreements, support for economic and political reform in emerging nations, partnership with a democratic Russia, strategic dialogue with China, involvement in regional disputes like the Middle East or Irish peace processes, efforts to reach out to and expand trade with Latin America and Africa -- all grow out of this logic. These arrangements may take the

form of international institutions, multilateral treaties, or even bilateral agreements, but in each instance the objectives are the same:

First, to promote American interests and values by entangling nations in a web of mutually reinforcing arrangements that maximize both the benefits of compliance and the costs of transgression. Membership in an expanded NATO requires adherence to basic democratic principles: the rule of law and civilian control of the military.

Joining the WTO requires tearing down trade barriers, reducing tariffs, eliminating quotas. Benefiting from IMF loans entails dismantling protected and subsidized sectors that have created domestic sanctuaries impenetrable by foreign competitors.

Continued participation in the Organization of American States involves adherence to democratic principles of government.

Our second objective is to leverage our power and influence, wherever possible, through the multiplier of collective action. Our contributions to international institutions add up to only a fraction of their total resources) for example, every dollar we provide to the IMF is matched by \$5 provided by others.

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But when important American interests and values are at stake, we need the ability and stature to be a decisive impetus for peace and security) whether through diplomacy, economic incentives or force.

Our nation faces a profoundly important choice. We can continue on the course charted by the President, working with others to seize the

opportunities of the global era while seeking to avoid its perils, maintaining our strength to act on our own when we must, or we can seek refuge in an illusory withdrawal.

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Think for a moment about the cost of not having a strong and effective IMF. The countries in Asia are our customers) if they can,t buy, we can,t sell. They are our competitors) if their currencies depreciate, they undercut the competitiveness of our own goods. And they are our security partners) their instability could bring crisis to a region where we have both critical national security interests and 100,000 U.S. troops to protect them.

More generally, by undermining the IMF we weaken the only multilateral institution capable of inducing the reforms that will make recovery self-sustaining.

In sum, even if the IMF were to cost us something, it would be well worth the deal. But in fact, because the IMF acts as a sort of international credit union, our contribution to the Fund has not cost the American taxpayer a single cent.

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As a result, we risk the single best chance to put our UN debts behind us -- and to put the UN on the right path for the 21st century.

Again, do not think only in terms of the cost of paying our debt to the UN -- think in terms of the cost of not paying it. It will harm collective efforts to deal with emerging threats that cut across borders) from terrorists to organized criminals, drug traffickers, and environmental damage.

It will be a body blow to our international credibility, hobbling our diplomats in ways large and small, undermining our central message that nations need to live up to their commitments. And, by next January, it may even lead to the loss of our voting rights in the UN General Assembly) an institution born on our soil out of the vision of Americans like Roosevelt, Truman and Acheson.

Beyond these fundamental interests, there also is a basic moral principle: America pays it debts. We should pay the UN what we owe.

By acting now to support the IMF and pay our dues to the United Nations, Congress can reassert its determination to preserve America,s leadership in the world. It can send the message that our nation is confident; it will master the forces of globalization) not be mastered by them. And we can continue to build on the past five years, list of accomplishments) in Haiti, Bosnia, Russia, China and elsewhere.

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CREATION DATE/TIME: 1-MAY-1998 15:55:01.00

SUBJECT: Remarks by Sandy Berger as Prepared for Delivery

TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

You should put this in Gene's reading material for the weekend

----- Forwarded by Russell W. Horwitz/OPD/EOP on 05/01/98

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Elizabeth R. Newman
05/01/98 03:46:24 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Remarks by Sandy Berger as Prepared for Delivery

THE WHITE HOUSE

Office of the Press Secretary
(Palo Alto, California)

For Immediate
Release
May 1, 1998

As Prepared for Delivery

REMARKS BY SAMUEL R. BERGER
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

THE BROOKINGS INSTITUTION
WASHINGTON, D.C.

MAY 1, 1998

"The Price of American Leadership"

Some Congressional actions bear upon our nation,s most immediate needs.
Others touch off broader debates about how we view the world and our
country,s role within it. In the weeks ahead, Congress faces a choice on

an issue that does both. It can send the message that there still is a strong bipartisan foundation for an active U.S. role in the world -- as it did last night with the overwhelming vote to admit Poland, Hungary and the Czech Republic to NATO.

It can reaffirm our vision of an America committed to its obligations, confident in its power, courageously leading the world. Or that vision can begin to blur) a victim of complacency and of fear.

In the emergency supplemental that passed yesterday, Congress left out two critical parts of the President's original request -- satisfaction of our long overdue debt to the United Nations; and payment of our share of support to the International Monetary Fund. Each constitutes a necessary investment in our national security -- and each will pay off, many times over.

But these two items are only the more visible tip of a profound debate that must concern all Americans -- whether we will remain engaged abroad and maintain our leadership in the world, or turn our back and retreat within our national borders.

The outcome is by no means certain. Americans, willing to assume global responsibility when their safety is at stake, are equally prone to turn inward once that safety appears to have been assured.

World War I, World War II, the Cold War) in each instance, an existential threat to our vital interests and our fundamental values constituted a clarion call to action. And in each instance, we responded brilliantly.

In the wake of the Cold War, we are not presented with a single, overriding threat. Instead, we face a range of threats) dangerous, but diffuse. Some believe the time therefore has come once again to &tend to our own business.⁸ The argument presents itself in different shades, but at its core is the perception of the world essentially as a burden) as something to be dealt with only if necessary, ignored whenever possible.

This view is premised on the belief that the foundations of our wealth and security are exclusively home-grown, that there is little to gain from foreign engagement and much to surrender) in resources expended, sovereignty diluted, jobs or even lives lost.

That view, in my judgment, suffers from two basic fallacies) first, that we can isolate ourselves from the world, and second that we should. Globalization) the process of accelerating economic, technological, cultural and political integration) is not a choice. It is a growing fact.

It is bringing citizens from all continents closer together) allowing them to share ideas, goods and information at the tap of a keyboard.

It is a fact that will proceed inexorably, with or without our approval. It is a fact that we ignore at our peril. Our workers and businesses will suffer if foreign markets either collapse or lock us out; terrorists and

drug traffickers ignore national boundaries even if we don't; and the highest domestic environmental standards won't protect us if we can't get others on board, for their carelessness threatens us as much as our own.

In short, our citizens have a direct stake in the prosperity and stability of other nations -- in their open markets, in their ability to combat international crime, in their clean waters and clean air.

Let's be clear: the alternative to engagement is not withdrawal from the world; that is an impossibility. The alternative is a passive submission to powerful forces of change -- all the more ironic at a time when our capacity to shape them is as great as it has ever been.

In short, we cannot isolate ourselves from the world. But just as important, we should not want to. Of course, military strength remains a pre-requisite of American power. Without American power, American security is vulnerable, American interests are at risk, and American diplomacy is undercut. Yet more than ever before, our strength also grows out of our involvement in the world. Our engagement not only can fend off an existential threat -- it reduces the likelihood of such a threat emerging in the first place. That's what the international community is doing in Iraq, seeking to disarm Saddam Hussein before he threatens the region again.

And our engagement not only protects our safety -- it enhances our prosperity. That's what our aggressive trade policy has achieved -- opening markets to American products and services throughout the world. The bottom line is this: our nation's economic performance is unrivaled, our military might is unmatched, our political influence is unsurpassed, very much because of -- not in spite of -- our engagement in the world.

We have moved from a zero-sum game in which the Soviet Union's gain was our loss to a logic of interdependence in which our interests often are served by the strength of former adversaries -- not by their weakness; in which our prosperity is advanced by the vitality of our economic partners -- not by their frailty.

The strategy put in motion by President Clinton flows from this fundamental understanding.

We seek to create and strengthen a broad system of international arrangements built around our core values and interests -- democracy, open markets, free enterprise, peace and stability.

Our military alliances, global arms control regimes, market opening trade agreements, support for economic and political reform in emerging nations, partnership with a democratic Russia, strategic dialogue with China, involvement in regional disputes like the Middle East or Irish peace processes, efforts to reach out to and expand trade with Latin America and Africa -- all grow out of this logic. These arrangements may take the form of international institutions, multilateral treaties, or even bilateral agreements, but in each instance the objectives are the same:

First, to promote American interests and values by entangling nations in a web of mutually reinforcing arrangements that maximize both the benefits of compliance and the costs of transgression. Membership in an expanded NATO requires adherence to basic democratic principles: the rule of law and civilian control of the military.

Joining the WTO requires tearing down trade barriers, reducing tariffs, eliminating quotas. Benefiting from IMF loans entails dismantling protected and subsidized sectors that have created domestic sanctuaries impenetrable by foreign competitors.

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CREATION DATE/TIME: 1-MAY-1998 15:49:10.00

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TEXT:
THE WHITE HOUSE

Office of the Press Secretary
(Palo Alto, California)

For Immediate
Release
May 1, 1998

As Prepared for Delivery

REMARKS BY SAMUEL R. BERGER
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

THE BROOKINGS INSTITUTION
WASHINGTON, D.C.

MAY 1, 1998

"The Price of American Leadership"

Some Congressional actions bear upon our nation's most immediate needs. Others touch off broader debates about how we view the world and our country's role within it. In the weeks ahead, Congress faces a choice on an issue that does both. It can send the message that there still is a strong bipartisan foundation for an active U.S. role in the world -- as it did last night with the overwhelming vote to admit Poland, Hungary and the Czech Republic to NATO.

It can reaffirm our vision of an America committed to its obligations, confident in its power, courageously leading the world. Or that vision can begin to blur -- a victim of complacency and of fear.

In the emergency supplemental that passed yesterday, Congress left out two critical parts of the President's original request -- satisfaction of our long overdue debt to the United Nations; and payment of our share of support to the International Monetary Fund. Each constitutes a necessary investment in our national security -- and each will pay off, many times

over.

But these two items are only the more visible tip of a profound debate that must concern all Americans -- whether we will remain engaged abroad and maintain our leadership in the world, or turn our back and retreat within our national borders.

The outcome is by no means certain. Americans, willing to assume global responsibility when their safety is at stake, are equally prone to turn inward once that safety appears to have been assured.

World War I, World War II, the Cold War) in each instance, an existential threat to our vital interests and our fundamental values constituted a clarion call to action. And in each instance, we responded brilliantly.

In the wake of the Cold War, we are not presented with a single, overriding threat. Instead, we face a range of threats) dangerous, but diffuse. Some believe the time therefore has come once again to)tend to our own business. 8 The argument presents itself in different shades, but at its core is the perception of the world essentially as a burden) as something to be dealt with only if necessary, ignored whenever possible.

This view is premised on the belief that the foundations of our wealth and security are exclusively home-grown, that there is little to gain from foreign engagement and much to surrender) in resources expended, sovereignty diluted, jobs or even lives lost.

That view, in my judgment, suffers from two basic fallacies) first, that we can isolate ourselves from the world, and second that we should. Globalization) the process of accelerating economic, technological, cultural and political integration) is not a choice. It is a growing fact.

It is bringing citizens from all continents closer together) allowing them to share ideas, goods and information at the tap of a keyboard.

It is a fact that will proceed inexorably, with or without our approval. It is a fact that we ignore at our peril. Our workers and businesses will suffer if foreign markets either collapse or lock us out; terrorists and drug traffickers ignore national boundaries even if we don ,t; and the highest domestic environmental standards won ,t protect us if we can ,t get others on board, for their carelessness threatens us as much as our own.

In short, our citizens have a direct stake in the prosperity and stability of other nations -- in their open markets, in their ability to combat international crime, in their clean waters and clean air.

Let ,s be clear: the alternative to engagement is not withdrawal from the world; that is an impossibility. The alternative is a passive submission to powerful forces of change) all the more ironic at a time when our capacity to shape them is as great as it has ever been.

In short, we cannot isolate ourselves from the world. But just as important, we should not want to. Of course, military strength remains a pre-requisite of American power. Without American power, American security is vulnerable, American interests are at risk, and American diplomacy is undercut. Yet more than ever before, our strength also grows out of our involvement in the world. Our engagement not only can fend off an existential threat) it reduces the likelihood of such a threat emerging in the first place. That ,s what the international community is doing in Iraq, seeking to disarm Saddam Hussein before he threatens the region again.

And our engagement not only protects our safety) it enhances our prosperity. That ,s what our aggressive trade policy has achieved -- opening markets to American products and services throughout the world. The bottom line is this: our nation ,s economic performance is unrivaled, our military might is unmatched, our political influence is unsurpassed, very much because of) not in spite of) our engagement in the world.

We have moved from a zero-sum game in which the Soviet Union ,s gain was our loss to a logic of interdependence in which our interests often are served by the strength of former adversaries -- not by their weakness; in which our prosperity is advanced by the vitality of our economic partners -- not by their frailty.

The strategy put in motion by President Clinton flows from this fundamental understanding.

We seek to create and strengthen a broad system of international arrangements built around our core values and interests -- democracy, open markets, free enterprise, peace and stability.

Our military alliances, global arms control regimes, market opening trade agreements, support for economic and political reform in emerging nations, partnership with a democratic Russia, strategic dialogue with China, involvement in regional disputes like the Middle East or Irish peace processes, efforts to reach out to and expand trade with Latin America and Africa -- all grow out of this logic. These arrangements may take the form of international institutions, multilateral treaties, or even bilateral agreements, but in each instance the objectives are the same:

First, to promote American interests and values by entangling nations in a web of mutually reinforcing arrangements that maximize both the benefits of compliance and the costs of transgression. Membership in an expanded NATO requires adherence to basic democratic principles: the rule of law and civilian control of the military.

Joining the WTO requires tearing down trade barriers, reducing tariffs, eliminating quotas. Benefiting from IMF loans entails dismantling protected and subsidized sectors that have created domestic sanctuaries impenetrable by foreign competitors.

Continued participation in the Organization of American States involves adherence to democratic principles of government.

Our second objective is to leverage our power and influence, wherever possible, through the multiplier of collective action. Our contributions to international institutions add up to only a fraction of their total resources) for example, every dollar we provide to the IMF is matched by \$5 provided by others.

Yet our contributions enable us to lead these critical institutions and put us in a position to accomplish goals that make a difference for all Americans.

United Nations forces keep the peace in areas vital to our interests, from the Balkans to the Persian Gulf, from Haiti to the Middle East. The International Atomic Energy Agency protects our citizens from the dangers of nuclear proliferation. The World Health Organization defends us from the spread of infectious disease. This is a small sample of the goals that we either could not pursue alone or would have to pursue alone - but more expensively and far less effectively.

Our third objective is to preserve America's role as a balance wheel for stability.

No other nation has the muscle, the diplomatic skill, or the trust to mediate disputes, nudge opposing sides to the negotiating table or, when appropriate, help enforce the terms of an agreement. Israelis and Palestinians finalize their agreement on the White House lawn. Bosnians huddle at Dayton. Haiti's dictators yield to our military threat. The parties in Northern Ireland look to America for help in their courageous quest.

Not all roads lead to Washington, nor should they.

But when important American interests and values are at stake, we need the ability and stature to be a decisive impetus for peace and security) whether through diplomacy, economic incentives or force.

Our nation faces a profoundly important choice. We can continue on the course charted by the President, working with others to seize the opportunities of the global era while seeking to avoid its perils, maintaining our strength to act on our own when we must, or we can seek refuge in an illusory withdrawal.

We can seek to steer change to our advantage -- or be engulfed by it.

This choice presents itself starkly in the decisions on whether to grant the President fast track authority to negotiate trade agreements or to fully fund our international affairs budget.

And it presents itself starkly in the two specific requests now before the Congress) to pay our share of support to the IMF and to pay our overdue UN bills.

Nowhere is globalization more apparent, nor its effects more direct, than in the economy. Trade is twice as important in our domestic economy now as it was when I entered the work force. It has fueled one-third of the

sustained growth we have enjoyed these past five years. Today, exports support 12 million American jobs that pay on average 15 percent more than others. An economic downturn among our trading partners can have serious consequences for our workers, our farmers, our businesses, our stockholders. Conversely, by shoring up our partners, encouraging structural reform, tearing down trade barriers, we boost our own economic fortunes.

The IMF plays a central role in steering the global economy in the right direction. The Fund works with countries at risk to shape effective reform programs that strengthen financial systems, increase market access, improve transparency, and reduce corruption and overly incestuous relations between banks, governments and industry. In times of crisis, as we experienced in Mexico or Russia and now are experiencing in Asia, the IMF provides critical assistance that can restore financial stability. And it takes the heat for the tough decisions that governments need to make and sometimes want to blame on others.

All of this is in America's fundamental interest and can be preserved if we agree to pool our contribution with that of other IMF members.

Think for a moment about the cost of not having a strong and effective IMF. The countries in Asia are our customers if they can't buy, we can't sell. They are our competitors if their currencies depreciate, they undercut the competitiveness of our own goods. And they are our security partners if their instability could bring crisis to a region where we have both critical national security interests and 100,000 U.S. troops to protect them.

