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[10/09/1998 - 01/15/1999]

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ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: USIA_Media_Reaction@notes1.usia.gov (USIA_Media_Reaction@notes1.usia.gov [UNKNOWN])

CREATION DATE/TIME: 9-OCT-1998 08:30:19.00

SUBJECT: Early Report 10/9: CLINTON/KOSOVO/GLOBAL FINANCIAL

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TEXT:
Yesterday's U.S. House vote to pursue an open-ended inquiry into possible impeachment charges against President Clinton garnered considerable media attention overseas. Noting that impeachment hearings are set to follow the November 3 mid-term elections, writers nonetheless saw "no respite" in sight between now and then for Mr. Clinton's "agony." A number of foreign observers viewed the House vote as the result of a "deeply partisan debate" which, said a Danish paper, "seemed increasingly to smack of political persecution." Others, however, argued that the House action should be "respected," with London's independent weekly Economist judging that "the only irresponsible action would be to stop now." Rome's influential, left-leaning La Repubblica offered a contrasting view, seeing the decision as "the latest folly" of a "nation of crazy people." "There is never a good moment for an American presidency to be paralyzed," added London's conservative Times.

NATO'S DILEMMA: REMAINING CREDIBLE, WHILE SAFEGUARDING COHESION

While noting that the six Contact Group countries yesterday agreed on the need for additional diplomatic efforts to resolve the Kosovo crisis, European media interpreted U.S. envoy Richard Holbrooke's return to Belgrade for a last-minute, "desperate" mission as the last chance for President Milosevic to avoid a NATO military intervention. Opinion was mixed on whether air strikes would force Milosevic's acquiescence. Even those who supported military action, expressed concern about the aftermath of air strikes, since, as London's liberal Guardian put it, "If NATO bombs, there is no guarantee that air action alone will force the Yugoslav president to accept a Western plan for Kosovo." France's right-of-center Le Figaro feared: "Unless NATO is willing to limit itself to a one-time air strike, which is useless, it will be caught in an endless military escalation." Papers in Slovenia and Croatia drew comparisons to the situation in Bosnia, noting that "the procedure begins with the international community's lengthy lingering and seeking of a compromise [with] occasional threats of military intervention." Dailies continued to be alarmed that disagreement with Moscow may provoke a new 'Cold War,' since NATO's going forward would be a blow to Russia's prestige in a region where it has traditionally held sway.

GLOBAL FINANCIAL ISSUES: 'NEW ECONOMIC DESIGN' STILL DISTANT

Additional overseas assessments of the G-7, G-22, IMF and World Banks meetings in Washington over the past week continued to emphasize the seriousness of the global financial situation. Observers generally acknowledged that the international community still had "a long way to go" in coming up with a new design for the world economy. Most analysts stressed the need for currency controls. Some European writers expressed fears that the dollar might weaken, which, according to a French daily, might send "clouds" of contagion "across Europe." London's independent weekly Economist proposed postponing work on "grand elaborate schemes" and focusing instead on "smaller useful things that would actually help."
EDITORS: Katherine Starr, Kathleen J. Brahney, Frederick L. Jones II

IMPEACHMENT INQUIRY VOTE: CLINTON'S 'AGONY' FAR FROM OVER

BRITAIN: "The Ides Of November"

The conservative Times' lead editorial declared (10/9): "The House of Representatives is taking the first step down a road of unknown duration or destination. Impeachment is inevitably both a legal and political process.... There is never a good moment for an American presidency to be paralyzed. President Clinton has done his best over the past few weeks--through initiatives on the international economy and the Middle East--to conduct business as usual. He must continue to do that in the coming months.... However, a president with little political capital in Washington can be only modestly effective in the wider world. Mr. Clinton is, unfortunately, ill-placed to pressure Republicans to endorse enhanced IMF funds or steer his fellow Democrats away from the politics of protectionism. It is the congressional leaders of both parties who must now exercise that responsibility."

"Going Too Far?"

The independent weekly Economist said in an editorial (10/9): "Whether this will end with an impeachment, let alone removal from office (a separate action, by vote of the Senate) it is too early to say. The constitution is vague enough to support a view that his crime is too low for an impeachment--or that by betraying his trust and breaking his oath of office Mr. Clinton has done more than enough to deserve to be dismissed. But in the adopted cliche of congressmen of both parties, it is right to take a deep breath and begin the inquiry. The only irresponsible action would be to stop now."
ITALY: "Green Light For An Inquiry"

Andrea Di Robilant filed from Washington in centrist, influential La Stampa (10/9): "At the conclusion of a hasty and deeply partisan debate, the House of Representatives gave a green light to an inquiry unrestricted in time and scope to decide wether the U.S. president has to be indicted and judged by Congress.... The latest polls indicate that the Americans are really fed up with Sexgate.... The irritation of the American people was perceivable yesterday during the vote in the House. It is not a coincidence that the debate was so brief and insignificant...certainly without the tension and the drama which characterized debates over

Watergate."