More generally, by undermining the IMF we weaken the only multilateral institution capable of inducing the reforms that will make recovery self-sustaining.

In sum, even if the IMF were to cost us something, it would be well worth the deal. But in fact, because the IMF acts as a sort of international credit union, our contribution to the Fund has not cost the American taxpayer a single cent.

What we have been able to achieve economically through the IMF, we have been able to achieve on so many other fronts through the United Nations.

The benefits to the American people are tangible, measured in efforts to prevent the diversion of nuclear materials, increase the safety of nuclear plants, and promote the safe disposal of nuclear waste, humanitarian programs that reflect our deepest values, like caring for refugees, vaccinating children, sheltering the needy, international standards that make the skies safer for travelers and food safer for consumers. All this and more -- comes at an annual price tag of roughly \$4 per American about the price of a happy meal at McDonald's, and a fraction of what it would have cost us to achieve these goals on our own.

Some say that the UN is badly in need of reform and that we should not pay our dues until that occurs. It is. Working with Congress, we have helped the UN achieve more reform over the past half decade than in the 45 years that preceded it.

Last year, we developed a three-year plan with broad bipartisan support to encourage continued reform while finally paying our debts. Unfortunately, last fall and then again this week, a small group of representatives chose to link passage of this plan to unrelated legislation on international family planning.

As a result, we risk the single best chance to put our UN debts behind us -- and to put the UN on the right path for the 21st century.

Again, do not think only in terms of the cost of paying our debt to the UN -- think in terms of the cost of not paying it. It will harm collective efforts to deal with emerging threats that cut across borders) from terrorists to organized criminals, drug traffickers, and environmental damage.

It will be a body blow to our international credibility, hobbling our diplomats in ways large and small, undermining our central message that nations need to live up to their commitments. And, by next January, it may even lead to the loss of our voting rights in the UN General Assembly) an institution born on our soil out of the vision of Americans like Roosevelt, Truman and Acheson.

Beyond these fundamental interests, there also is a basic moral principle: America pays its debts. We should pay the UN what we owe.

By acting now to support the IMF and pay our dues to the United Nations, Congress can reassert its determination to preserve America's leadership in the world. It can send the message that our nation is confident; it will master the forces of globalization) not be mastered by them. And we can continue to build on the past five years', list of accomplishments) in Haiti, Bosnia, Russia, China and elsewhere.

Will the United States survive and thrive if Congress chooses the alternative course? Of course. Our people are far too resilient and far too resolute for it to be otherwise.

But we risk awaking to a different America in a different world. And neither America nor the world will be able to figure out how we frittered away so rich an inheritance, how we renounced so commanding a position, how we squandered such bountiful opportunities.

So let's not weaken our own hand. Let's make the wise investment in American leadership that will help keep our nation at the pinnacle of our power as we enter the 21st century.

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ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: RUBIN_E@A1@CD@LNGTWY (RUBIN_E@A1@CD@LNGTWY [UNKNOWN]) (NSC)

CREATION DATE/TIME: 1-JUN-1998 08:46:56.00

SUBJECT: JUNE 1 NSC News Summary

TO: swanjohnsonfamily@ibm.net@INET@LNGTWY (swanjohnsonfamily@ibm.net@INET@LNGTWY [UNKNOWN])
READ:UNKNOWN

TO: Gene B. Sperling@eop (Gene B. Sperling@eop [OPD])
READ:UNKNOWN

TEXT:
NATIONAL SECURITY NEWS SUMMARY
MONDAY, JUNE 1, 1998

MIDDLE EAST/SOUTH ASIA

INDIA/PAKISTAN: New Delhi calls for new test-ban treaty that includes "all nuclear weapons states." Analysts say U.S. and China helped Pakistan build its bomb; many blame sanctions policies. Complex pressures, including from Islamic forces, led to Pakistani tests. New nuclear arms race is marked by confusion, deceit, doubts. U.S. officials agree on need to stop arms race but there is little consensus on U.S. role, next steps. A nuclear cloud has cast a pall over Indo-Chinese relations. "Father of the Islamic bomb" defends his role. Nuclear powers meet this week to discuss future. Cohen warns against "chauvinistic chest-pounding." Consequences for Islamabad are seen as severe. U.S. may consider sharing nuclear safety information with India and Pakistan, but strategy would be risky. Sanctions cast economic pall over South Asia. Profile of Abdul Khan. Pakistan feared Indian or Israeli air strike on eve of nuclear tests; alarm bells were set off. (NYT1,6;WP1,13,14;WSJ3,12;.USA9;LAT1,3;WT1,13)

ISRAEL: Arab states are furious that Israel has had the bomb for years and faced no sanctions or pressure. Police contain multiple clashes in Jerusalem, including between Orthodox and secular Jews at Western Wall. (NYT7,8)

AFGHANISTAN: At least 3,000 dead in powerful earthquake; U.N. organizes relief. (NYT7,WP11,USA9,LAT2)

IRAQ: Butler will brief UNSC on Iraq's failure to supply required information. Saddam's daughter is seeking money her executed husband deposited in Jordan. (NYT9,WP13,WT12)

LEBANON: Six hurt in clash over local elections in Tripoli. (WP13)

EUROPE/NIS/CANADA

RUSSIA: Clinton endorses IMF plan to help Russia, calm markets; U.S. fears consequences of a fall in ruble. Kiriyenko says there is no need "so far" for more crisis loans. Wisner says progress on non-proliferation issues with Russia is disappointing. (NYT1,8;WP12;WSJ12;USA/B1;LAT8;WT4,12)

SWITZERLAND: U.S. report says Nazi gold traded by Switzerland funded the German war effort. (NYT1)

CASPIAN: Ex-Im Bank president pledges new U.S. support for pipelines through Turkey. (WSJ12)

FRY: Reformist president likely to keep power in closely fought Montenegrin elections. (NYT8,WP13,LAT4)

N. IRELAND: 14 injured in Portadown in clash between Protestant and Catholic marchers, police. Sinn Fein will not attend Prince Charles' Belfast garden party. (NYT9,WP13)

BELARUS: For entrepreneurs, Belarus is a hard nut to crack; pizza chain is closed for failing to adhere to mandatory national recipes; some companies, including Ford, are staying and toughing it out. (WSJ14)

ASIA/PACIFIC

CHINA: Demonstrators in Hong Kong commemorate anniversary of Tienanmien massacre. Rising unemployment Rising unemployment in rural areas spurs local stock offerings. Analysts warn Clinton faces uphill fight on renewing MFN for China and could lose the vote. (NYT9;WP13;WSJ1;USA8,9;LAT2;WT11)

CHINASAT: White House dismissed DOJ warnings on Loral's role; Pentagon also was troubled. (NYT13)

INDONESIA: 18 retired generals call on Habibie to step down in favor of new elections. Calls for retribution against Suharto clan are rising. IMF

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warns Indonesian economy is still in trouble. (WP13,WSJ14,USA9)

VIETNAM: Chief of staff, 25 others die in plane crash in Laos. (NYT9)

JAPAN: Hope increases for rebound in Japanese property market this year. Nation awaits latest developments in allegations that Hashimoto had affair with spy. (WSJ1,WT10)

N. KOREA: CFR report urges bolder U.S. steps to engage Pyongyang. (USA9)

ECON: Latest economic numbers add to deepening gloom across region. Asian governments consider nationalizing banks to save them. (WSJ13)

LATIN AMERICA/CARIBBEAN

DOMINICAN REP.: Rigged lottery, long use to fund former ruling party, is facing hard times. (NYT4)

COLOMBIA: Two main parties are in a virtual dead heat in counting in presidential race. Some violence reported. (NYT4,WP11,LAT2,WT11)

ECUADOR: Quito mayor won first round of presidential voting; to face magnate in runoff. (NYT9,WP13,WT11)

EL SALVADOR: Poor live by scavenging off junk heaps. (WP12)

MEXICO: Capital lifts five-day smog alert, fines firms for excessive pollution. (WP13)

AFRICA

ETHIOPIA-ERITREA: Border dispute threatens to erupt into full-scale war. (NYT3)

NIGER: Mutiny spreads in provincial town; troops rebel over back wages. (WP13)

GLOBAL/DEFENSE/ECON

IMMIGRATION: 22 illegal Chinese immigrants seized after they waded ashore in New Jersey. (NYT1,WP5)

SPACE: All 16 nations building International Space Station approve delay due to Russian cash shortage. Computer problems continue aboard Mir. (NYT13,WP18)

DEFENSE: Army's huge supply of nerve gas worries many; incineration seen as risky solution. Senators complain that Air Force chief of staff provided misleading information on missile system. (WSJ1,WT4)

TRADE: "Underwear wars" highlight issue of secret trade quotas; U.S. manufacturers are critical. (WT5)

HEALTH: Malnutrition is seen as greatest threat in developing world. (WT11)

ADMINISTRATION

KAMEN: Jockeying is fierce for Dublin ambassadorship; Clinton said to favor Sullivan, but Irish-Americans lobby for Morrison; long gap is possible after Kennedy Smith departs this month. Tony Lake, John Deutch and David Rothkopf form new consulting group. Bush says he wishes the Chinese had

given money to the RNC too. Sen. Brownback hosts 40 ambassadors in Kansas.

Scoop Cohen will work for Mark Warner. Patricia McHugh moves from McLarty's office to OVP. (WP15)

OPINION

NYT: Editorial says Indonesia's generals owe it to their people to allow reform to proceed and new leaders to emerge. Sokolov op-ed says Russia's money problems are due primarily to theft and corruption. Ayoob op-ed says

India is the big winner in the nuclear race so far. (18-19)

WP: IAEA chief ElBaradei, in op-ed, says Iraq's nuclear file is still open and there can be no "clean bill of health" until Iraq comes clean. Baer op-ed says that operations like Casablanca threaten our relations with Mexico and it is dangerous to let DEA drive our foreign policy when so much

is at stake. Jim Kennedy op-ed rebuts Chinasat allegations. (17)

LAT: Sahimi says that international community must address real or perceived fears of countries like India, Pakistan, North Korea, Iraq and Iran if they are going to give up pursuit of nuclear weapons. Walsh

bemoans sad state of affairs in arms control debate, saying President ignored nuclear rivalry on the sub-continent while arms control experts focused exclusively on U.S. policy. (2, 11)

USA: Oberg says that China has all the building blocks for manned space exploration. (13)

WT: Editorial says President must fire Ken Bacon for violating Linda Tripp's privacy rights. Koehler reviews the case of a former German intelligence official and recommends a review by the CIA and DIA. Gold again calls for immediate deployment of a national missile defense. Dettmer thinks that the China satellite issue gives the GOP an optimistic outlook for the mid-term elections. Greenberg says the American people are

waking up to the dangers of U.S. export policy with China. (14-17)

WSJ: Editorial says that India-Pakistan nuclear tests exploded wishful Administration thinking regarding CTBT and KEDO and should provide a reality check about arms control. (18)

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:17-JUL-1998 11:54:14.00

SUBJECT: Two Qs from press conference today

TO: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
here you go

----- Forwarded by Melissa G. Green/OPD/EOP on 07/17/98
11:53 AM -----

Jonathan A. Kaplan
07/17/98 11:43:58 AM
Record Type: Record

To: Melissa G. Green/OPD/EOP
cc:
Subject: Two Qs from press conference today

Q Mr. President, the trade deficit in May was up around \$15 billion. Are you willing to overlook that while the Asian financial crisis -- itself out?

THE PRESIDENT: Well, I don't think -- no, I don't think we should overlook it, I think it ought to prompt us to action. But let's understand why the trade deficit is so large. The trade deficit is large because we live in an integrated global economy, and our economy has been strong while the Asian economy has been in trouble. What does that mean? When their economy is in trouble, the value of their currency goes down. What does that mean? That means that compared to yesterday, if their currency goes down, their money is worth less than ours in the same amounts.

That means it becomes their goods that they sell to us become cheaper, and it means our goods that we would sell to them become more expensive. Almost the entire increase in the trade deficit is due to the Asian economic trouble, which is why, since January, I have been saying we should make our proper contribution to the International Monetary Fund to promote economic reform and economic recovery in Asia. And the fact that we have not done so is endangering the livelihood of American farmers and American factory workers because we are not making the exports -- especially to Asia -- that we otherwise could be making if those economies were

coming back. And a critical part of that is our contribution to the International Monetary Fund.

So, we should not ignore it, because, as I said in the State of the Union Address way back in January, our welfare is tied to the welfare of Asia. We've got 16 million new jobs in the last five and half years, 30 percent of our economic growth is due to exports. A significant area of export growth has been Asia.

That's why I worked hard to -- the other big area of real growth has been in Latin America. And what I've tried to do is to head these things off. You may remember a couple of years ago when we moved in aggressively to help Mexico when their economy was in trouble and a lot of people criticized that. But Mexico paid back their loan ahead of schedule and at profit to the United States. And they are now a functioning economic partner with us again. That's what we need in Asia.

So, the American people should be concerned about this, but we should know that there is a disciplined answer. We need to restore growth in Japan, restore growth in Asia, and our major goal here for our own action should be to pay our fair share to the International Monetary Fund so we can support economic recovery, so they can afford to buy our products, and so there's some greater parity in the prices of our products. Meanwhile, what you see is a product of the strength, not the weakness, of the American economy.

Q What do you think of the Speaker's proposal to use this budget surplus for big tax cuts?

THE PRESIDENT: I think, first of all, let's remember how we got where we are. We got the strength of our economy to the point where it is now by being determined to bring down the deficit until we balanced the budget, by expanding trade to sell more American products around the world, and by investing in education, in training, in technology, in scientific research. Those are the engines of our economic recovery.

Now, we have not had a balanced budget for 29 years. And now, before we've had the first year, the first year of a surplus, to be talking about spending hundreds of billions of dollars on a tax cut based on projected surpluses that may or may not materialize before we have spent the first dollar to save Social Security so that you aren't going to have to support your parents in a way that diminishes your standard of living, I think is a mistake. So I'll go back to my position: I think we should save Social Security first. Let's show the American people this balanced budget. Let's show the American people this surplus. Let's try to keep this economy going and get our growth going, and when we have passed a plan to save Social Security, let's see what it costs and then make a decision on the tax issue.

We don't want to count our chickens before they hatch. Now, the end of the fiscal year here is September 30th. And it's now

projected that we'll have a \$63-billion surplus, and I earnestly hope we do. But it wouldn't do any harm to rack one up before we start spending it. We had 29 years of deficits. Between 1981 and 1983 in 12 years alone, we increased by four times the total debt of the United States. We quadrupled the debt of the United States in 12 years that we had amassed in the previous 200. It won't do us any harm to take one year and enjoy the fact that we've balanced our books, ran up a surplus and planned to save Social Security. That will not do us any harm. It will keep our economy stronger and it's better for America's future.

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:17-JUL-1998 11:48:32.00

SUBJECT: Two Qs from press conference today

TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

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ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:17-JUL-1998 12:05:08.00

SUBJECT: 1998-07/17 REMARKS BY PRESIDEN TO GIRLS NATION

TO: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
For the Hill

----- Forwarded by Jake Siewert/OPD/EOP on 07/17/98 12:04
PM -----

SUNTUM_M @ A1
07/17/98 11:36:00 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: 1998-07/17 REMARKS BY PRESIDEN TO GIRLS NATION

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

July 17, 1998

REMARKS BY THE PRESIDENT
AT GIRLS NATION EVENT

Room 450, Old Executive Office Building

9:30 A.M. EDT

THE PRESIDENT: Thank you very much. I think I should take Janet Murguia with me wherever I go to always introduce me. (Laughter.) I think she's a great advertisement for Girls' Nation. And someday before long, a number of you will have these opportunities as well.

I'd like to welcome your President, Alana Aldag and your Vice President, Jennifer Hall and thank Diane Duscheck and Barbara Kranig and the other members of the American Legion Auxiliary for what they do for Girls' Nation. I hope you've had a very good week in Washington. Some of you may know that, this week, these two days here, the 35th reunion class of my Boys' Nation group is also meeting here. I happened to turn on the television last night to see that Ted Koppel on Nightline was doing a two-day review of it. And I thought to myself, it wasn't all that long ago, but all of us are aging rather gracefully. (Laughter.)

Let me say to all of you, the people I met then, many of whom have been my friends over all these 35 years, made me believe that anything was possible. President Kennedy spoke to us and made me believe that, together, we could change the world. I think that is certainly no less true for you and your generation because you will live in the time of greatest possibility in all human history.

If you think of the revolutionary changes that have taken place just in the course of your still relatively short lifetimes, the Cold War cast a shadow over my childhood -- it has ended -- technology has advanced at a breathtaking pace, fundamentally altering the way all of us live and work and learn. A typical laptop computer today has more computer power in it than the world's largest supercomputer did in the year you were born.