"Timing"

In left-leaning, influential La Repubblica (10/9), Arturo Zampaglione wrote from New York: "[President Clinton] has nothing to fear until the November 3 elections, since the inquiry will not begin soon and since opinion polls are still very favorable to him. But if the Republicans win the elections, then the president will have to change his position."

"The Last Folly"

Vittorio Zucconi's commentary in left-leaning, influential La Repubblica (10/9): "A nation of crazy people, founded by crazy people, governed by crazy people, made big by crazy people: America has performed its latest craziness and yesterday decided to begin an impeachment inquiry against its president over a crazy story.... Now...the fatal machine has been set in motion.... And Bill Clinton will go down in history as the third president in U.S. history to be affected by the most serious measure a Congress can adopt--impeachment."

DENMARK: "Case Smacks Of Political Persecution"

Center-right Berlingske Tidende carried the following editorial (10/9): "Clinton, America and the

rest of the world have to face the fact that Congress has decided to continue with the Lewinsky case. This development is not exactly surprising, but that does not make it any less unfortunate.... As the case rolls on, it seems increasingly to smack of political persecution and a lack of responsibility among America's leading politicians--not a very pretty sight."

POLAND: "The President At The Pillory"

Jan Skorzynski opined in centrist Rzeczpospolita (10/9): "Unlike what the disgusted observers in Europe think, the core of the debate which has been continued in the United States for months now are not the details of Bill Clinton's love affairs, but the President's morality. While one can disagree with the attitude of the U.S. legislators who put the chief of state in the pillory just for lies...their stance should be respected. They show that they treat seriously their role as a representative of public interest--including the Democrats, who vote against the president from their own political party."

SPAIN: "Beginning Of The End?"

Barcelona's centrist La Vanguardia opined (10/9): "The House of Representatives made history yesterday when it approved the opening of a public inquiry into accusations of perjury and obstruction of justice by President Bill Clinton in the Lewinsky affair.... Clinton's fate hangs on the impact that further revelations in the case will have on public opinion...but also upon Senate Democrats, where his trial, [if one comes about,] would be held, and where they could prevent the Republicans from obtaining the two-thirds majority required to unseat the president.... The new Congress that returns after November's mid-term elections will decide whether to impeach or not, although there is no indication that the intervening period will provide the president with any respite."

JAPAN: "House Votes On Impeachment Inquiry"

Quasi-governmental NHK-TV's Washington correspondent Izumo opined (10/9): "The House plenary session voted 258-176 in favor of the impeachment inquiry against President Clinton. The vote came at a time when Americans are paying increasing attention to congressional impeachment procedures....Impeachment hearings are to start following mid-term elections, scheduled for November 3.... If the opposition Republican Party wins the elections, it will certainly give further impetus to the GOP offensive against him. Although Clinton still enjoys high popularity, it has become questionable whether he will be able to take advantage of it to check congressional impeachment procedures."

PHILIPPINES: "Clinton's Agony Not Over Yet"

Jesus Sison noted in the independent Malaya (10/9): "The agony of President Bill Clinton has not ended yet. As a matter of fact, it is only beginning.... The inquiry to be conducted by the judiciary committee will include other 'liabilities' of the president long before the Clinton-Lewinsky affair."

CHINA: "Clinton Stuck In Bigger Trouble"

Lao Qiu said in Beijing Youth Daily (Beijing Qingnianbao, 10/9): "It seems that independent counsel Kenneth Starr is going to nag Clinton to the end. Senate majority leader Trent Lott has also joined the line of Clinton opponents; accusing Clinton of diverting people's attention by threatening to use force against Yugoslavia. Former political supporters switching camps has also fueled Clinton's troubles. Acknowledgment from a 'Miss USA contestant' that she once had a one-night sexual relationship with Clinton was enough for Starr to 'wage another war'."

NATO'S DILEMMA: REMAINING CREDIBLE, WHILE SAFEGUARDING COHESION

CROATIA: "Everything Possible, Probably Nothing"
Government-controlled Vjesnik carried a front-page editorial by Editor-in-Chief Nenad Ivankovic (10/7): "What can one expect from the UNSC? In circumstances which have been created by the West itself, with its too long passivity and claims that Kosovo is an integral part of Serbia.... Because until now we have endured ethnic cleansing, murders, massacres, but has it really become enough by now?! When one starts to tolerate crime and injustice, referring to principles is no longer possible.... The limits of such an incredible policy is obvious in Kosovo today, in Bosnia yesterday,...before that in Croatia. That's why at this moment everything is possible between Belgrade and the West, and almost nothing is probable."

MACEDONIA: "Cold War Revisited?"