Many of the barriers that kept women from making the most of their potential and contributing their talents to our society have fallen away. Yesterday, the First Lady was up in New York commemorating the 150th anniversary of Elizabeth Kady Stanton and 68 other women and 32 brave men gathering in New York with their statement of sentiments, with their 18 objections against men in America, which included the fact that they did not have the right to own property; even the clothes married women had on their backs belonged to their husbands 150 years ago. They couldn't inherit, they didn't vote. And what a long way we have come in the last 150 years and in your lifetime.

I met my wife in law school when it was still a relatively unusual thing to find a law school with any significant number of women in it. Today, a lawyer in America is 12 times more likely to be a woman than a lawyer was in 1963 when I came to Boys' Nation.

Women are earning more college degrees than men, they outnumber men in graduate school. Women-owned businesses are growing

,
faster than the national economy. Forty-one percent of our administration's appointees, including the Secretary of State, the Secretary of Health and Human Services, the Attorney General, the Director of the Environmental Protection Agency, the Secretary of Labor, our Trade Ambassador and many others are women -- by far the

highest percentage of women in high positions in any administration in the history of the United States.

I look forward to the day when I read in the newspaper that America's new President has invited her own Girls' Nation reunion class back to the White House to gather.

In the meantime, we need to be working together to strengthen our country for this new century, because it is a time of dramatic change. Five and half years ago, I came here to move America in a new direction based on our old values of opportunity for all, responsibility from all, in an American community of all citizens. We took a new direction in economic policy and education policy and environmental policy, in welfare policy, in health care policy, in crime policy and foreign policy. We also articulated a new role for government. We tried to break through the debate that had then dominated Washington for nearly 20 years, some people saying government could solve all our problems and others saying government was the source of all of our problems. I had been a governor for a dozen years and I thought the argument was frankly ridiculous. I thought that neither extreme was true.

We have sought to create a government whose primary role is to create the conditions and give people the tools to solve their own problems and make the most of their own lives and build good lives, good families, good communities and a strong country. The results have been, I think, quite good. America has the lowest crime rate in 25 years, the lowest unemployment rate in 28 years, the smallest percentage of people on welfare in 29 years.

We're about to have our first balanced budget and surplus in 29 years; the lowest inflation rate in 32 years and the highest homeownership in the history of the country. We have also opened the doors of college to virtually every American through our Hope Scholarships and other tax credits for college education, through a better student loan program, through more work-study positions and more Pell Grant scholarships.

We have added 5 million people who are children to the ranks of people with health insurance who are in the process of doing that. We have the highest rates of childhood immunization in history. We have worked hard on the environment and the water is cleaner, the air is cleaner, the food is safer. There are fewer toxic waste dumps and we have put more land aside to preserve forever than any administration in the history except those of the two Roosevelts.

We started the AmeriCorps program and now have had almost 100,000 young people, like you, just a little older than you serving in their communities, earning money for college, making America a better place. With our America Reads program alone, which is designed to get young college students to go in and help make sure all of our third graders can read independently by the end of the third grade, we now have 1,000 colleges participating.

While all this has happened, we've actually reduced the size of government. The federal government is now the smallest it has been since I came here to meet President Kennedy 35 years ago. So I believe that this country is moving in the right direction.

Now, I think one of the great decisions facing the American people now is what to do about this. I like the fact that there is a good sense of well-being in America. I like the fact that, after over 20 years of downhill movement, public confidence in government and the role of government in our lives is going back up again. I like that very much. But I feel very strongly, and I predict that if you just read the paper, I think you can see, I think, support from my point of view that is a grave mistake to say, "Okay, things are going well in America and we don't need to do much, we should relax now." Why? For two reasons. One is, you will see, the older you get, no condition lasts forever. The good times don't last for ever but neither do the bad ones -- and that's the good news. (Laughter.)

Secondly, we are living in a very dynamic time. We are enjoying the success that we are enjoying today partly because the American people have been very aggressive, because, you know, we live in a country where citizens deserve most of the credit. What we have done to get these impressive numbers again is to create the right conditions, the right environment, the right incentives for the American then to take advantage of it and go forward. But we have to -- this is a very dynamic time. And there are all kinds of difficulties and challenges out there.

So, for America to sit back now would be a great mistake. When times are good, but dynamic, that's the time to bear down, to take on the big challenges, the long-term challenges, the things that will affect your lifetime when you begin to have children, and you begin to do your work, and you begin to take full responsibility for the welfare of the country. What are those things? Let me just mention a few of them.

Number one, I am the oldest of the baby boomers, the largest generation of young people ever in -- to grow up, except the generation of which you are the oldest. That is, we -- for the last year, for the first time since I was in high school, we had a bigger group of children in kindergarten through 12th grade than the baby boom generation. Now, what does that mean? It means, among other things, that if we continue to retire at present trends and the birth rates continue as they are, and the immigration rates continue as they are, by the time all of our baby boomers retire, we'll only have about two people working for every one person eligible for Social Security. And that is unsustainable -- Medicare would be unsustainable.

So what's the answer? The answer is to find a way to preserve these fundamental programs that have lifted the elderly out of poverty and given dignity and strength to our professed family

values in a way that does not bankrupt our children and grandchildren. Everybody I know my age is obsessed with the idea that we must not have the cost of our retirement be lowering your standard of living, be undermining your ability to raise your own children.

Now, if we're going to have a surplus, we ought to make sure we've got a long-term plan to save Social Security before we squander that surplus on tax cuts, which may be very popular in the short-run, but which may leave us with a terrible problem that will cost us a lot more than you could ever get in a small tax cut by the time you have to be taking responsibility for your parents' retirements and your children's education. And we should do it now when times are good and we're projecting a surplus.

Number two. We should recognize that while we have the best system of higher education in the world, no one believes our schools are yet the best in the world. And we should take advantage of this moment to make sure all American young people have access to world-class education with higher standards, with technology that hooks up every American classroom to the Internet and all the riches that it holds by the year 2000, with smaller classes and with more access to more constructive choices through things like the charter school movement, which is very prominent in many of your states.

Number three, we should recognize that the environmental challenges we have are real and global. If there is anybody here from Florida -- and I'm sure there is -- if you -- all the rest of us have been watching those fires, I went down and saw -- flew over those areas that have been burned up. Florida had the wettest fall and winter than they had ever had, they had the driest spring they had ever had, and then the month of June in Florida was the hottest month in the history of the state, hotter than any July or August; and in Florida, that's saying something.

There is ample evidence now that what my wonderful Vice President has been saying for years and years and years is true: that the climate of the globe is warming at a rate which is unsustainable, which will lead us to more extreme weather conditions. We now have records going back over 500 years which we can use to measure what the temperature was on this planet. The five hottest years ever recorded have been in the 1990s. Nineteen ninety-seven was the hottest year on record, 1998 is going to be hotter if it continues.

A big part of the problem is the way countries get rich with their use of energy. We have to prove -- and by the way, we can prove -- that we can grow the economy and improve the environment at the same time. The young people of this country, without regard to their other differences of region and political party and philosophy, by and large are much more committed to this proposition than older people are. Young people -- I find even young people in grade school are just instinctive environmentalists. We are depending on you to provide the phalanx of brainpower and voting power to move America to

the proposition that we can preserve our environment and grow the economy.

Next, we have to prove that we can bring the benefits of this new economy to people who don't have it yet. Believe it or not, there are still some urban neighborhoods that have unemployment rates above 10 percent, some above 15 percent, while the national unemployment rate is below 5 percent. If you talk to the delegates here from North Dakota where they're having a collapse of farm prices in the aftermath of a terrible, terrible set of natural disasters all through the high plains, it's hard -- you could walk down the street in a lot of towns in North Dakota and they would have a hard time believing we've got the strongest economy in a generation.

If any of you have ever been on a Native American reservation that doesn't have a lot of money from gaming enterprises, you know that there are still an awful lot of the first Americans who have received no tangible benefit from this economic growth. Now that the economy is strong, we should be working to implement strategies that will bring this growth to them to make sure that all Americans feel that they're a part of our future.

Just two more things, quickly. Over the long run, we have got to prove that we can be one America. I like it -- I look around this room, I see all of you come from different racial and ethnic and religious backgrounds. That's a great, great advantage to America in a global society, a global economy. Look around the world at all of the problems we have that are based on racial, ethnic and religious differences. Why did those three little children have to die in that firebomb in Ireland a few days ago? Because somebody just cannot give up the idea that they ought to fight until the end of time over their religious differences.

Why can we not achieve a lasting peace in the Middle East? What is at the root of the problem in Bosnia, in Kosovo? Why did hundreds of thousands of people die in Rwanda in a matter of days in 1994? All over the world you see this. If America wants to do good in a world like that, we must be good at home. We must be able to live in all of our communities like you're working and living together here. And you can lead the way on that.

It is very important that we continue, finally, to be engaged in the world. That's why I went to China, even though some people said I shouldn't -- not because we agree with everything the Chinese do, but because we respect the progress they have made in the last several years and because they are going to be the biggest country in the world, and it is much better if we work them to try to build the kind of world we want than if we're forced into a situation of continuous conflict and estrangement. And I feel a moral obligation to you and your future and your children to try to create that kind of world. But first, the power of the American example is important, and you must never forget that.

Now, against that background, you need to evaluate

everything we're doing here. How are we doing to keep America working today, or are we dealing with the long-term challenges of the country? Every issue should be evaluated in that context.

One of the things that's most troubling to me is that we have the best health care in the world but we don't have the best health care system in the world, and we don't have the healthiest people in the world, partly because of institutional problems. One we've been talking about is the necessity to pass the Patient's Bill of Rights so we get the benefit of managed care without the burden of having accountants make decisions doctors should make in the medical area.

Another big problem we have -- it's probably the most prominent health problem your generation faces is the problem of -- epidemic of teen smoking, with 3,000 young people starting to smoke every day -- 1,000 will have their lives shortened as a result of it. More people die from smoking than accidents and murders and AIDS, and other unrelated maladies put together in this country. So it is a very, very serious problem.

I have been working very hard now for a long time to pass legislation that will raise the price of cigarettes, give the FDA the authority to regulate tobacco as a drug, stop the marketing of cigarettes to teenagers, launch new anti-smoking research and education drives, protect the tobacco farmers and their communities, and use the money to pay for health care and medical research, education and child care, and any tax cuts that the Congress wanted to pass, so it didn't affect our surplus and our commitment to save Social Security.

Now, right now, our legislative drive has been stalled in the face of a \$40-million advertising campaign by the tobacco companies that has been unanswered by the public health advocates because they don't have that kind of money. But the facts are clear, and if we keep working, I think we will prevail on the issue. Why? Well, the main reason is the evidence that the tobacco companies themselves have given us about the dangers of smoking and their strategy. We now have, as a result of all these lawsuits, internal tobacco company documents that show that even as they publicly denied that nicotine was addictive, they conducted secret research in their labs, devised secret marketing strategies in their boardrooms to addict children to smoking for life, and they knew exactly what they were doing.

How do we know it? Again, look at the documents that they, themselves, have produced in the court cases. These documents tell us in the tobacco companies' own words how children and minorities became the primary targets they saw as new customers. There are memos admitting in plain English, for example, quote, "The base of our business is the high school student." Memos saying, quote, "Creating a fad in the 14- to 20-year-old market can be a great bonanza." And even as they insisted that young people are off limits for advertising, one company document from 1984 recommended

targeting younger adult smokers as the only source of replacement smokers in the future, while children are the future of America, not the future of the tobacco companies -- and that future should not go up in smoke.

These documents contain a treasure trove of information that can be used to save lives. Public health experts can design more effective anti-smoking strategies by studying the marketing plans of the cigarette companies. Scientists can look to documents for findings that can aid their research into nicotine addiction and tobacco-related illnesses. And all Americans can understand the role the industry has played in hooking our children to the habit of smoking.

There are tens of millions of pages of these documents. While some of them are already on the Internet, most are stored in depositories all across our nation and as far away as England. They aren't easy to find. So I've decided to use this moment with you to show you one thing that the President can do with executive authority that has nothing to do with legislative action in Congress. I am directing the Secretary of Health and Human Services to report back to me in 90 days with a plan to make these documents more accessible to all Americans, so anybody that can get on the Internet can get them all and can understand them all.

The plan should include a strategy for indexing them and for making that index widely available through both the Internet and other methods. It should also have a strategy for broad and rigorous analysis of the information contained in all these documents. I'm also pleased that the Attorney General will file a brief in support of the State of Minnesota's efforts to make the tobacco industry's own currently existing index to all of these millions of documents available to the general public.

We must lift the veil of secrecy on the tobacco industry so that all Americans understand that there is an epidemic of teen smoking and how it came about. Let us use the darkest secrets of the industry to save a new generation of children from this habit and to help us fight and win.

This administration and many of our nation's leaders are working to make sure that this challenge, along with these larger, longer-term challenges that I've mentioned -- education, climate change, Social Security -- do not become intractable problems of your future. I don't want your generation of Americans to have to face a problem like the magnitude of the deficit that I faced here when we took office.

I can tell you that the tougher problems are, the harder the resolution is and the more controversial the resolution is, and the more painful the price to pay is. We had to make a lot of tough decisions in 1993 to get that deficit under control, and a lot of brave members of Congress lost their seats in Congress because they voted for an economic program in 1993, the benefits of which were not

apparent in 1994 when they were up. But when we got ready to pass the Balanced Budget Act in 1997 on a bipartisan basis, guess what? Over 92 percent of the deficit had already disappeared because of what had been done in 1993.

The best thing for a smart country to do is to take these challenges when they come up and deal with them quickly, looking to the long run, not waiting for those things to fester and become infected and become a wound in the nation's psyche. That is what we're trying to do here.

That's why I think programs like Girls' Nation are so important -- because they enlist people in the work of citizenship as a disciplined habit, not as something that you think about when an emergency comes along. I hope you will be able to do that to your friends and your neighbors and your family members when you go home.

I hope you will always continue now to help raise awareness of the issues you care about and propose solutions to them. I hope you will always continue to lobby your elected leaders and to participate until you become one. Our democracy is only as strong as its citizens. Think about this when you go home: Our founders did a revolutionary thing -- they created a whole country based on the idea, at the time totally unheard of, that God gave every person an equal portion -- every person an equal portion the right to life, liberty and the pursuit of happiness. They say, we've got to create this government because there's no way we can individually protect and enhance these rights. That's why we're doing this.

And then they gave us -- all of us -- every American until time immemorial, a mission: They said, "We must work together to form a more perfect Union." They were really smart, those guys. They were really smart. They understood that every generation would have its own challenges. They understood the work of liberty would never be over. They understood all that. They understood it all. And they gave us a permanent mission. And keep in mind, they created a limited government which means that in this country, the most important players will always be the citizens. As great as the leaders are and all the monuments you've seen to our great leaders around this city since you've been here this week, none of them could have accomplished anything if the people hadn't said, okay, we agree; we'll do our part.

So, again, I say, you've had a remarkable opportunity this week to learn more about how your country works. You have, yourselves, been good citizen-servants by doing it. You've had a chance to manifest your love in America and your belief in America. For the rest of your life, I hope you'll do what you can to make our Union more perfect. Good luck and God bless you. (Applause.) Thank you.

Now, I'm just going to go sign this order and I'm going

to ask your President and Vice President to stand with me, and then I'm going to turn the microphone over to them. Come on.

Q Mr. President, do you think that the court ruling can --

THE PRESIDENT: I'll answer questions, but let's do -- let us finish the program and then I'll answer a few questions. That'll be fun for them; they'll see a little press conference here. (Laughter.)

Okay, you've got the floor.

MS. ARGUIA: Mr. President, we are absolutely thrilled and honored that you chose to take the time from your highly demanding schedule to meet with us today. And on behalf of Girls' Nation, I'd just like to present this small token of our appreciation. (A presentation is made.) (Laughter and applause.)

THE PRESIDENT: That's wonderful. Thank you.

MS. ARGUIA: Mr. President, distinguished Senators, ladies and gentlemen. It is my honor as the President of the 1998 Girls' Nation Session to present to you the legislation that the Senate of the 1998 Girls' Nation has passed. It represents a wide variety of issues in many of our states.

Mr. President.

THE PRESIDENT: This is the largest legislative package that's passed in Washington so far this week. (Laughter.) And I thank you very much. (Applause.)

Thank you. I will have our people review this for good ideas. (Laughter.)

Now, go ahead. Helen, first -- we'll take two or three questions. Go ahead.

Q Well, do you think that the court rulings are jeopardizing the duties of the Secret Service?

THE PRESIDENT: Well, they believe -- that is, the Treasury Department and the Secret Service, based on their experience not just with me, but with all the Presidents, in the institutional memory of the Secret Service -- they believe that. And so, they are determined to pursue it and the Attorney General has agreed to represent them in that. But that is their professional judgment. I have decided that it would be inappropriate for me to express an opinion and I have not done so. And I believe that I should stay out of it. But they have a very strong professional opinion about it and they are pursuing it.

Q But you have an opinion, surely.

THE PRESIDENT: I do have an opinion. I have an opinion. I have a legal opinion and I have a personal opinion, but I think that's it not -- I think it's important, and I think it would be completely inappropriate for me to be involved in this. I want the American people to understand that, notwithstanding what some have said, and others have implied, this was a decision that came out of the Secret Service about which they feel very strongly. And these people risk their lives to protect me and other Presidents in a professional way, not a political way. They have strong convictions. They have manifested those convictions. The Attorney General has determined that there is sufficient legal merit in their position that they ought to be represented, and they are pursuing their case, which they have a right to do. I believe that they should speak for themselves and I should not interject myself into it.

Q Mr. President, I wonder if you could respond to the ruling yesterday by the Appeals Court, and specifically the opinion of one judge when he said that the White House had effectively declared war on the Independent Counsel --

THE PRESIDENT: I think you have to consider the source of that comment. And that is simply not true. The judge should -- can have a right to his legal opinion about what the Treasury Department and the Justice Department said, but I have told you that this case is about their professional judgment about what's necessary to do their job. And I have not -- neither I nor the White House has been involved in it in any way, shape, or form -- nor will we, nor will I complicate it by commenting further on what he said.

Q But in a larger sense, you don't believe that the White House is --

THE PRESIDENT: Well, in a larger sense, I am spoken for on that by Mr. Kendall. I think the facts speak for themselves. I think -- again, I say you've got to consider the source of that comment.

MR. MCCURRY: Last question.

Q Mr. President, the trade deficit in May was up around \$15 billion. Are you willing to overlook that while the Asian financial crisis -- itself out?

THE PRESIDENT: Well, I don't think -- no, I don't think we should overlook it, I think it ought to prompt us to action. But let's understand why the trade deficit is so large. The trade deficit is large because we live in an integrated global economy, and our economy has been strong while the Asian economy has been in trouble. What does that mean? When their economy is in trouble, the value of their currency goes down. What does that mean? That means that compared to yesterday, if their currency goes down, their money

is worth less than ours in the same amounts.

That means it becomes their goods that they sell to us become cheaper, and it means our goods that we would sell to them become more expensive. Almost the entire increase in the trade deficit is due to the Asian economic trouble, which is why, since January, I have been saying we should make our proper contribution to the International Monetary Fund to promote economic reform and economic recovery in Asia. And the fact that we have not done so is endangering the livelihood of American farmers and American factory workers because we are not making the exports -- especially to Asia -- that we otherwise could be making if those economies were coming back. And a critical part of that is our contribution to the International Monetary Fund.

So, we should not ignore it, because, as I said in the State of the Union Address way back in January, our welfare is tied to the welfare of Asia. We've got 16 million new jobs in the last five and half years, 30 percent of our economic growth is due to exports. A significant area of export growth has been Asia.

That's why I worked hard to -- the other big area of real growth has been in Latin America. And what I've tried to do is to head these things off. You may remember a couple of years ago when we moved in aggressively to help Mexico when their economy was in trouble and a lot of people criticized that. But Mexico paid back their loan ahead of schedule and at profit to the United States. And they are now a functioning economic partner with us again. That's what we need in Asia.

So, the American people should be concerned about this, but we should know that there is a disciplined answer. We need to restore growth in Japan, restore growth in Asia, and our major goal here for our own action should be to pay our fair share to the International Monetary Fund so we can support economic recovery, so they can afford to buy our products, and so there's some greater parity in the prices of our products. Meanwhile, what you see is a product of the strength, not the weakness, of the American economy.

Q What do you think of the Speaker's proposal to use this budget surplus for big tax cuts?

THE PRESIDENT: I think, first of all, let's remember how we got where we are. We got the strength of our economy to the point where it is now by being determined to bring down the deficit until we balanced the budget, by expanding trade to sell more American products around the world, and by investing in education, in training, in technology, in scientific research. Those are the engines of our economic recovery.

Now, we have not had a balanced budget for 29 years. And now, before we've had the first year, the first year of a surplus, to be talking about spending hundreds of billions of dollars on a tax cut based on projected surpluses that may or may not

materialize before we have spent the first dollar to save Social Security so that you aren't going to have to support your parents in a way that diminishes your standard of living, I think is a mistake. So I'll go back to my position: I think we should save Social Security first. Let's show the American people this balanced budget. Let's show the American people this surplus. Let's try to keep this economy going and get our growth going, and when we have passed a plan to save Social Security, let's see what it costs and then make a decision on the tax issue.

We don't want to count our chickens before they hatch. Now, the end of the fiscal year here is September 30th. And it's now projected that we'll have a \$63-billion surplus, and I earnestly hope we do. But it wouldn't do any harm to rack one up before we start spending it. We had 29 years of deficits. Between 1981 and 1983 in 12 years alone, we increased by four times the total debt of the United States. We quadrupled the debt of the United States in 12 years that we had amassed in the previous 200. It won't do us any harm to take one year and enjoy the fact that we've balanced our books, ran up a surplus and planned to save Social Security. That will not do us any harm. It will keep our economy stronger and it's better for America's future.

Thank you very much. (Applause.)

END

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- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Tanya E. Martin (CN=Tanya E. Martin/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-AUG-1998 10:24:38.00

SUBJECT: Re: FW: Today's Papers - Slate Briefing - August 28, 1998

TO: "(RIA) Pekel, Kent S" <K.Pekel ("(RIA) Pekel, Kent S" <K.Pekel @ state.gov> [UNKNOWN])

READ:UNKNOWN

TEXT:

(b)(6)

> -----Original Message-----

> From: Slate Magazine [SMTP:delivery@slate.com]

> Sent: Friday, August 28, 1998 6:50 AM

> To: papers@slate.ecourier.net

> Subject: Today's Papers - Slate Briefing - August 28, 1998

>

> Today's Papers - Slate Briefing - From Slate Magazine

> (<http://www.slate.com>)

>

> Russian to Sell

> By Scott Shuger

>

> After Today's Papers: International Papers surveys the overseas

> coverage of the Russian collapse and terrorism.

>

- > Everybody leads with yesterday's bad day in the financial markets.
- > The headlines speak of a world crisis, and USAT, the WP, and the LAT
- > headers refer to the Dow's drop of 357 points. The NYT headline opts
- > instead to state that the DJ was off 4.1 percent. But none of the
- > big type mentions what USAT has in its second paragraph--this wasn't
- > even in the Dow's top 20 bad days. So one wonders why that paper
- > still fronts its business section with such lines as "Crisis Hits
- > Home" and "World Economic Troubles Arrive 'On Our Doorstep.'" In the
- > same Chicken Little spirit, the WP lead delays until the sixteenth
- > paragraph the news that the day also saw the release of strong
- > figures on the U.S. labor market and on housing starts.
- >
- > Everybody duly notes all the overseas financial setbacks. USAT
- > reports Japanese stocks were down 3.55 percent, Mexican stocks down
- > 6 percent, Brazilian shares down 10 percent, Russian stocks down 17.
- > The papers have a word for the cause of all this: Russia. Except for
- > the NYT, the papers pass up the usual trading floor desperation pix
- > in favor of shots of full contact banking on Russian streets.
- > Everybody's front describes the mounting pressure on Boris Yeltsin
- > to quit, and report that without the support of Russia's central
- > bank, the ruble has continued to fall. The (mostly non-Russian)
- > institutions that had purchased the country's debt now find
- > themselves, says the NYT, holding only 10 percent of the value they
- > had last week.
- >
- > The papers agree that investors fear that Russian chaos could spread
- > to other emerging market economies, such as those in Latin America.
- > USAT says Russia's influence in the world markets is due to its
- > nuclear stockpile. The NYT notes this reasoning, but still
- > wonders--after all, the Russian economy is only the size of
- > Denmark's. But the NYT notes at least one clear cause of the
- > meta-Russian acceleration: Russia's troubles have made it clear to
- > other countries that IMF bail-outs are probably not in the offing
- > for them and might not work anyway. The WSJ observes that the
- > dubious record of IMF rescue packages in the past year probably
- > deepens the rift among Republicans in Congress over whether to give
- > the organization a fresh infusion of federal billions. (Democrats
- > are mostly for that, as is Newt Gingrich. Dick Armey is deeply
- > opposed.)
- >
- > Perhaps the scariest feature of the market turmoil served up by the
- > papers is the realization that for all their new analytical tools,
- > those in the business are no more capable of cognitive significance
- > than in the days of ticker tape. Thus, the WP quotes one "chief
- > equities trader" saying, "If you can withstand the pain and you've
- > chosen good stocks, you should come out okay," and USAT has another
- > "strategist" saying, "We could rally from this, but a lot of damage
- > has been done."
- >
- > Everybody has the same off-lead: that federal authorities have
- > brought into the U.S. and charged a suspect in the African embassy
- > bombings. The suspect, Mohamed Rashed Daoud al-'Owhali, was injured
- > in the Kenya blast and has reportedly confessed his role to the
- > feds. He is said to have admitted that he was trained at Afghani

> terrorist camps run by Osama bin Laden. A second suspect, Mohammed
> Saddiq Odeh, is still in Kenyan custody, but is expected in the U.S.
> soon. USAT says he will arrive here today. The NYT and WP run
> front-page pictures of the men--with al-'Owhali smiling. The LAT
> quotes Janet Reno saying that the turn in the case came as a result
> of the most extensive criminal investigation in U.S. history. If
> convicted, the bombers could get the death penalty.
>
> The WP has an interesting detail about the alacrity of the
> extradition to the U.S. Apparently, the Kenyans were worried that
> prosecuting any bombers would expose them to further terrorism.
> "You'd think," the paper quotes one U.S. official, "they'd want
> first crack at these guys." The WP adds that under a strengthening
> of U.S. jurisdiction overseas passed by Congress in 1986, 11
> suspected terrorists have been returned here from overseas. But the
> Post doesn't tell us what then happened to them in the courts.
>
> The WP runs an AP report about a recently concluded study of seven
> years' worth of HIV tests given to 350,000 Job Corps participants.
> Findings: the rate of infection among women age 16-21 is 50 percent
> higher than that of men in the same age bracket. And the highest
> rates of infection were among black women--five out of every 1,000.
>
> The WP's "Reliable Source" asks who's going to make more money off
> the Clinton scandals--Bob Bennett, one of the president's private
> lawyers, or his brother Bill, author of a new book, "The Death of
> Outrage: Bill Clinton and the Assault on American Ideals"?
>
> The NYT runs a story purporting to cast light on women's post-Monica
> attitudes towards Bill Clinton, based, it says, on dozens of
> interviews with "women across the country." It's interesting to see
> what the Times means by that phrase. Here is the complete listing,
> in order of appearance, of the occupations of the women quoted in
> the story: shareholder activist, novelist, author and editor,
> graduate school dean, volunteer, hair salon owner, university public
> relations executive, producer, writer, English professor.
> Apparently, the Times couldn't find any women who are secretaries or
> housewives.
>
> Also in today's papers:
>
> Explainer: Our legal right to bomb
> <http://slate/work/Code/explainer/explainer.asp>
>
> Moneybox: Stock Market Talking Points
> <http://slate/work/Code/Moneybox/Moneybox.asp>
>
> Chatterbox: Bill's Mea Culpa Part II
> <http://slate/work/Code/chatterbox/chatterbox.asp>
>
> And for the rest of Slate, click here:
> <http://www.slate.com>
>
> For the latest news, check out MSNBC (<http://www.msnbc.com>).

>
>

>
> INTERNATIONAL PAPERS -- The Russian collapse and terrorism.

>
> Apocalypse Now

>
> By Alexander Chancellor

>
> While papers across the world led Thursday with apocalyptic headlines
> about the collapse of Russia, none were more apocalyptic than those
> in Russia's own press. Izvestiya warned that the addition of a
> political crisis to the existing economic crisis might result in "a
> revolutionary situation." The possibility that the country might be
> left without legislative power for the next three months is "fraught
> with the most dangerous consequences--including the disintegration
> of the state," it said.

>
> Segodnya reported that Dagestan is on the edge of civil war and that
> the halting of rouble-dollar trading on the financial markets means
> that Russia is facing the threat of a return to a fixed
> dollar-rouble exchange rate, as in Soviet times.

>
> Nezavisimaya Gazeta said that Russia could be facing hyperinflation,
> as in 1992, and that the country's general situation is rapidly
> approaching the critical point: It faces simultaneous financial,
> industrial, social, and political meltdowns; it must also deal with
> the fighting already taking place in the Northern Caucasus, and with
> the danger of Afghan military action on its southern border.

>
>
> Wednesday's Russian papers concentrated on the reappointment of
> Victor Chernomyrdin as prime minister. Izvestiya said that, with
> this, President Boris Yeltsin has effectively given up power and
> Novye Izvestiya that his second coming is attributable not to any
> failings by his predecessor, Sergei Kiriyenko, but to Yeltsin's
> decision not to seek re-election in 2000.

>
> In Rome, La Repubblica said in a front-page comment by Sandro Viola
> that "seldom in history has a country received from the same person
> so many reasons for hope and then so many afflictions as ... Russia
> with Boris Yeltsin."

>
> Under the headline "Stop This Bloody Terrorism," the Cape Times of
> Cape Town, South Africa, condemned Tuesday's bomb blast at the
> Planet Hollywood restaurant as "cold-blooded, mindless,
> unjustifiable terrorism" going to "the heart of the tensions in our
> troubled society." Making no reference to the United States or to
> the possibility that the attack might have been a reprisal for U.S.
> missile attacks in Sudan and Afghanistan, it blamed terrorists who
> "want our communities to remain divided." It urged that the people
> "use this opportunity to recommit ourselves to a united city and
> isolate all those who have different and sinister intentions."

>
> In an editorial Thursday, the Pakistani newspaper Dawn warned that
> Pakistan's economic crisis will reach "a point of no return" by
> mid-September failing a miracle. It proposed stopping negotiations
> for a bailout package with the Islamic Development Bank--with which
> "it is not Islamic fraternal feeling, as some of us would like
> naively to believe, but pure profit motive which seems to have
> weighed." Instead, it advocated a closer look at a prospective
> International Monetary Fund package, even though "[o]f course, an
> IMF programme would bring massive hardships for the common people."

>
> In Canada, the Toronto Star accused Britain and the Irish Republic of
> riding roughshod over civil liberties in the new laws they are
> drafting to make it easier for the police and courts to convict
> suspected terrorists. Referring in an editorial Thursday to the
> "firestorm of anger and revulsion" that had followed the recent
> bombing in Omagh, Northern Ireland, the paper said that "this new
> crackdown, so late in the day, smacks of over-reaction." It
> concluded, "Civil liberties, once eroded, are not easily regained."
> The Irish News of Belfast led its front page Thursday with the news
> that President Clinton will meet more than 100 members of the new
> Northern Ireland assembly next Thursday. He will also visit Omagh.

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ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:10-SEP-1998 15:27:42.00

SUBJECT:

TO: Aasimendin@aol.com (Aasimendin@aol.com [UNKNOWN])

READ:UNKNOWN

TEXT:

Alexis:

The VP had a very interesting meeting today with CEOs from Wall Street etc. This may be something good for your "Inside Washington" section -- or whatever you call it. The discussion focused on world economic situation -- Russia, Japan, Latin America, the IMF, and the international financial system.

From the Administration:

The Vice President

Gene Sperling

Larry Summers

Janet Yellen

Lael Brainard

David Beier, VP Domestic Policy Advisor

Morley Winograd, NPR

Big Shots:

1. Steve Rattner
2. George Soros
3. Bob Pozen
4. David Shaw
5. Donald Sussman
6. Frank Newman
7. Pete Peterson
8. Hank Greenberg
9. Lionel Pincus
10. Dick Fuld
11. Orin Kramer
12. Art Ryan

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:12-SEP-1998 17:02:59.00

SUBJECT:

TO: Mawaldman (Mawaldman @ aol.com @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
Draft 9/12/98 1:15pm
Waldman

PRESIDENT WILLIAM J. CLINTON
ADDRESS ON THE INTERNATIONAL ECONOMY
COUNCIL ON FOREIGN RELATIONS
NEW YORK, NEW YORK
September 14, 1998

Acknowledgments: Pete Peterson, chair of CFR; Les Gelb, Pres; admin
alumni incl. Dan Tarullo and Anne Luzzatto;

The Council on Foreign Relations was founded in the bitter wake of World War I) an outpost for those who resisted America,s retreat from engagement. After World War II, this organization helped provide the institutional and intellectual force as a generation of American leaders contained communism and established a new world economic system. Now, a half a century later, the ideals for which the Council has stood) political and economic freedom) are ascendant across the globe. But today, I want to speak to you about the newest challenge as we seek to build the world of the 21st Century.