Dimka Ilkova Boskovik in pro-government Vecer noted (10/8): "Kosovo can cause new Cold War between the East and the West. Moscow, besides the announcement that it will veto the UNSC's decision for intervention in Serbia...[has] also threatened to react with military involvement, and that the forces for such intervention are 'Already formed and in the highest level of alert.'"

SLOVENIA: "Holbrooke's Magic Bag"

Left-of-center Delo commented (10/9): "For a week, ... Richard Holbrooke has been persuading ... Slobodan Milosevic to comply with the UNSC resolution.... We have seen something similar in...Bosnia. (The procedure) begins with the international community's lengthy lingering and seeking of a compromise--occasional threats with military intervention are included--during which time the world is repeatedly horrified by brutal slaughtering of innocent civilians; finally, great American "magician" Richard Holbrooke enters the stage and pulls from his bag the magic formula called solution... which will extend by several years the search for a lasting solution, [it] strongly reminds of the Dayton Accord."

BRITAIN: "Moving Milosevic"

The liberal Guardian had this lead editorial (10/9): "The failure of Europe and the United States to do anything serious about Kosovo has been far more of a scandal than other events that have usurped that title in 1998. Now the drama of embassy evacuations, shuttles to Belgrade, NATO discussions, contact group meetings, and military preparations suggests that, finally, we are getting ready to deal with the problem of Kosovo, and if necessary to undertake armed action to coerce Slobodan Milosevic.... But if NATO bombs, there is no guarantee that air action alone will force Milosevic to accept a Western plan for Kosovo.... Yet the risk may have to be taken, because...preventing Milosevic from poisoning the future of the peoples of Kosovo and Serbia is so important."

"Missing Answers"

The conservative tabloid Daily Mail held (10/9): "What happens when the saber-rattling over Kosovo reaches its climax and the weapon is finally unsheathed? It seems that when Britain and the United States turn to see who else is willing to support punitive action against the thuggish Slobodan Milosevic, they will find themselves alone. At first sight, it is easy to condemn our Allies. But perhaps their reluctance simply stems from the sensible belief that military action without a clear and sustainable objective is foolish."

FRANCE: "The Dangers Of A Strike"

Baudoin Bollaert observed in right-of-center Le Figaro (10/9): "Technically it is possible to intervene in Kosovo.... But to what political end? Neither the Serbs nor the Kosovars want the autonomous status proposed by the Contact Group.... Unless NATO is ready to limit itself to a one-time strike, which is useless, it will be caught in an endless military escalation...In the meantime, Richard Holbrooke is trying once again to reach a diplomatic solution and Foreign Affairs Minister Hubert Vedrine has reiterated that 'all options remain open.'"

"Kosovo: Another Bosnia"

Pierre Beylau in right-of-center weekly Le Point warned (10/9): "The West is facing a major headache. It can undoubtedly force Belgrade's dictator to comply, in spite of Russia's threats.... While NATO can technically easily strike, the problems will come later, with the need for a military presence to guarantee a cease-fire.... Then will come the problem of finding a political solution for Kosovo.... Diplomats will need a very fertile imagination to reconcile Kosovo's aspirations for self-determination with the need for regional balance. The West is treading on thin ice, careful not to create a new Bosnia."

GERMANY: "The Diplomats Are Still Calling the Shots"

Centrist Der Tagesspiegel of Berlin argued (10/9): "Those, who announce military action have to be willing to actually follow through and to have a UN mandate which justifies the military action. NATO maneuvered itselfinto an unfortunate situation in its attempt to pressure Milosevic into
pulling his troops out of Kosovo. NATO has threatened Milosevic to such an extent that it cannot compromise without losing face. Several NATO members consider military action without a UN mandate as highly problematic.... A strike against Serbian positions...would create a dangerous precedent. Who can rule out similar actions, but even less legitimate, against Africa, South America and Asia? Western diplomats need to try everything to get Russia to at least tolerate the upcoming NATO action in Kosovo."

ITALY: "The Balkan Trap"

Arturo Guatelli, in Rome's centrist Il Messaggero opined (10/9): "The United States has (finally) awakened from its Balkan torpor. First it let Milosevic carry out a real ethnic cleansing in Kosovo...and now it wants to force Serbia to withdraw by using force.... An international matter which was simple has now become terribly complicated.... America's delay and Russia's veto both appear instrumental. On one side, there is the suspicion that Bill Clinton needs an external element in order to divert the attention of American public opinion from his domestic problems.... On the other side, there is Yeltsin's desperate effort to regain a primary role in the international political scenario, and thus divert attention from Russia's economic and financial chaos. In sum,...two opposite weaknesses are the main players in the Kosovo game."
"NATO Clock Continues Its Countdown"

Elena Ragusin noted in leading business Il Sole-24 Ore (10/9): "The NATO clock continues its countdown. Western countries are frantically seeking a solution to a crisis which seems to have escaped their control at this point: NATO and the United States have gone too far over the last few days to afford any kind of withdrawal in the absence of credible responses from

Belgrade.... At this point, it is only a matter of political choice. The NATO war machine, in fact, is ready to intervene."