It is my privilege to speak before you at a time of unsurpassed American economic strength -- but a time of undeniable turmoil in the world economy. At a moment of increasing interconnectedness among the nations of the world, the future of our prosperity AND THE CONTOURS OF THE WORLD ECONOMY will depend upon how we all work to restore confidence and promote robust growth. The challenge of global growth is the central economic challenge of THIS MOMENT. We have no choice. Today I want to give you a status report on what we have done, and to tell you what I believe we must continue to do in the days and years to come.

America,s economy remains the strongest it has been in a generation. We still have the lowest unemployment in 28 years and the lowest inflation in 32 years. We still have the highest homeownership in history. In two weeks, on October 1, we will have the first balanced budget in a generation -- thanks to the discipline of the American people. THE WINNING COMBINATION OF FISCAL DISCIPLINE, INVESTMENT IN PEOPLE, AND SIGNIFICANT PROGRESS TOWARDS OPEN MARKETS AND EXPANDING TRADE HAS WORKED FOR OUR NATION-- WAGES ARE NOW RISING AGAIN, ADVANCING AT TWICE THE RATE OF INFLATION AFTER DECADES OF STAGNATION.

The pillars of our prosperity stand strong. But we live in a world of swirling, sometimes breathtaking change. The global economy we have done so much to create -- the global economy that has brought so much benefit to our nation and to the people of the world -- is facing its most significant challenge in years. It began last year with currency fluctuations in Asia. In the past month it has hit the Russian economy. And today it threatens to engulf Latin America.

THIS CRISIS THREATENS TO UNDERMINE THOSE WHO HAVE SOUGHT TO ACT RESPONSIBLY, YET STILL FIND THEMSELVES PULLED BY ECONOMIC CURRENTS STRONGER THAN THEY ARE.

Today, one quarter of the world's population -- one third of the world's economy -- is in recession, and some of these nations are facing financial collapse.

More than ever, this rolling financial crisis has brought home to the American people that what happens around the world can deeply affect what happens here at home. More than ever before, opportunity for American families is affected BY THE ECONOMIC FORTUNES and rising opportunities for millions of unseen people in other lands. It is starkly in the American national interest that we do what we can to stabilize the world's financial system, and to spur global growth.

Why? Why should Americans care if Asia, or Russia, or South America is on solid economic footing? All nations are now linked in a global financial system, in which over \$1 Trillion rushes across around the world every day -- in which what happens in Kuala Lumpur matters in Kansas, what happens on the trading floor matters on the shopfloor. Fundamentally, as Federal Reserve Chairman Alan Greenspan said, we cannot be an island of prosperity in a sea of misery. America's prosperity depends upon the continued prosperity of America's trading and security partners.

These nations are our customers -- with fully one third of our economic growth coming from exports, much of it to emerging markets. If their economies flatten, our exports will falter, and our own growth will slow.

These nations are our competitors -- AND WHEN THEIR CURRENCIES SUCCUMB TO OVERWHELMING FINANCIAL STRESS the price of their goods falls and we risk a flood of inexpensive imports, undercutting sales of goods made here at home. Thus far, we have not seen this kind of import surge, but if economic distress continues, we cannot be sure that will continue.

These nations are our allies -- and the United States has a profound stake in the spread of freedom and democracy around the world. Throughout this century, in two bloody world wars and a half-century Cold War, we fought to plant freedom's flag around the world. We argued that economic freedom and political liberty went hand in hand, that the prosperity brought by free markets would best be achieved by stable and democratic democracies of free citizens. To a degree that would have amazed the wise people of this organization a half century ago, the advance of freedom has been remarkable. Now, countries where economic

turmoil has plunged millions into sudden poverty will face instability and the risk of a return to authoritarianism.

Nowhere is the link between economic freedom and political freedom clearer than in Russia, which I visited earlier this month. That country is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just seven years under democracy and free markets. The ruble and the stock market there have declined, banks are weak, tax collection has slowed, and the government has trouble paying its debts. Some Russians have become wealthy, but many more struggle to provide for their families. Amid political uncertainty, some now talk of abandoning the path of freedom and returning to policies of the past -- policies that have already failed. Russia has a new Prime Minister, Mr. Primakov, in office only four days. We very much hope that under his leadership, and that of President Yeltsin, Russia will stay on the path of prosperity and freedom. And will do everything we can to encourage that.

Over the last year we have seen a new kind of crisis THAT demandS a new type of response, one that has recognizeS the unstoppable realities of global economic change. Here is the lesson that has been hammered home for the United States and our trading partners this past year: No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape the discipline of the market. No nation can avoid the responsibility to do its part.

In confronting this economic crisis, we have been guided not by inflexible ideology, but by a hard-headed understanding of the inescapable rules of the road in the global economy.

These new rules of the road are clearly marked.

In the new global economy, for good or ill, all economies are interdependent. A loss of confidence or drop in demand that begins in one country can ripple across the globe. Even a decade ago, fluctuations in the Thai or Korean currencies would not significantly affect American businesses and families; today they do. And while investors should rightly judge the ECONOMIC SOUNDNESS of each nation on its own merits, it is plainly true that simple fear and uncertainty about the economy of one country can cause investors to pull out money from another country thousands of miles away.

So we must work together through our international financial institutions to help restore confidence globally and tame economic crisis in nation after nation) not only to ease the economic and social costs where they occur, but to prevent the economic disease from spreading. Plainly the crisis has continued to spread, but if we had not acted, and acted responsibly, matters would certainly be worse today WITH MANY MORE PEOPLE THROWN BACK INTO POVERTY AND A MUCH LONGER ROAD BACK TO HOPE AND RECOVERY.

As we have moved to help these economies, we recognized that we can only help those nations who are willing to help themselves. For in

the new global economy, every nation is subject to the exacting discipline of the global marketplace. As we recognized when we put our fiscal house in order in 1993, no nation can long finance its prosperity with fiscal irresponsibility. If a nation chooses to print money, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors foreign and domestic will ULTIMATELY withdraw their investments, with consequences both swift and severe. In the new economy, all the outside assistance in the world can not help the nation who does not first demonstrate that they are willing to commit to take the often tough steps to restore investor confidence.

That is why we support the basic approach of the International Monetary Fund: extending ASSISTANCE only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting AND OPEN MARKETS, awarding contracts on merit instead of collusion.

America can and must continue to act -- to work with other nations to take the urgent steps needed today to douse the flames of international financial crisis. WE must FURTHER make certain that the institutions and rules of international finance support steady and sustainable growth into the future.

First and foremost, THE LEADING ECONOMIC nations of the world must ACT TOGETHER to spur global growth. A generation of Americans grew up seared by the inflation of the 1970s, and saw the economic devastation that it could bring. Low and stable inflation is critical to our economic health. But the balance of risks has now shifted. We must also guard against the danger of deflation -- the spiral downward of prices and economies that WIPES OUT WEALTH AND eats away hope within nations and sows seeds of conflict among them. In 1998, the industrial world's chief priority must be to spur growth. In the world economy, as in our domestic economy, there is no substitute.

[POSSIBLE REFERENCE TO G-7 STATEMENT]

Every nation must do its part.

The United States can rightly say that our strong and growing economy HAS BEEN THE MAJOR engine of global growth. This was far from predetermined. Six years ago America's chronic deficits were a ball and chain holding back the world economy. When I attended my first meeting of what was then the G-7 in Tokyo, every other nation insisted that America put its house in order. They were right. We did. Now we must continue to maintain our own fiscal discipline that has lowered interest rates and fueled a period of historic investment and job growth. THIS IS THE MOST IMPORTANT THING WE CAN DO FOR THE UNITED STATES AND THE GLOBAL ECONOMY.

Europe must pursue the policies that will spur growth AND KEEP THEIR MARKETS OPEN, so they, too, will be able to provide growing markets for Asian goods as those nations seek to find their footing.

And Japan, one of the world's economic superpowers, has a particularly critical role. Japan is by far the largest economy in Asia.

More than anything else, renewed growth in Asia would underpin renewed confidence around the world -- and Japan holds the key. As they well recognize, they are facing serious risks -- financial crisis, economic decline and diminished confidence -- with dramatic consequences for the rest of Asia. To do its part, Japan must **BE PREPARED TO DO WHATEVER IT TAKES** to revive its banking system, spur consumer demand, restore confidence, **AND DEREGULATE ITS ECONOMY**.

The second immediate step we must take is to continue working to achieve the fastest possible economic recovery in Asia. Where countries have taken strong and responsible steps, the free-fall has ended and progress is being made. But the human cost of Asia's collapse is only now fully being felt. As recent press reports have described, an entire generation that worked its way into the middle class has plummeted into poverty. It is in America's interest -- our farmers, interest, our workers, interest, our businesses, interest -- that these nations recover, their markets grow, and their people once again become our fastest-growing customers.

We have worked with international lenders like the IMF to help these nations to adopt pro-growth budget, tax and monetary policies. But we can and must do more.

And we can take new steps to help Asia grow and to help its people thrive, committing ourselves to the quick restoration of economic growth in the region.

We must work to lift the weight of private sector debt that has frozen Asian economies. Today I am asking Secretary Rubin to work with other **FINANCIAL AUTHORITIES** and international economic institutions to intensify efforts to **EXPLORE, REINFORCE, AND ACCELERATE** comprehensive plans for corporate debt restructuring where individual firms have been swept under by systemic national economic problems. **IN ORDER TO RESTORE GROWTH WE NEED WE NEED TO GET CREDIT FLOWING AGAIN AND GET BUSINESSES BACK TO MAKING PRODUCTS, PROVIDING SERVICES, AND CREATING JOBS.**

We must recognize that adjustments, necessary for the long-term, can be painful in the short-term) especially for those nations that have never established an adequate social safety for their people. Economic reform that fails to factor in human need will simply never add up. Wrenching economic transition without an adequate social safety can sacrifice lives in the name of economic theory) and can generate so much resistance that reform never occurs. With our support and encouragement, the World Bank and the Asia Development Bank have taken significant strides to deal with these challenges.

Today, I call on the World Bank and Asian Development bank to greatly expand their efforts by seeking to gradually redouble their aid through an expanded Social Compact initiative) focusing on job assistance, basic needs during economic transition, on children and the elderly, **AND GROUPS MOST VULNERABLE TO ECONOMIC CHANGE**. [I have spoken to Jim Wolfenson this weekend, and I commend him for his efforts and willingness to spearhead this expanded effort]

Third, we must be ready to respond immediately and with financial force if the currency crisis continues to spread, **THREATENING AT THIS VERY MOMENT THE ECONOMIES OF LATIN AMERICA.**

The IMF AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS MUST STAND READY TO offer support to those nations seeking to reform themselves, particularly those who had struggled to make progress, only to be swamped by economic storms outside their control. So I call on the major economies to **BE WILLING TO ACTIVATE** the \$18 billion now in the emergency fund of the International Monetary Fund -- the General Agreement to Borrow -- to ensure that the IMF continues to support reform and fight economic contagion.

And by far the most important thing we in America can do to that end is to meet our obligations to the International Monetary Fund.

We are learning every day, even countries with the right economic policies can fail if the international community fails to help. The key to all this is the International Monetary Fund.

After a year of financial firefighting, the IMF's resources are badly strained. Every day we do not act, we undermine the confidence the world needs that in time of crisis, the community of nations is ready to act.

The Congress of the United States simply must step up to its responsibility for leading in this new economy. In my State of the Union Address, I said that it is far better to prepare for a storm now than when the clouds are overhead. Today, eight months later, the clouds are much closer, and we can hear the thunder. **BY AN OVERWHELMING BIPARTISAN MAJORITY, THE SENATE HAS MOVED RAPIDLY AND RESPONSIBLY ON THIS IMPERATIVE** There are only [5] weeks left in the congressional session, and there is still no action **FROM THE HOUSE OF REPRESENTATIVES.**

Let me put it as plainly as I can: Failure by this Congress to pay our dues to the IMF will put our prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, lawmakers were unwilling to protect America's workers, businesses and farmers from the risks of global economic change.

WE WILL TAKE THESE IMMEDIATE STEPS. A half century ago, the leaders of that generation took the lessons of depression and war and built a global trading AND FINANCIAL system that was a platform for decades of unprecedented prosperity. Together with the movement toward more open markets and open capital flows, we have witness an unparralled period of economic prosperity. But as President Lincoln said, &as our case is new, we must think anew. 8 Now, facing new realities, our generation must learn the lessons of our time, and make sure that the world financial institutions are as modern and sophisticated as the markets they serve.

By creating the World Trade Organization we began to build a modern trading system. From the meetings in Naples to Halifax to our convening of a new Group of 22 this year, we began to lay plans for a new

financial architecture. AND as we respond to the urgent alarms of today, it is not too early to begin absorbing their lessons, expanding the reach and speeding the pace of our review.

So I want to convene here in Washington D.C. a major meeting of the world's leading economy's finance ministers and central bankers -- chaired by Secretary Rubin and Chairman Greenspan -- to review both the work done from Naples to Halifax and to DEVELOP to a preliminary report to the heads of state by the beginning of next year. We must find ways to enjoy the benefits of free-flowing capital without sentencing the world to an endless cycle of continued crises. JUST AS THE BOLD NEW POLICIES DEVELOPED IN THE 1930s HAVE HELPED TO MODERATE THE RECESSIONS ASSOCIATED WITH NATIONAL BUSINESS CYCLES, NOW WE MUST DEVELOP POLICIES TO PREVENT OR MODERATE HARM THAT RESULTS FROM ASSOCIATION WITH THE GLOBAL CRISIS OF CONFIDENCE.

In all these ways, we will continue to work to address the current financial emergency, and to build a system where such emergencies don't happen in the first place. There is no mission more critical to the strength and security of our country.

For what is at stake is more than prosperity; more, even, than the spread of free markets that has created an integrated global economy. For there is an extraordinary convergence at the edge of a new century. The same factors that allow nations to thrive in the new global economy are also those that deepen the democratic liberties that allow us to thrive as individuals. The free flow of ideas and information. Open borders and easy travel. The rule of law, fair and evenhanded enforcement, protection for consumers. A skilled and educated workforce. Each of these things is vital not only to the wealth of nations, but the spiritual and democratic health of nations. Many nations today are in transition, but some of their citizens tire of waiting for democracy and free markets to deliver a better life. There is real risk in such nations that democracy and free markets, instead of continuing to thrive together, will perish together. This would pose great risks for our security. For as we see around the world, the international aggressors, the harborers of terrorists and drug lords, are authoritarian nations without democracy and free markets. Nations that give their people freedom at home are also good neighbors to other nations. If nations turn away from freedom, it means a turn toward tension, hatreds and instability.

At century's end, we have witnessed a stunning triumph of the ideal of freedom. At times, its triumph seemed so uncontested, so complete, that we forget how fragile its hold can be. At this moment of financial turmoil, we are called upon once again to lead -- to organize the forces of a committed world, not with force of arms this time, but to master the unruly energy of a new global economy. Each and every one of you here must play your part, just as generations of leaders did before you.

If America once again rises to its responsibility, as we have so many times before, then we can redeem the promise of the global economy, and strengthen our nation for the 21st Century. Thank you etc.

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:12-SEP-1998 22:36:22.00

SUBJECT: what went to potus

TO: mawaldman (mawaldman @ aol.com @ inet [UNKNOWN])

READ:UNKNOWN

TEXT:

speelchecked, double-spaced etc.

Draft 9/12/98 10:00pm

Waldman

PRESIDENT WILLIAM J. CLINTON
ADDRESS ON THE INTERNATIONAL ECONOMY
COUNCIL ON FOREIGN RELATIONS
NEW YORK, NEW YORK
September 14, 1998

Acknowledgments: Pete Peterson, chair of CFR; Les Gelb, Pres; admin
alumni incl. Dan Tarullo and Anne Luzzatto;

The Council on Foreign Relations was founded in the bitter wake of World War I) an outpost for those who resisted America,s retreat from engagement. After World War II, this organization helped provide the institutional and intellectual force as a generation of American leaders contained communism and established a new world economic system. Now, a half a century later, the ideals for which the Council has stood) political and economic freedom) are ascendant across the globe. But today, I want to speak to you about the newest challenge as we seek to build the world of the 21st Century.

It is my privilege to speak before you at a time of unsurpassed American economic strength -- but a time of undeniable turmoil in the world economy. At a moment of increasing interconnectedness among the nations of the world, the future of our prosperity and the contours of the world economy will depend upon how we all work to restore confidence and promote robust growth. The challenge of global growth is the central economic challenge of this moment. We have no choice. Today I want to give you a status report on what we have done, and to tell you what I believe we must continue to do in the days and years to come.