RUSSIA: "Neither Side Wanted To Budge"

Dmitry Zharnikov maintained in reformist Novye Izvestia (10/9): " Threats against Belgrade are becoming ever more shrill.... Effective poses and strong statements on the part of the West as fulfillment of the promise to use force against the Serbs is being postponed indefinitely. The wobbly attitude stems from the lack of common thinking among the members of the Alliance on whether NATO's strikes would be legitimate without a corresponding UNSC resolution, which is impossible without the consent of Russia.... In addition to discord in the international camp of the enemies of Slobodan Milosevic a conflict is brewing between the American branches of government.... Meanwhile Belgrade does not intend to cave in and is bracing itself for a possible aggression."

BELGIUM: "NATO's Dilemma"

Pierre Lefevre in independent Le Soir commented (10/9): "Remaining credible while safeguarding one's cohesion: such is NATO's dilemma.... After so much saber rattling, NATO and the Western capitals could not watch without losing face the pictures of thousands of refugees paralyzed by snow and dying of cold on the roads. This is an emergency. But NATO must also make a decision to resort to force as acceptable as possible to all member states, and less unacceptable as possible to Russia."

POLAND: "Russia in the Balkans"

Slawomir Popowski observed in centrist Rzeczpospolita (10/9): "Moscow has long played the first fiddle in the Balkans.... Russia is aware that if it ignores NATO threats toward the Serbs,...it will mean that it counts no more as a world super power.... For Russia, more important than the future of Kosovo or even Serbia is the authority of the Security Council, in which it still has the right of veto.... For the same reasons, Moscow cannot let the role of the UN be restricted. If NATO realizes its threats toward Belgrade without asking for the Security Council's consent and against Russia's stance, it will be equivalent to accepting the Alliance's leading role in the area of European security."

"The Test for NATO"

Aleksander Kropiwnicki wrote in right-of-center Zycie (10/9): "The Serbs in Kosovo have not been leading a war--they have been pacifying the civilian population. Actually, this is not a case for NATO to deal with, but for the OSCE or UN. They, however, are helpless. Washington recognized that to let Belgrade go further with impunity would constitute a threat to peace in Europe. And this peace NATO should defend."

SPAIN: "Milosevic Wins Again"

Carlos Mendo remarked in financial Cinco Dias (10/9): "As the Gulf War has abundantly demonstrated, only the overthrow of dictators will put an end to their people's suffering. To think that a series of selective air strikes against Serbian military installations will change the behavior of someone like Milosevic...is straight out of science fiction. Only deploying troops on the ground, like the ones NATO maintains in Bosnia, will be able to alleviate the suffering of the Kosovars. But this is something that neither the United States nor the Europeans are willing to do."

TURKEY: "International Intervention"

Ilter Turkmen wrote in intellectual Yeni Yuzyil (10/9): "It is expected that NATO will make the decision to hit Serbian targets. Because of strong possibility that Russia will use its veto at the UNSC, the U.S. claims that NATO air operation can be conducted without waiting for UNSC

authorization.... There is a growing concern that an air strike will not be enough to produce results, and it will be inevitable that an international military force will be sent to Kosovo. Turkey's stance is to join the NATO action, with or without UNSC authorization. What is important here is the question of an ethnic conflict in a sovereign state. Do we agree in principle with an international intervention in these kinds of circumstances? Aren't we concerned about such a trend?"

CHINA: "War Clouds Over Kosovo"

Zhu Chengjun claimed in official Beijing municipal Beijing Daily (Beijing Ribao) (10/9): "An important explanation for possible military action by Western powers is that they want Yugoslavia to submit. Additionally, the West intends to establish a new post-Cold War military security arrangement in the Balkan region where the West would be dominant."

GLOBAL FINANCIAL ISSUES: 'NEW ECONOMIC DESIGN' STILL DISTANT

BRITAIN: "The Battered Dollar"

The independent Financial Times had this lead editorial (10/9): "The violent movements in the dollar/yen exchange rate over the past few days are a stern reminder of just how great an impact the emerging market crisis is now having on the developed world's financial system.... The direction of the movements in the dollar and yen may prove benign, even helpful. But such extreme exchange rate volatility can only do further damage to global economic stability."

"Missing The Point'

The independent weekly Economist's lead editorial stressed (10/9): "Nobody could accuse the world's financial elite of underplaying the mess in today's global economy. The mood among bankers ad politicians gathered in Washington for the annual meetings of the IMF and World Bank was grim.... But too much gloom can be unhelpful.... The more investors and politicians panic, the more they demand bold, elaborate schemes not merely to end the current turmoil but to redesign the global financial system from the ground up. For the problems at hand, there is no big fix. Trying to devise one is a distraction from doing the smaller, useful things that would actually help.... Visions of a new global architecture can wait. There is work to be done."