America,s economy remains the strongest it has been in a generation. We still have the lowest unemployment in 28 years and the lowest inflation in 32 years. We still have the highest homeownership in history. In two weeks, on October 1, we will have the first balanced budget in a generation -- thanks to the discipline of the American

People. The winning combination of fiscal discipline, investment in people, and significant progress towards open markets and expanding trade has worked for our nation-- wages are now rising again, advancing at twice the rate of inflation after decades of stagnation.

The pillars of our prosperity stand strong. But we live in a world of swirling, sometimes breathtaking change. The global economy we have done so much to create -- the global economy that has brought so much benefit to our nation and to the people of the world -- is facing its most significant challenge in years. It began last year with currency fluctuations in Asia. In the past month it has hit the Russian economy. And today it threatens to engulf Latin America.

This crisis threatens to undermine those who have sought to act responsibly, yet still find themselves pulled by economic currents stronger than they are.

Today, one quarter of the world's population -- one third of the world's economy -- is in recession, and some of these nations are facing financial collapse.

More than ever, this rolling financial crisis has brought home to the American people that what happens around the world can deeply affect what happens here at home. More than ever before, opportunity for American families is affected by the economic fortunes and rising opportunities for millions of unseen people in other lands. It is starkly in the American national interest that we do what we can to stabilize the world's financial system, and to spur global growth.

Why? Why should Americans care if Asia, or Russia, or South America is on solid economic footing? All nations are now linked in a global financial system, in which over \$1 Trillion rushes across around the world every day -- in which what happens in Kuala Lumpur matters in Kansas, what happens on the trading floor matters on the shopfloor. Fundamentally, as Federal Reserve Chairman Alan Greenspan said, we cannot be an island of prosperity in a sea of misery. America's prosperity depends upon the continued prosperity of America's trading and security partners.

These nations are our customers -- with fully one third of our economic growth coming from exports, much of it to emerging markets. If their economies flatten, our exports will falter, and our own growth will slow.

These nations are our competitors -- and when their currencies succumb to overwhelming financial stress the price of their goods falls and we risk a flood of inexpensive imports, undercutting sales of goods made here at home. Thus far, we have not seen this kind of import surge, but if economic distress continues, we cannot be sure that will continue.

These nations are our allies -- and the United States has a profound stake in the spread of freedom and democracy around the world. Throughout this century, in two bloody world wars and a half-century Cold War, we fought to plant freedom's flag around the world. We argued that

economic freedom and political liberty went hand in hand, that the prosperity brought by free markets would best be achieved by stable and democratic democracies of free citizens. To a degree that would have amazed the wise people of this organization a half century ago, the advance of freedom has been remarkable. Now, countries where economic turmoil has plunged millions into sudden poverty will face instability and the risk of a return to authoritarianism.

Nowhere is the link between economic freedom and political freedom clearer than in Russia, which I visited earlier this month. That country is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just seven years under democracy and free markets. The ruble and the stock market there have declined, banks are weak, tax collection has slowed, and the government has trouble paying its debts. Some Russians have become wealthy, but many more struggle to provide for their families. Amid political uncertainty, some now talk of abandoning the path of freedom and returning to policies of the past -- policies that have already failed. Russia has a new Prime Minister, Mr. Primakov, in office only four days. We very much hope that under his leadership, and that of President Yeltsin, Russia will stay on the path of prosperity and freedom. And will do everything we can to encourage that.

Over the last year we have seen a new kind of crisis that demands a new type of response, one that has recognizes the unstoppable realities of global economic change. Here is the lesson that has been hammered home for the United States and our trading partners this past year: No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape the discipline of the market. No nation can avoid the responsibility to do its part.

In confronting this economic crisis, we have been guided not by inflexible ideology, but by a hard-headed understanding of the inescapable rules of the road in the global economy.

These new rules of the road are clearly marked.

In the new global economy, for good or ill, all economies are interdependent. A loss of confidence or drop in demand that begins in one country can ripple across the globe. Even a decade ago, fluctuations in the Thai or Korean currencies would not significantly affect American businesses and families; today they do. And while investors should rightly judge the economic soundness of each nation on its own merits, it is plainly true that simple fear and uncertainty about the economy of one country can cause investors to pull out money from another country thousands of miles away.

So we must work together through our international financial institutions to help restore confidence globally and tame economic crisis (in nation after nation) not only to ease the economic and social costs where they occur, but to prevent the economic disease from spreading. Plainly the crisis has continued to spread, but if we had not acted, and

acted responsibly, matters would certainly be worse today with many more people thrown back into poverty and a much longer road back to hope and recovery.

As we have moved to help these economies, we recognized that we can only help those nations who are willing to help themselves. For in the new global economy, every nation is subject to the exacting discipline of the global marketplace. As we recognized when we put our fiscal house in order in 1993, no nation can finance its prosperity with fiscal irresponsibility. If a nation chooses to print money, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors foreign and domestic will ultimately withdraw their investments, with consequences both swift and severe. In the new economy, all the outside assistance in the world can not help the nation who does not first demonstrate that they are willing to commit to take the often tough steps to restore investor confidence.

That is why we support the basic approach of the International Monetary Fund: extending assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, and awarding contracts on merit instead of collusion.

America can and must continue to act -- to work with other nations to take the urgent steps needed today to douse the flames of international financial crisis. We must further make certain that the institutions and rules of international finance support steady and sustainable growth into the future.

First and foremost, the leading economic nations of the world must act together to spur global growth. A generation of Americans grew up seared by the inflation of the 1970s, and saw the economic devastation that it could bring. Low and stable inflation is critical to our economic health. But the balance of risks has now shifted. We must also guard against the danger of deflation -- the spiral downward of prices and economies that wipes out wealth and eats away hope within nations and sows seeds of conflict among them. In 1998, the industrial world's chief priority must be to spur growth. In the world economy, as in our domestic economy, there is no substitute.

[POSSIBLE REFERENCE TO G-7 STATEMENT]

Every nation must do its part.

The United States can rightly say that our strong and growing economy has been the major engine of global growth. This was far from predetermined. Six years ago America's chronic deficits were a ball and chain holding back the world economy. When I attended my first meeting of what was then the G-7 in Tokyo, every other nation insisted that America put its house in order. They were right. We did. Now we must continue to maintain our own fiscal discipline that has lowered interest rates and fueled a period of historic investment and job growth. This is the most important thing we can do for the United States and the global economy.

Europe must pursue the policies that will spur growth and keep their markets open, so they, too, will be able to provide growing markets for Asian goods as those nations seek to find their footing.

And Japan, one of the world's economic superpowers, has a particularly critical role. Japan is by far the largest economy in Asia. More than anything else, renewed growth in Asia would underpin renewed confidence around the world -- and Japan holds the key. As they well recognize, they are facing serious risks -- financial crisis, economic decline and diminished confidence -- with dramatic consequences for the rest of Asia. To do its part, Japan must be prepared to do whatever it takes to revive its banking system, spur consumer demand, restore confidence, and deregulate its economy.

The second immediate step we must take is to continue working to achieve the fastest possible economic recovery in Asia. Where countries have taken strong and responsible steps, the free-fall has ended and progress is being made. But the human cost of Asia's collapse is only now fully being felt. As recent press reports have described, an entire generation that worked its way into the middle class has plummeted into poverty. It is in America's interest -- our farmers, interest, our workers, interest, our businesses, interest -- that these nations recover, their markets grow, and their people once again become our fastest-growing customers.

We have worked with international lenders like the IMF to help these nations to adopt pro-growth budget, tax and monetary policies. But we can and must do more.

And we can take new steps to help Asia grow and to help its people thrive, committing ourselves to the quick restoration of economic growth in the region.

We must work to lift the weight of private sector debt that has frozen Asian economies. Today I am asking Secretary Rubin to work with other financial authorities and international economic institutions to intensify efforts to explore, reinforce, and accelerate comprehensive plans for corporate debt restructuring where individual firms have been swept under by systemic national economic problems. In order to restore growth we need to get credit flowing again and get businesses back to making products, providing services, and creating jobs.

We must recognize that adjustments, necessary for the long-term, can be painful in the short-term) especially for those nations that have never established an adequate social safety for their people. Economic reform that fails to factor in human need will simply never add up. Wrenching economic transition without an adequate social safety can sacrifice lives in the name of economic theory) and can generate so much resistance that reform never occurs. With our support and encouragement, the World Bank and the Asia Development Bank have taken significant strides to deal with these challenges.

Today, I call on the World Bank and Asian Development bank to

greatly expand their efforts by seeking to gradually redouble their aid through an expanded Social Compact initiative) focusing on job assistance, basic needs during economic transition, on children and the elderly, and groups most vulnerable to economic change. [I have spoken to Jim Wolfenson this weekend, and I commend him for his efforts and willingness to spearhead this expanded effort]

Third, we must be ready to respond immediately and with financial force if the currency crisis continues to spread, threatening at this very moment the economies of Latin America.

The IMF and other international financial institutions must stand ready to offer support to those nations seeking to reform themselves, particularly those who had struggled to make progress, only to be swamped by economic storms outside their control. So I call on the major economies to be willing to activate the \$18 billion now in the emergency fund of the International Monetary Fund -- the General Agreement to Borrow -- to ensure that the IMF continues to support reform and fight economic contagion.

And by far the most important thing we in America can do to that end is to meet our obligations to the International Monetary Fund.

We are learning every day, even countries with the right economic policies can fail if the international community fails to help. The key to all this is the International Monetary Fund.

After a year of financial firefighting, the IMF's resources are badly strained. Every day we do not act, we undermine the confidence the world needs that in time of crisis, the community of nations is ready to act.

The Congress of the United States simply must step up to its responsibility for leading in this new economy. In my State of the Union Address, I said that it is far better to prepare for a storm now than when the clouds are overhead. Today, eight months later, the clouds are much closer, and we can hear the thunder. By an overwhelming bipartisan majority, the senate has moved rapidly and responsibly on this imperative. There are only [5] weeks left in the congressional session, and there is still no action from the House of Representatives.

Let me put it as plainly as I can: Failure by this Congress to pay our dues to the IMF will put our prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, lawmakers were unwilling to protect America's workers, businesses and farmers from the risks of global economic change.

We will take these immediate steps. A half century ago, the leaders of that generation took the lessons of depression and war and built a global trading and financial system that was a platform for decades of unprecedented prosperity. Together with the movement toward more open markets and open capital flows, we have witness an unparralled period of economic prosperity. But as President Lincoln said, &as our case is new, we must think anew. 8 Now, facing new realities, our

generation must learn the lessons of our time, and make sure that the world financial institutions are as modern and sophisticated as the markets they serve.

By creating the World Trade Organization we began to build a modern trading system. From the meetings in Naples to Halifax to our convening of a new Group of 22 this year, we began to lay plans for a new financial architecture. And as we respond to the urgent alarms of today, it is not too early to begin absorbing their lessons, expanding the reach and speeding the pace of our review.

So I want to convene here in Washington D.C. a major meeting of the world's leading economy's finance ministers and central bankers -- chaired by Secretary Rubin and Chairman Greenspan -- to review both the work done from Naples to Halifax and to develop to a preliminary report to the heads of state by the beginning of next year. We must find ways to enjoy the benefits of free-flowing capital without sentencing the world to an endless cycle of continued crises. Just as the bold new policies developed in the 1930s have helped to moderate the recessions associated with national business cycles, now we must develop policies to prevent or moderate harm that results from association with the global crisis of confidence.

In all these ways, we will continue to work to address the current financial emergency, and to build a system where such emergencies don't happen in the first place. There is no mission more critical to the strength and security of our country.

For what is at stake is more than prosperity; more, even, than the spread of free markets that has created an integrated global economy. For there is an extraordinary convergence at the edge of a new century. The same factors that allow nations to thrive in the new global economy are also those that deepen the democratic liberties that allow us to thrive as individuals. The free flow of ideas and information. Open borders and easy travel. The rule of law, fair and evenhanded enforcement, protection for consumers. A skilled and educated workforce. Each of these things is vital not only to the wealth of nations, but the spiritual and democratic health of nations. Many nations today are in transition, but some of their citizens tire of waiting for democracy and free markets to deliver a better life. There is real risk in such nations that democracy and free markets, instead of continuing to thrive together, will perish together. This would pose great risks for our security. For as we see around the world, the international aggressors, the harborers of terrorists and drug lords, are authoritarian nations without democracy and free markets. Nations that give their people freedom at home are also good neighbors to other nations. If nations turn away from freedom, it means a turn toward tension, hatreds and instability.

At century's end, we have witnessed a stunning triumph of the ideal of freedom. At times, its triumph seemed so uncontested, so complete, that we forget how fragile its hold can be. At this moment of financial turmoil, we are called upon once again to lead -- to organize the forces of a committed world, not with force of arms this time, but to

master the unruly energy of a new global economy. Each and every one of you here must play your part, just as generations of leaders did before you.

If America once again rises to its responsibility, as we have so many times before, then we can redeem the promise of the global economy, and strengthen our nation for the 21st Century. Thank you etc.

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce McNamer (CN=Bruce McNamer/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:14-SEP-1998 13:07:38.00

SUBJECT: Re: IMF Latin America Guidance

TO: Malcolm R. Lee (CN=Malcolm R. Lee/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Malcolm
I wasn't clear from your e-mail if PJ Crowley had seen this or not

Malcolm R. Lee
09/14/98 12:55:40 PM
Record Type: Record

To: Bruce McNamer/OPD/EOP
cc:
Subject: Re: IMF Latin America Guidance

Bruce: I have asked P.J. Crowley to give you a call if this is still needed. If so, could you work with Jake on this and then shoot to P.J. Crowley in NSC at fax 6-9270. Will need to clear with Gerard Gallucci at NSC Latin America. I would draw general comments from POTUS speech today. I would put the IMF funding information as background or if asked. ML

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Maryanne B. Green (CN=Maryanne B. Green/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:14-SEP-1998 10:15:02.00

SUBJECT: for gene

TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

CC: MAWALDMAN@aol.com (MAWALDMAN@aol.com @ inet [UNKNOWN])

READ:UNKNOWN

TEXT:

The attached was inadvertently sent to me.

----- Forwarded by Maryanne B. Green/OMB/EOP on 09/14/98

10:11 AM -----

MAWALDMAN@aol.com

09/13/98 06:28:00 PM

Record Type: Record

To: Maryanne B. Green@eop

cc:

Subject: for gene

Draft 9/13/98

Waldman

PRESIDENT WILLIAM J. CLINTON

ADDRESS ON THE INTERNATIONAL ECONOMY

COUNCIL ON FOREIGN RELATIONS

NEW YORK, NEW YORK

September 14, 1998

Acknowledgments: Pete Peterson, chair of CFR; Les Gelb, Pres; admin
alumni incl. Dan Tarullo and Anne Luzzatto;

The Council on Foreign Relations was founded in the bitter wake of
World War

I by farsighted Americans who recognized our national interest required
international engagement. After World War II, this organization was

"present

at the creation," helping provide the intellectual force for a generation
of

American leaders who contained communism and established a new world
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system. Now, at century,s end, we have witnessed a stunning triumph of
the

ideal for which you fought, the ideal of freedom. At times, its triumph

seemed so uncontested, so complete, that we forget how fragile its hold can be. Now our generation must rise to its responsibility. And I want to speak to you about the newest challenge we face as we seek to build the world of the 21st Century.

I speak at a time of unsurpassed American economic strength -- but also at a time of undeniable turmoil in the world economy. At a moment of increasing interconnectedness among the nations of the world, the future of our prosperity and the contours of the world economy will depend upon how we all work to restore confidence, stabilize the financial system, and spur robust global growth. The challenge of global growth is the central economic challenge of this moment. Meeting it is starkly in our national interest.

A generation of Americans grew up seared by the inflation of the 1970s, and saw the economic devastation it could bring. Low and stable inflation is critical to our economic health. But the balance of risks has now shifted. We must also guard against the danger of global deflation -- the spiral downward of prices and economies that wipes out wealth and eats away hope within nations, and sows seeds of conflict among them. In 1998, the industrial world's chief priority must be to spur growth. In the world economy, as in our domestic economy, there is no substitute.

Today I want to give you a status report on what we have done, and to tell you what I believe we must do in the days and years to come. We must continue to take immediate steps to contain the current financial turmoil around the world: We will work with Japan, Europe and other nations, acting together to spur growth. We will urge the IMF to stand ready to use the \$18 billion in its emergency fund to help stop the financial contagion from spreading to Latin America and elsewhere. We will work with other nations to find a way for viable businesses in stricken Asian economies to emerge from crippling debt burdens so they can once again contribute to growth and job creation. We will urge the World Bank to double its support for the social safety net in Asia, to help those people who are the innocent victims of financial turmoil. And we will urge Congress to live up to its responsibility for continued prosperity by meeting America's obligations to the IMF. And as we take these immediate steps, we will continue our efforts to plan for long-term reform of the international financial system, convening a major meeting of finance ministers and central bankers this fall to adapt the international financial architecture to the new realities of the 21st Century.

Let's understand the reality of the situation, and why it matters.

America's economy remains the strongest in a generation. We have the lowest unemployment in 28 years, the lowest inflation in 32 years, the highest homeownership in history. In two weeks, on October 1, we will have the first balanced budget in a generation -- thanks to the discipline of the American people. Our strategy of fiscal discipline, investment in the skills of our people, and open trade has worked for working Americans -- wages are now rising again, advancing at twice the rate of inflation after decades of stagnation.

The pillars of our prosperity stand strong. But we live in a world of swirling, sometimes breathtaking change. The dynamic global economy we have done so much to create) which has brought so much benefit to our nation and the world -- faces a profound challenge. It began last year with currency fluctuations in Asia. In the past month it has hit the Russian economy hard. And today it threatens to engulf Latin America. This crisis threatens to undermine those who have sought to act responsibly, yet still find themselves pulled under by economic currents stronger than they are. Today, one quarter of the world's population -- one third of the world's economy -- is in recession, and some of these nations are facing financial collapse.

More than ever, this rolling financial crisis has brought home to the American people that what happens around the world can and will deeply affect what happens here at home. More than ever before, opportunity for American families depends upon the rising fortunes of millions of unseen people in other lands.

All nations are now linked in a global financial system, in which over \$1 Trillion rushes across around the world every day -- in which what happens in Seoul matters in Saginaw, and what happens on the trading floor matters on the shopfloor. Fundamentally, as Federal Reserve Chairman Greenspan said, we cannot be an oasis of prosperity in a sea of misery. Growth at home depends upon growth in the world.

Why? Why should Americans care if Asia, or Russia, or South America is on solid economic footing?

These nations are our customers -- with fully one third of our economic

growth
coming from exports, much of it to emerging markets. If their economies
flatten, our exports will falter, and our own growth will slow.

These nations are our competitors -- and when their currencies
succumb to
overwhelming financial stress the price of their goods falls and we risk a
flood of imports at fire-sale prices, undercutting sales of goods made
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home. Thus far, we have not seen this kind of import surge, but we can
anticipate that it will occur soon.

These nations are our friends and allies -- and the United States
has a
profound stake in the spread of freedom and democracy around the world.

Nowhere is the link between economic freedom and political freedom
clearer
than in Russia, which I visited earlier this month. That country is
facing an
economic crisis that threatens the extraordinary progress the Russian
people
have made in just seven years, building a new society from the ground up.
The
ruble and the stock market there have plummeted, banks are weak, tax
collection has slowed, and the government has trouble paying its debts.
Some
Russians have become wealthy, but many more struggle to provide for their
families. Amid political uncertainty, some now talk of abandoning the
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freedom and returning to policies of the past -- policies that have already
failed. Russia has a new Prime Minister, Mr. Primakov, in office only four
days. We very much hope that under his leadership, and that of President
Yeltsin,s, Russia will stay on the path of prosperity and freedom. And
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do everything we can to encourage that.

Over the last year, we have seen a new kind of crisis, demanding a new
type of
response -- one that recognizes the unstoppable realities of global
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change. Here is the lesson that has been hammered home for the United
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and our trading partners this past year: No nation, rich or poor,
democratic
or authoritarian, can escape the fundamental economic imperatives of the
global market. No nation can escape the discipline of the market. No
nation
can avoid the responsibility to do its part.

In confronting this economic crisis, we have been guided not by
inflexible
ideology, but by a hard-headed understanding of the inescapable rules of
the

road in the global economy. These new rules of the road are clearly marked.

In the new global economy, for good or ill, all economies are interdependent. A loss of confidence or drop in demand that begins in one country can ripple across the globe. Even a decade ago, fluctuations in the Thai or Korean currencies would not significantly affect American businesses and families; today they do. We hope that investors will judge the economic soundness of each nation on its own merits. But it is also true that at times like these, simple fear and uncertainty about the economy of one country can prompt investors to pull out money from another country thousands of miles away. This is one responsibility the leaders of the financial community, many of whom are here today, can and must bear: I ask you to recognize the differences between those emerging nations who are playing by the rules of the world marketplace -- and those that are not.

So we must work together through our international financial institutions to help restore confidence globally and tame economic crisis in every affected nation -- not only to ease the economic and social costs where they occur, but to prevent the economic disease from spreading. Plainly the crisis has continued to spread, but if we had not acted, and acted responsibly, matters would certainly be worse today.

As we have moved to help these economies, we recognized that we can only help those nations who are willing to help themselves. For in the new global economy, every nation is subject to the exacting discipline of the global marketplace. As we recognized when we put our fiscal house in order in 1993, no nation can finance its prosperity with fiscal irresponsibility. If a nation chooses to print money, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors will ultimately withdraw their investments, with consequences both swift and severe. In the new economy, all the outside assistance in the world can not help a nation that does not first demonstrate that it is willing to commit to take the often tough steps to restore investor confidence. That is why we support the basic approach of the International Monetary Fund: extending assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, and awarding contracts on merit instead of collusion.

So in the face of this new kind of challenge, America can and must

continue

to act -- to take the urgent steps needed today to douse the flames of financial crisis) to restart the engine of growth in Asia and to minimize the

impact of the financial turmoil on other nations. These steps will benefit

us in the short-term. And as we do so, we must also make certain that the institutions and rules of international finance are prepared to support

steady

and sustainable growth into the future.

First and foremost, the leading economic nations of the world must act

together to spur global growth.

[POSSIBLE REFERENCE TO G-7 STATEMENT]

No nation can do it alone; every nation must do its part.

The United States can rightly say that our strong and growing economy has

been the major engine of global growth. This was far from predetermined.

Six

years ago America's chronic deficits were a ball and chain holding back the

world economy. When I attended my first meeting of what was then the G-7 in

Tokyo, every other nation urgently agreed with what I said when I ran for President: America put its house in order. We did. Now our greatest contribution to growth must be to maintain our own fiscal discipline that has

lowered interest rates and fueled a period of historic investment and job growth. This is the most important thing we can do for the United States and

the global economy.

Europe must pursue the policies that will spur growth and keep their markets

open, so they, too, will be able to provide growing markets for Asian goods as

those nations seek to find their footing.

And Japan, one of the world's economic superpowers, has a particularly

critical role. Japan, the second largest economy in the world, is by far the

largest economy in Asia. More than anything else, renewed growth in Asia would

underpin renewed confidence around the world -- and Japan holds the key.

As

they well recognize, they are facing serious risks -- financial crisis, economic decline and diminished confidence -- with dramatic consequences for

Japan and the rest of Asia. For the benefit of its own people and the

world,
Japan must be prepared to do whatever it takes to restore strong economic growth) to spur domestic demand, revive its banking system, restore confidence, deregulate its economy and open its markets.

The second immediate step we must take is to continue working to achieve the fastest possible economic recovery in Asia. Where countries such as South Korea and Thailand have taken strong and responsible steps, the free-fall has ended and progress is being made. But the human cost of Asia's collapse is only now fully being felt. As recent press reports have described, an entire generation that worked its way into the middle class is plummeting into poverty. It is in America's interest -- our farmers, interest, our workers, interest, our businesses, interest -- that these nations recover, their markets grow, and their people once again become our fastest-growing customers.

We have worked with international lenders like the IMF to help these nations to adopt pro-growth budget, tax and monetary policies. But we can and must do more to help Asia grow and to help its people thrive, committing ourselves to the quick restoration of economic growth in the region.

We must work to lift the weight of private sector debt that has frozen Asian economies. Today I am asking Secretary Rubin to work with other financial authorities and international economic institutions to accelerate efforts to explore, reinforce, and accelerate comprehensive plans to help Asian corporations to emerge from massive debt, where individual firms have been swept under by systemic national economic problems. In order to restore growth we need we need to get credit flowing again and get businesses back to making products, providing services, and creating jobs.

Asian businesses need assistance, but so do millions of Asian families. We must recognize that economic adjustments, necessary for the long-term, can be painful in the short-term -- especially for those nations that have never established an adequate social safety net for their people. Wrenching economic transition without an adequate social safety can sacrifice lives in the name of economic theory -- and can generate so much resistance that reform grinds to a halt.

With our support and encouragement, the World Bank and the Asia

Development

Bank have taken significant strides to deal with these challenges. Today,

I

call on the World Bank and Asian Development bank to greatly expand their efforts by seeking to gradually double their aid through an expanded Social Compact initiative -- focusing on job assistance, basic needs during economic

transition, on children and the elderly, and groups most vulnerable to economic change. [I have spoken to Jim Wolfenson this weekend, and I commend

him for his efforts and willingness to spearhead this expanded effort]

Third, we must be ready to respond immediately and with financial force if the

currency crisis continues to spread) as indeed, over the past several days,

it has threatened the economies of Latin America.

The IMF and other international financial institutions must stand ready to

offer support to those nations seeking to reform themselves, particularly those who had struggled to make progress, only to be swamped by economic storms outside their control. So I call on the major economies to be willing

to activate the \$18 billion now in the emergency fund of the International Monetary Fund -- the General Agreement to Borrow -- to ensure that the IMF continues to support reform and fight economic contagion.

And by far the most important thing we in America can do to that end is to

meet our obligations to the IMF. We are learning every day, even countries with the right economic policies can fail if the international community fails

to help. The key to all this is the International Monetary Fund. After a year

of financial firefighting, the IMF's resources are badly strained. Every day

we do not act, we undermine the confidence the world needs that in time of crisis, the community of nations is ready to act.

The U.S. Congress simply must step up to its responsibility for leading in

this new economy. In my State of the Union Address, I said that it is far better to prepare for a storm now than when the clouds are overhead.

Today,

eight months later, the clouds are much

closer, and we can hear the thunder. By an overwhelming bipartisan majority,

the Senate has moved rapidly and responsibly on this imperative. There are only [5] weeks left in the congressional session, and there is still no action

from the House of Representatives.

Let me put it as plainly as I can: Failure by this Congress to pay

our dues
to the IMF will put our prosperity at risk. Failure to act will send a
sharp
signal that at a time of economic challenge, lawmakers were unwilling to
protect America's workers, businesses and farmers from the risks of global
economic change.

Concerted action to spur growth (helping Asia through private sector debt
restructuring and a strengthened social safety net (helping protect the
rest
of the world through use of the IMF's emergency fund, and by meeting our
own
obligations to the IMF (these are the immediate steps we must take to
hold
back the tide of financial crisis.

But wise stewardship of this new economy demands that we look forward. A
global economy that lurches from boom to bust, that rides a roller coaster
of
financial instability, is not serving its purposes or the people. A half
century ago, visionary leaders heeded the lessons of Depression and war and
built a global trading and financial system that was a platform for
decades of
growth. Together with the movement toward more open markets and open
capital
flows, we have lived through an unparalleled period of economic prosperity.
Now, facing new realities, our generation must learn the lessons of our
time,
and make sure that the world financial institutions are as modern and
sophisticated as the markets they serve.

By creating the World Trade Organization we began to build a modern trading
system. [reprise of WTO speech to come]

Next year we will host the meeting of the world's trade ministers in
Washington, where we will set the agenda for expanded trade in the first
decade of the new century. History teaches us that at a time of worldwide
difficulty, it would be folly to retreat into a protectionist shell. We
must
keep trade flowing among nations. This November, when I meet with the
leaders
of the Asian economies at APEC, we will move forward to further open
markets
in Asia. It is more important than ever. And when Congress returns in the
new year, I will work to pass a comprehensive trade agenda () from trade
negotiating powers to the African trade initiative () that can win the
support
of a broad majority of both parties.

And from the meetings in Naples to Halifax to Birmingham, we have begun to
lay
plans for a new financial architecture. For the first time this year, we
have
included key emerging markets in this process, in a new Group of 22,

recognizing their important stake in the global economy. Even as we respond to urgent alarms, it is not too early to begin absorbing the lessons of today's turmoil and speed the pace of our work.

So today I ask Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the world's leading economies in Washington D.C. to develop to a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system. We need to consider best ways extend emergency financing when countries are battling crises of confidence due to worldwide financial distress. We must adapt the IMF so it can better face the new kinds of financial crises and minimize their human costs. We must develop policies so countries can reap the benefits of free-flowing capital in a way that is safe and sustainable. We must find ways to tap the energy of global markets without sentencing the world to an endless cycle of continued crises. For half century, in national economy, we have learned to temper the swings of the business cycle; now, in the 21st Century, we must do so in the global economy as well.

I have discussed this in recent days with Prime Minister Blair, the Chair of the G-7, and he shares my belief that this is an urgent task. It is critical to the mission he and I will be discussing next week at New York University School of Law) how to make the world economy work for the people who are in it.

In all these ways, we will continue to work to address the current financial emergency, and to build a system where such emergencies don't happen in the first place. There is no mission more critical to the strength and security of our country.

For what is at stake is more than prosperity; more, even, than the spread of free markets that has created an integrated global economy. For there is an extraordinary convergence at the edge of a new century. The same factors that allow nations to thrive in the new global economy are also those that deepen

the democratic liberties that allow us to thrive as individuals. The free flow of ideas and information. Open borders and easy travel. The rule of law, fair and evenhanded enforcement, protection for consumers. A skilled and educated workforce. Each of these things is vital not only to the wealth of nations, but the spiritual and democratic health of nations. Many nations today are in transition, but some of their citizens tire of waiting for democracy and free markets to deliver a better life. There is real risk in such nations that democracy and free markets, instead of continuing to thrive together, will perish together (that countries where economic turmoil has plunged millions into sudden poverty will face at least instability and at worst the risk of a return to dictatorship. This would pose great risks for our security. For as we see around the world, the international aggressors, the harborers of terrorists and drug lords, are authoritarian nations without democracy and free markets. Nations that give their people freedom at home are also good neighbors to other nations. When nations turn away from freedom, they turn toward tension, hatreds and instability.

At this moment of financial turmoil, we are called upon once again to lead -- to organize the forces of a committed world, not with force of arms this time, but to channel the unruly energy of a new global economy. Each and every one of you here must play your part, just as generations of leaders did before you.

If America once again rises to its responsibility, as we have so many times before, then we can redeem the promise of the global economy, and strengthen our nation for the 21st Century. Thank you etc.

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THE WHITE HOUSE

Office of the Press Secretary
(New York, New York)

For Immediate Release
1998

September 14,

REMARKS BY THE PRESIDENT
TO THE COUNCIL ON FOREIGN RELATIONS

Council on Foreign Relations Building
New York, New York

12:00 P.M. EDT

THE PRESIDENT: Thank you very much, Pete. Hillary and I
are
delighted to be here with you and Joan, and I'm glad to be joined by
Secretary
Rubin and Jim Harmon, Gene Sperling, other members of our team. I'm glad
to

see Dick Holbrooke over here. I hope, if we can overcome the inertia of Congress, he will soon be a member of the team again. (Applause.) And I thank David Rockefeller and Les Gelb and others who welcomed us here today.

The subject that I want to discuss -- let me just say one thing in advance -- I'm going to give you my best thoughts. We have been working on this for three years at some level of intensity or another, going back to the Naples G-7 meeting in the aftermath of the Mexican financial crisis. I have done everything I could do personally to reach out across the country, and indeed across the world, for any new ideas from any source. I'm going to give you my best thinking today about what we can do, but I want you to know that I'm here, and if I had my druthers, this would be about a three-hour session where I'd give this talk and then I would listen for the rest of the time.

So I want to encourage you, if you think we're right, to support us. But if you have any ideas, for goodness sake, share them, because I agree with what Pete said: this is the biggest financial challenge facing the world in a half-century. And the United States has an absolutely inescapable obligation to lead, and to lead in a way that's consistent with our values and our obligation to see that what we're doing helps lift the lives of ordinary people here at home and all around the world.

The Council on Foreign Relations has always stood for political and economic freedom, since right after World War I. And I think one of the things that has impacted all of us, and it was implicit in what Pete said, is that for the last decade the growth of freedom around the world, with more than half the people in the world living under governments of their own choosing, more than half the villages, the one million villages in China now, even electing their own governments, and this sweeping replacement of command and control economies by market economies. I think it seems to have happened so easily, so effortlessly, so inexorably, that I think we think the trend is inevitable and irreversible.

But if you consider today's economic difficulties, disruptions, and the plain old, deep, personal disappointments of now tens of millions of people around the world, it is clear to me that there is now a stark challenge not only to economic freedom, but, if unaddressed, a challenge

that could stem the rising tide of political liberty as well.

Obviously we have profound interests here. It is a great irony that we are at a moment of unsurpassed economic strength at a time of such turmoil in the world economy. We, I think all of us in this room, know that our future prosperity depends upon whether we can work with others to restore

confidence, manage change, stabilize the financial system, and spur robust global growth.