"The Big D"

The left-wing weekly New Statesman judged in an editorial (10/9): "World leaders are still in thrall to free-market and anti-inflationary orthodoxy and, if you read closely what the Clintons, Browns and Greenspans say at their economic conferences, you will see they have no idea what to do. So let us, bearing in mind that many more Western consumers have their money in shares than ever before, hazard a forecast:this time, it could be (and will be, if the authorities don't act quickly) worse than the 1930s. Remember: you read it here first."

FRANCE: "Alert On The Dollar"

Philippe Mudry contended in centrist La Tribune (10/9): "Excellent proposals have been made this past week in Washington to stabilize the financial system, insure transparency and to reinforce the IMF...but nothing has been said about a crucial matter for the world's economic balance--the fluctuation of major currencies one against the other.... If the downward movement of the dollar continues, the clouds that Prime Minister Jospin is discovering on France's horizon could spread throughout Europe."

RUSSIA: "They Don't Give Money To Communists"
Vadim Bardin observed on page one of reformist business Kommersant Daily (10/9): "The IMF's potential is not what it used to be. It is close to bankruptcy--both financial and ideological. The crisis which has spread from Asia to Latin America and the developments in Russia confirm that the IMF is no longer the economic trend-setter, which means that Russia can feel free to ignore the Fund's recommendations."

CANADA: "Brazil On Brink Of Real Disaster"

In the conservative Ottawa Sun foreign affairs analyst Eric Margolis opined (10/8):
"The financial world is overseen by three great economic powerhouses. Japan is the ruler and defender of Asia's finances. Western Europe dominates East Europe and Russia. The United States' bailiwick is Latin America, Central America and the Caribbean. Japan has failed miserably to defend Asia. Europe has done no better in Russia. If the United States fumbles in Latin America, head for the storm cellars."

HONG KONG: "Hong Kong Wins Plaudits In Washington"

Charles Snyder said in the independent Hong Kong Standard (10/9): "[Hong Kong's] intervention may have been in the forefront of a new way of thinking about free trade and free markets that was clearly evident in

Washington this week.... European governments were also said to be leaning against their no-capital-controls-at-any-cost mentality.... And, while Hong Kong and the United States are still firmly opposed to capital controls, President Clinton acknowledged in a speech that 'we must address not only a run on a bank or a firm, but also a run on nations.'"

INDONESIA: "Still A Long Road To New Design For World Economy"

Leading independent Kompas held (10/9): "The premier useful point of focus in overcoming the current crisis is capital control. Admittedly crony capitalism, weak banking controls, and speculation have worsened the Asian crisis. But the instability that resulted reflected uncertainty over currencies.... Developing countries, for example, must not devaluate currency for the sake of gaining an edge in export competition. Likewise, developed countries should not demand continued high rates for their currencies. Can this come to pass? Maybe, but...among the conditions for any new system is an accord on an active check and balance mechanism with a place for a wider portion of society and in which investors share responsibility as well."

SINGAPORE: "Where's The Beef?"

The pro-government Straits Times remarked (10/8): "One reason why the IMF failed to stem the financial blood-bath that has drained Asia in the past year is that its programs did not initially address the fundamental cause of the crisis--short- term private-sector debts. Significantly, South Korea, which the IMF now claims as its star pupil, began turning around the corner only after U.S. Treasury Secretary Rubin pressured international banks to first extend Korean banks' loans temporarily, and then agree to new repayment terms.... On hindsight, it is clear that the region would have mended faster if similar arrangements had been made for all the crisis economies."

SOUTH KOREA: "An Unproductive Debate"

Washington correspondent Kook Ki-yun noted in conservative Segye Ilbo (10/9): "IMF and IBRD meetings concluded in Washington, with no solutions found for the global economic crisis. Although President Clinton proposed increasing funds to help countries in need, he

nevertheless failed to address what is at the core of the current global economic challenge. In addition, it is not clear at this point how broadly and quickly his proposal will be realized.... It was pessimism about the future of the global economy that prevailed throughout the gatherings, which is unfortunate. Nobody was able to predict when this crisis will end and what would pull the world out of it. All that the meetings were able to agree on was a sense of anxiety about the future."

THAILAND: "World Economy: Stability Or Market?"

The lead editorial of the independent, English-language Nation commented (10/9), "The world still needs an orderly and stable growth path.... Wall Street's proposition that free flows of capital can deliver the magic of development, higher standards of living and jobs is really a grand illusion. It has only resulted in excessively high salaries and recognition for bankers and investment bankers. The free flow of capital and the excessiveness that it brings with it are in conflict with many factors that have to do with investment in production, job creation and mobility, and sustained growth. These, which matter to everyone, thrive on political, economic, social and now quite evidently financial stability--whether it be in exchange rates...or interest rates.... Will more evidence that the contagion is wrecking American and European economies be needed to propel the G-7 leaders to act beyond the mere self-interest of their own countries and specifically their highly influential finance industry?"

INDIA: "Deepening Gloom, Little Light"

According to an editorial in the pro-economic reform Business Standard (10/9): "The backdrop for the annual meeting of the IMF/World Bank could not have been more sombre.... But...awareness of the systemic and global nature of the problem came too late for any grand...restructuring strategy to be ready in time for the meet. In the event, all that has been forthcoming is the most cautious and tentative of solutions, the most grudging of admissions by the IMF that it may have erred a little and clear sniping between the Fund and the Bank.... It is not as if some solutions have not been offered. The IMF is willing to lend to countries which have defaulted ...(and) will also put pressure on private banks to roll over their loans to countries in distress. The G-22 is for greater transparency on the part of both governments and business. All this will at best provide a painkiller to the troubled Asian economies whose legs seem to have been broken so as to prevent them from running too fast."

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FOREIGN MEDIA REACTION
EARLY REPORT

USIA

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OFFICE OF RESEARCH AND MEDIA REACTION

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Friday, October 9, 1998

IMPEACHMENT INQUIRY VOTE: CLINTON'S 'AGONY' FAR FROM OVER

Yesterday's U.S. House vote to pursue an open-ended inquiry into possible impeachment charges against President Clinton garnered considerable media attention overseas. Noting that impeachment hearings are set to follow the November 3 mid-term elections, writers nonetheless saw "no respite" in sight between now and then for Mr. Clinton's "agony." A number of foreign observers viewed the House vote as the result of a "deeply partisan debate" which, said a Danish paper, "seemed increasingly to smack of political persecution." Others, however, argued that the House action should be "respected," with London's independent weekly Economist judging that "the only irresponsible action would be to stop now." Rome's influential, left-leaning La Repubblica offered a contrasting view, seeing the decision as "the latest folly" of a "nation of crazy people." "There is never a good moment for an American presidency to be paralyzed," added London's conservative Times.

NATO'S DILEMMA: REMAINING CREDIBLE, WHILE SAFEGUARDING COHESION

While noting that the six Contact Group countries yesterday agreed on the need for additional diplomatic efforts to resolve the Kosovo crisis, European media interpreted U.S. envoy Richard Holbrooke's return to Belgrade for a last-minute, "desperate" mission as the last chance for President Milosevic to avoid a NATO military intervention. Opinion was mixed on whether air strikes would force Milosevic's acquiescence. Even those who supported military action, expressed concern about the aftermath of air strikes, since, as London's liberal Guardian put it, "If NATO bombs, there is no guarantee that air action alone will force the Yugoslav president to accept a Western plan for Kosovo." France's right-of-center Le Figaro feared: "Unless NATO is willing to limit itself to a one-time air strike, which is useless, it will be caught in an endless military escalation." Papers in Slovenia and Croatia drew comparisons to the situation in Bosnia, noting that "the procedure begins with the international community's lengthy lingering and seeking of a compromise [with] occasional threats of military intervention." Dailies continued to be alarmed that disagreement with Moscow may provoke a new 'Cold War,' since NATO's going forward would be a blow to Russia's prestige in a region where it has traditionally held sway.

GLOBAL FINANCIAL ISSUES: 'NEW ECONOMIC DESIGN' STILL DISTANT

Additional overseas assessments of the G-7, G-22, IMF and World Banks meetings in Washington over the past week continued to emphasize the seriousness of the global financial situation. Observers generally acknowledged that the international community still had "a long way to go" in coming up with a new design for the world economy. Most analysts stressed the need for currency controls. Some European writers expressed fears that the dollar might weaken, which, according to a French daily, might send "clouds" of contagion "across Europe." London's independent weekly Economist proposed postponing work on "grand elaborate schemes" and focusing instead on "smaller useful things that

would actually help."
EDITORS: Katherine Starr, Kathleen J. Brahney, Frederick L. Jones II

IMPEACHMENT INQUIRY VOTE: CLINTON'S 'AGONY' FAR FROM OVER

BRITAIN: "The Ides Of November"

The conservative Times' lead editorial declared (10/9): "The House of Representatives is taking the first step down a road of unknown duration or destination. Impeachment is inevitably both a legal and political process.... There is never a good moment for an American presidency to be paralyzed. President Clinton has done his best over the past few weeks--through initiatives on the international economy and the Middle East--to conduct business as usual. He must continue to do that in the coming months.... However, a president with little political capital in Washington can be only modestly effective in the wider world. Mr. Clinton is, unfortunately, ill-placed to pressure Republicans to endorse enhanced IMF funds or steer his fellow Democrats away from the politics of protectionism. It is the congressional leaders of both parties who must now exercise that responsibility."