For most of the last 30 years, the United States and the rest of the world has been preoccupied by inflation, for reasons that all of you here know all too well -- and it was a good thing to be preoccupied with. Today the low and stable inflation we enjoy has been critical to our economic health, and low inflation has also contributed to that of many other nations as well. But clearly the balance of risks has now shifted, with a full quarter of the world's population living in countries with declining economic growth or negative economic growth.

Therefore, I believe the industrial world's chief priority today, plainly, is to spur growth. It seems to me there are six immediate steps we should take to help contain the current financial turmoil around the world, and then two longer-term projects in which we must be involved.

To take the immediate first, we must work with Japan, Europe, and other nations to spur growth. Second, we will expand our efforts to enable viable businesses in Asia to emerge from crippling debt burdens so they can once again contribute to growth and job creation. Third, we've asked the World Bank to double its support for the social safety net in Asia to help people who are innocent victims of financial turmoil. Fourth, we'll urge the major industrial economies to stand ready to use the \$15 billion in IMF emergency funds to help stop the financial contagion from spreading to Latin America and elsewhere. Fifth, our Ex-Im Bank, under the leadership of Jim Harmon, will intensify its efforts to generate economic activity in the developing world immediately, in the next three months. And sixth, Congress must live up to its responsibility for continued prosperity by meeting our obligations to the International Monetary Fund.

Secretary Rubin has been working with his counterparts in the G-7 to get cooperative support for several of these measures. I understand Chairman Greenspan is also consulting with his counterparts on these items as well.

As we take these immediate steps, we also must intensify our efforts to reform our trade and financial

institutions so that they can respond better to the challenges we now face and those we are likely to face in the future. We must build a stronger and more accountable global trading system, pressing forward with market-opening initiatives, but also advancing the protection of labor and environmental interests, and doing more to ensure that trade helps the lives of ordinary citizens across the globe.

Above all, we must accelerate our efforts to reform the international financial system. Today I have asked Secretary Rubin and Federal Reserve Board Chairman Greenspan to convene a major meeting of their counterparts within the next 30 days to recommend ways to adapt the international financial architecture to the 21st century.

Over the past six years, our strategy at home of fiscal discipline, investment in the skills of our people, and open trade has worked for all Americans. Unemployment at a 28-year low, inflation a 32-year low, wages rising at twice the rate of inflation after decades of stagnation. And on October 1st we'll have the first balanced budget in 29 years.

But the global economy brought a lot of that prosperity to us, and now fast-moving currents have brought or aggravated problems in Russia and Asia. They threaten emerging economies from Latin America to South Africa. With a quarter of the world's population in declining growth, we must recognize what Chairman Greenspan said the other day: we cannot forever be

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an oasis of prosperity. Growth at home depends upon growth abroad. A full 30 percent of our growth, just since I became President, has been due to our expanding positive involvement in the global economy.

That's why ordinary Americans should care if Asia or Russia or South America is on solid economic footing. These people are our customers. With one-third of the growth of our economy coming from exports, much of it from emerging markets, we know that those markets will falter as their economies flatten. When the problem is widespread and perceived to be moving in the wrong direction, we have seen that our stock market can react, having a direct and immediate impact on the wealth of the American people.

These nations are also our competitors. And under conditions of decent equilibrium that is a very good thing, indeed. But when their currencies drop precipitously, the prices of their goods fall, they could undercut the sales of our own goods here at home that are otherwise profitable, dramatically increasing our trade deficit under circumstances that could cause the American people to turn away from open trade toward protectionism in a way that has terrific negative consequences long-term for our global growth objectives.

Finally, these nations are our friends, our allies and our security partners. Where economic turmoil plunges millions into sudden poverty and disrupts and disorients the lives of ordinary people, the risks of political and social instability and of a turn from democracy clearly rise. Just look at Russia. Russia is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just seven years, building a new society from the ground up. The ruble and the stock market have plummeted, banks are weak, tax collections have slowed, the government has trouble paying its debts and its salaries.

Some Russians have become wealthy, but many, many more are struggling to provide for their families. I talked to some of them when I was in Russia just a few days ago.

Amid such political uncertainty and economic difficulty, some now talk of abandoning the path of reform and returning to policies of the past, even policies that have already failed. At worst, adversity in Russia could affect not only the Russian economy and prospects for our economic cooperation -- at worst, it could have an impact on our cooperation with Russia on nuclear disarmament, on fighting terrorism and the spread of weapons of mass destruction, on standing together for peace, from the Balkans to the Middle East.

Now Russia has a new Prime Minister, Mr. Primakov, who's been in office a grand total of four days. He and President Yeltsin face one of the great challenges of their time. Never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets, and to take decisive steps to stabilize the economy and restore investor confidence.

But if Russia is willing to take these steps, we must do everything we can to provide support to them. Because again I say, as long as ordinary people don't feel any benefits from this, in the end it's going to be difficult to sustain the direction we think the world should take.

On the other hand, we need to be honest with Russia and everyone else. No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape its discipline. No nation can avoid its responsibility to do its part.

But since all economies are increasingly interdependent, fear and uncertainty about the economy of one country can prompt investors to pull money out of other countries thousands of miles away. Markets work best when they are driven neither by excessive inflows or outflows of capital based on

indiscriminate optimism or pessimism.

Regardless of what changes in policies or institutions may be warranted, we have to say we'll only be able to help those countries who are willing to help themselves. If a nation chooses to print money indiscriminately, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors, foreign and domestic, sooner or later, will withdraw their investments, with consequences both swift and severe.

That is why we support the fundamental approach of the International Monetary Fund to extend assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, awarding credit on merit instead of connections.

Still, what has been done is clearly not enough to reverse the decline in particular countries, to douse the flames of the international financial crisis, to support steady and sustainable growth in the future. In the face of this new challenge, America can and must continue to act and to lead to take the urgent steps needed today to calm the financial crisis, restart the engine of growth in Asia, and minimize the impact of financial turmoil on other nations, and to make certain that for tomorrow the institutions and rules of international finance and international trade are prepared to support steady and sustainable growth over the long term.

First and foremost, the leading economic nations must act together to spur global growth. Our strong and growing economy here has made a major contribution to global growth, just as our weak economy was holding the world back six years ago when I attended my first G-7 meeting in Tokyo and every other country said, the first thing they needed was for America to put its economic house in order. We did that.

Now I believe strongly we must maintain our fiscal discipline. It has led to lower interest rates and a huge investment and job growth. Maintaining economic growth is the best thing we can do right now, not only for the United States but for the global economy.

I would also remember that back in 1993 we had a general agreement that what was needed was America should get rid of its deficit, Europe should lower its interest rates, and Japan should open its markets. There was this general agreement that if we did all those things, we would have a remarkable resumption of growth.

Europe did moderate its interest rates and the then prime minister -- now the finance minister -- Mr. Miyazawa, oversaw a significant market opening trade agreement between the United States and Japan, which also benefited others, not just

us. And of course we got rid of our deficit. The results were quite satisfactory for several years for us.

Now Europe has to continue to pursue policies that will spur growth and keep their markets open because they, too, must be able to provide markets for Asian goods as those nations seek to find their footing. But the key here is Japan, for the second largest economy in the world, by far the biggest economy in Asia, has now gone several years without any economic growth. Thank goodness, a lot of their ordinary citizens have been able to maintain a decent life because of the wealth of their country and probably because of the enormous personal savings rate they

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have enjoyed for many, many years now.

But it is difficult to see how any actions of the world community can be successful in restoring growth in Asia in the absence of the restoration of growth in Japan, which would enable Japan to lead the region out of its present condition. Therefore, we must support Japan and do everything we can to help create the conditions in which, together, we can all lead again, just as we did in 1993.

Their challenges are quite formidable. They have to spur domestic demand, revive a banking system, restore confidence, deregulate the economy, and open markets. And we all know all the forces that seem to be working against these developments in Japan. But I would remind you that this is a very strong, sophisticated nation full of people of knowledge and enormous achievement. It is fully capable of playing its world leadership role. I believe its business leaders right now know what needs to be done and would support it.

Next week I'm going to meet with Prime Minister Obuchi here in New York to discuss how America can support Japan's efforts to restore economic growth and investor confidence. And I will do everything I can to try to make sure that as we go forward, we have America, Europe, and Japan all doing our part to get beyond this present moment, just as we did back in 1993.

The second step we should take is to intensify our efforts to speed economic recovery in Asia. When countries like South Korea and Thailand have taken strong and responsible steps, the freefall has ended, progress is being made. But the human cost of Asia's collapse is only now being fully felt. Recent press reports have described an entire generation working its way into the middle class over 25 years, then being plummeted into poverty within a matter of months. The stories are heartbreaking -- doctors and nurses forced to live in the lobby of a closed hospital; middle class families who own their own homes, sent their children to college, traveled abroad, now living by selling their possessions.

It is in our interest to help these nations and these people recover. They will become once again our great markets and our great partners. It is also the right thing to do. We've worked with international lenders, like the IMF, to help these nations to adopt pro-growth budget, tax, and monetary policies, but clearly we're going to have to do more to restore Asian growth. We must work to lift the weight of private sector debt that has frozen the Asian economies.

Today, I'm asking Secretary Rubin to work with other financial authorities and international economic institutions to enhance efforts to explore comprehensive plans to help Asian corporations emerge from massive debt where individual firms have been swept under by systemic, national economic problems, rather than their own errors. We need to get credit flowing again. We need to get business back to making products, producing services, creating jobs.

Third, Asian businesses need assistance, but so do millions of Asian families. We must do more to establish an adequate social safety net in recovering nations. Wrenching economic transition without an adequate social safety net can sacrifice lives in the name of economic theory, and, I might add, can generate thereby so much resistance that reform grinds to a halt. If we want these countries to do tough things, we have to protect the most defenseless people in the society and we have to protect people who get hurt when they didn't do anything wrong. I think that is terribly important.

With our support, the World Bank and the Asian

Development Bank have started to deal with these challenges, but they have to expand their efforts. There is simply not enough being done. I asked them to double their aid through an expanded social compact initiative focusing on job assistance, basic needs and economic transition, on children and the elderly, on groups most vulnerable to economic change. And I want to commend Jim Wolfensohn for his efforts and his willingness to lead this expanded initiative. We have to be ready to respond immediately with financial force if necessary, to the currency crisis, if it spreads, especially if it threatens the economies of Latin America, where nations have struggled to make progress to do the right thing, only to find themselves buffeted by economic storms outside their control.

Therefore, the major economies should stand ready to activate the \$15 billion now in the emergency funds of the IMF, the general agreement to borrow, to ensure that the IMF continues to support reform and fight economic contagion.

Fifth, our Export-Import Bank will increase its commitments to specific economic development projects over the

next three years -- three months -- projects which will have concrete benefits for ordinary citizens in other countries, projects which will increase our own exports and thereby help our economy, and ones which can help to restore confidence in countries that they are not alone and that actual, specific, positive developments can occur.

Sixth, for the effort of the international community to succeed, America simply must meet its own obligations to the International Monetary Fund. After a year of financial firefighting, the IMF's resources are badly strained. Every day we don't act, we undermine the confidence the world badly needs that we are trying to restore. Congress simply must assume its responsibility for our leadership in the economy.

In my State of the Union address, I said it was better to prepare for a storm when the skies were clear than when the clouds were overhead. Well, eight months later, the clouds are closer, and you can nearly hear the thunder. Now, the Senate, by an overwhelming bipartisan majority, has, thankfully, approved our obligation to fund our part of the International Monetary Fund. But with only five weeks left in this congressional session, there is still no action from the House of Representatives.

Let me put this as plainly as I can: failure by this Congress to pay our dues to the IMF will put our own prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, our lawmakers were unwilling to protect our workers, our businesses, our farmers from the risks of global economic change, and unwilling to maintain our leadership in building a global economy system that has benefited us more than any other nation.

Concerted action to spur growth, helping Asia through private sector debt restructuring, and a strengthened social safety net, helping to protect the rest of the world through the use of the IMF's emergency fund, increasing the activity of the Ex-Im Bank, and meeting our own obligations to the IMF -- these are the six immediate steps we want to take.

But we must also be willing to take action for the long run -- to modify the financial and trading institutions of the world to match the realities of the new economy they serve. By creating the WTO, the World Trading Organization, in 1994, we began to build a modern trading system. We must redouble our efforts to tear down barriers around the world. But as I said in Geneva last May, we must do more to ensure that spirited economic competition among nations never becomes a race to the bottom -- in environmental protection, consumer protection, or labor

standards.

We are working to open the procedures of the WTO to participation by the public and the full range of affected interests, so that people will know and see and be able to do for themselves things which will ensure that the trading system makes the world better for all the people in all the countries.

We've already completed 260 trade agreements, opening markets in areas from autos to telecommunications. Next year we will host the meeting of the world's trade ministers to set the agenda for expanded trade in the first decade in the new century.

History teaches us that at a time of worldwide difficulty, it would be folly to retreat into a protectionist shell. We must keep trade flowing among nations, but I will say again, if we want to do that, we have got to give ordinary citizens and the groups that represent them in countries all over the world the sense that it is going to be done in a fair way, consistent with nations' obligations to advance the interests of their working people and protect not only their national, but the global environment.

This November, when I meet with the leaders of the Asian economies at the APEC meeting, we will move forward to further open markets in Asia. And when Congress returns next year, I will work to pass legislation to open markets further --from trade negotiating powers to the African Trade Initiative. I will do so in a way that I believe will win broad support from a majority of both parties.

From the G-7 meeting in Halifax in 1995 in the wake of the Mexican financial crisis, to the Birmingham meeting this year, we have been working, also, with our major economic partners to plan for new financial architecture for the 21st century.

For the first time, this year we included key emerging markets in the process in a new Group of 22, recognizing their important stake in the global economy. This group has been working together for nearly a year now to improve the global financial assistance with a special focus on improving financial sectors, on transparency, and on private sector burden sharing.

I just want to emphasize again that even as we respond to the urgent alarms of the moment, we must speed the pace of this systemic work as well. That is why I have asked Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the G-7 and key emerging economies in Washington within 30 days to develop a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system.

We must develop policies so that countries can reap the benefits of free-flowing capital in a way that is safe and

sustainable. We must adapt the IMF so that it can more effectively confront the new types of financial crises, minimizing their frequency, severity, and human cost. We need to consider ways to extend emergency financing when countries are battling crises of confidence due to world financial distress as distinct from their own errors in policy. We must find ways to tap the energy of global markets without sentencing the world to a cycle of continued extreme crises.

For half a century now in our national economy, we have learned not to eliminate but to tame and limit the swings of boom and bust. In the 21st century, we have to find a way to do that in the global economy as well.

I've discussed this in recent days with Prime

Minister Blair of Great Britain, who is now the Chair of the G-7. He shares my belief that this is an urgent task. It is critical to the mission that he and I and Prime Minister Prodi of Italy will be discussing next week at the New York University Law School in a very interesting meeting that the First Lady and others in our administration helped to organize on how to extend

the benefits of the world economy to all and how to strengthen democracy in a time of such sweeping economic change.

Now, let me just say it all again very briefly: in short, we must improve our ability to address the current financial emergency, and we must build a system to prevent such future emergencies, whenever possible, and to blunt their impact when they do occur. There is no mission more critical to our own strength and security.

And let me say this again, what is at stake is more than the spread of free markets and their integration into the global economy. The forces behind the global economy are also those that deepen democratic liberties: the free flow of ideas and information, open borders and easy travel, the rule of law, fair and even-handed enforcement, protection for consumers, a skilled and educated work force.

Each of these things matters not only to the wealth of nations but to the health of freedom. If citizens tire of waiting for democracy and free markets to deliver a better life for them, there is a real risk that democracy and free markets, instead of continuing to thrive together, will begin to shrivel together. This would pose great risks not only for our economic interests but for our security.

We see around the world the international aggressors, the harborers of terrorists, the drug lords. Who are these countries? They're authoritarian nations without democracy

and without open markets. Nations that give their people freedom are good neighbors; when nations turn away from freedom, they turn inward toward tension, hatred, and hostility.

We now have a chance to create opportunity on a worldwide scale. The difficulties of the moment should not obscure us to the advances of the last several years. We clearly have it within our means, if we do the right things, to lift billions and billions of people around the world into a global middle class and into participation in global democracy and genuine efforts toward peace and reconciliation. That is a possibility, but recent events show it is not a certainty.

At this moment, therefore, the United States is called upon once again to lead -- to organize the forces of a committed world; to channel the unruly energies of the global economy into positive avenues; to advance our interests, reinforce our values, enhance our security.

In this room, I think it is not too simple to say we know what to do. The World War II generation did it for us 50 years ago. Now, it is time for us to rise to our responsibility, as America has called upon to do so often so many times in the past. We can, if we do that, redeem the promise of the global economy and strengthen our own nation for a new century.

Thank you very much. (Applause.)

END

12:34 P.M. EDT

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