"Going Too Far?"

The independent weekly Economist said in an editorial (10/9): "Whether this will end with an impeachment, let alone removal from office (a separate action, by vote of the Senate) it is too early to say. The constitution is vague enough to support a view that his crime is too low for an impeachment--or that by betraying his trust and breaking his oath of office Mr. Clinton has done more than enough to deserve to be dismissed. But in the adopted cliche of congressmen of both parties, it is right to take a deep breath and begin the inquiry. The only irresponsible action would be to stop now."

ITALY: "Green Light For An Inquiry"

Andrea Di Robilant filed from Washington in centrist, influential La Stampa (10/9): "At the conclusion of a hasty and deeply partisan debate, the House of Representatives gave a green light to an inquiry unrestricted in time and scope to decide wether the U.S. president has to be indicted and judged by Congress.... The latest polls indicate that the Americans are really fed up with Sexgate.... The irritation of the American people was perceivable yesterday during the vote in the House. It is not a coincidence that the debate was so brief and insignificant...certainly without the tension and the drama which characterized debates over Watergate."

"Timing"

In left-leaning, influential La Repubblica (10/9), Arturo Zampaglione wrote from New York: "[President Clinton] has nothing to fear until the November 3 elections, since the inquiry will not begin soon and since opinion polls are still very favorable to him. But if the Republicans win the elections, then the president will have to change his position."

"The Last Folly"

Vittorio Zucconi's commentary in left-leaning, influential La Repubblica (10/9): "A nation of crazy people, founded by crazy people, governed by crazy people, made big by crazy people: America has performed its latest craziness and yesterday decided to begin an impeachment inquiry against its president over a crazy story.... Now...the fatal machine has been set in motion.... And Bill Clinton will go down in history as the third president in U.S. history to be affected by the most serious measure a Congress can adopt--impeachment."

DENMARK: "Case Smacks Of Political Persecution"

Center-right Berlingske Tidende carried the following editorial (10/9): "Clinton, America and the

rest of the world have to face the fact that Congress has decided to continue with the Lewinsky case. This development is not exactly surprising, but that does not make it any less unfortunate.... As the case rolls on, it seems increasingly to smack of political persecution and a lack of responsibility among America's leading politicians--not a very pretty sight."

POLAND: "The President At The Pillory"

Jan Skorzynski opined in centrist Rzeczpospolita (10/9): "Unlike what the disgusted observers in Europe think, the core of the debate which has been continued in the United States for months now are not the details of Bill Clinton's love affairs, but the President's morality. While one can disagree with the attitude of the U.S. legislators who put the chief of state in the pillory just for lies...their stance should be respected. They show that they treat seriously their role as a representative of public interest--including the Democrats, who vote against the president from their own political party."

SPAIN: "Beginning Of The End?"

Barcelona's centrist La Vanguardia opined (10/9): "The House of Representatives made history yesterday when it approved the opening of a public inquiry into accusations of perjury and obstruction of justice by President Bill Clinton in the Lewinsky affair.... Clinton's fate hangs on the impact that further revelations in the case will have on public opinion...but also upon Senate Democrats, where his trial, [if one comes about,] would be held, and where they could prevent the Republicans from obtaining the two-thirds majority required to unseat the president.... The new Congress that returns after November's mid-term elections will decide whether to impeach or not, although there is no indication that the intervening period will provide the president with any respite."

JAPAN: "House Votes On Impeachment Inquiry"

Quasi-governmental NHK-TV's Washington correspondent Izumo opined (10/9): "The House plenary session voted 258-176 in favor of the impeachment inquiry against President Clinton. The vote came at a time when Americans are paying increasing attention to congressional impeachment procedures....Impeachment hearings are to start following mid-term elections, scheduled for November 3.... If the opposition Republican Party wins the elections, it will certainly give further impetus to the GOP offensive against him. Although Clinton still enjoys high popularity, it has become questionable whether he will be able to take advantage of it to check congressional impeachment procedures."

PHILIPPINES: "Clinton's Agony Not Over Yet"

Jesus Sison noted in the independent Malaya (10/9): "The agony of President Bill Clinton has not ended yet. As a matter of fact, it is only beginning.... The inquiry to be conducted by the judiciary committee will include other 'liabilities' of the president long before the Clinton-Lewinsky affair."

CHINA: "Clinton Stuck In Bigger Trouble"

Lao Qiu said in Beijing Youth Daily (Beijing Qingnianbao, 10/9): "It seems that independent counsel Kenneth Starr is going to nag Clinton to the end. Senate majority leader Trent Lott has also joined the line of Clinton opponents; accusing Clinton of diverting people's attention by threatening to use force against Yugoslavia. Former political supporters switching camps has also fueled Clinton's troubles. Acknowledgment from a 'Miss USA contestant' that she once had a one-night sexual relationship with Clinton was enough for Starr to 'wage another war'."

NATO'S DILEMMA: REMAINING CREDIBLE, WHILE SAFEGUARDING COHESION

CROATIA: "Everything Possible, Probably Nothing"

Government-controlled Vjesnik carried a front-page editorial by Editor-in-Chief Nenad Ivankovic (10/7): "What can one expect from the UNSC? In circumstances which have been created by the West itself, with its too long passivity and claims that Kosovo is an integral part of Serbia.... Because until now we have endured ethnic cleansing, murders, massacres, but has it really become enough by now?! When one starts to tolerate crime and injustice, referring to principles is no longer possible.... The limits of such an incredible policy is obvious in Kosovo today, in Bosnia yesterday,...before that in Croatia. That's why at this moment everything is possible between Belgrade and the West, and almost nothing is probable."

MACEDONIA: "Cold War Revisited?"

Dimka Ilkova Boskovik in pro-government Vecer noted (10/8): "Kosovo can cause new Cold War between the East and the West. Moscow, besides the announcement that it will veto the UNSC's decision for intervention in Serbia...[has] also threatened to react with military involvement, and that the forces for such intervention are 'Already formed and in the highest level of alert.'"

SLOVENIA: "Holbrooke's Magic Bag"

Left-of-center Delo commented (10/9): "For a week, ... Richard Holbrooke has been persuading ... Slobodan Milosevic to comply with the UNSC resolution.... We have seen something similar in...Bosnia. (The procedure) begins with the international community's lengthy lingering and seeking of a compromise--occasional threats with military intervention are included--during which time the world is repeatedly horrified by brutal slaughtering of innocent civilians; finally, great American "magician" Richard Holbrooke enters the stage and pulls from his bag the magic formula called solution... which will extend by several years the search for a lasting solution, [it] strongly reminds of the Dayton Accord."

BRITAIN: "Moving Milosevic"

The liberal Guardian had this lead editorial (10/9): "The failure of Europe and the United States to do anything serious about Kosovo has been far more of a scandal than other events that have usurped that title in 1998. Now the drama of embassy evacuations, shuttles to Belgrade, NATO discussions, contact group meetings, and military preparations suggests that, finally, we are getting ready to deal with the problem of Kosovo, and if necessary to undertake armed action to coerce Slobodan Milosevic.... But if NATO bombs, there is no guarantee that air action alone will force Milosevic to accept a Western plan for Kosovo.... Yet the risk may have to be taken, because...preventing Milosevic from poisoning the future of the peoples of Kosovo and Serbia is so important."

"Missing Answers"

The conservative tabloid Daily Mail held (10/9): "What happens when the saber-rattling over Kosovo reaches its climax and the weapon is finally unsheathed? It seems that when Britain and the United States turn to see who else is willing to support punitive action against the thuggish Slobodan Milosevic, they will find themselves alone. At first sight, it is easy to condemn our Allies. But perhaps their reluctance simply stems from the sensible belief that military action without a clear and sustainable objective is foolish."

FRANCE: "The Dangers Of A Strike"

Baudoin Bollaert observed in right-of-center Le Figaro (10/9): "Technically it is possible to intervene in Kosovo.... But to what political end? Neither the Serbs nor the Kosovars want the autonomous status proposed by the Contact Group.... Unless NATO is ready to limit itself to a one-time strike, which is useless, it will be caught in an endless military escalation...In the meantime, Richard Holbrooke is trying once again to reach a diplomatic solution and Foreign Affairs Minister Hubert Vedrine has reiterated that 'all options remain open.'"

"Kosovo: Another Bosnia"

Pierre Beylau in right-of-center weekly Le Point warned (10/9): "The West is facing a major headache. It can undoubtedly force Belgrade's dictator to comply, in spite of Russia's threats.... While NATO can technically easily strike, the problems will come later, with the need for a military presence to guarantee a cease-fire.... Then will come the problem of finding a political solution for Kosovo.... Diplomats will need a very fertile imagination to reconcile Kosovo's aspirations for self-determination with the need for regional balance. The West is treading on thin ice, careful not to create a new Bosnia."

GERMANY: "The Diplomats Are Still Calling the Shots"

Centrist Der Tagesspiegel of Berlin argued (10/9): "Those, who announce military action have to be willing to actually follow through and to have a UN mandate which justifies the military action. NATO maneuvered itself into an unfortunate situation in its attempt to pressure Milosevic into pulling his troops out of Kosovo. NATO has threatened Milosevic to such an extent that it cannot compromise without losing face. Several NATO members consider military action without a UN mandate as highly problematic.... A strike against Serbian positions...would create a dangerous precedent. Who can rule out similar actions, but even less legitimate, against Africa, South America and Asia? Western diplomats need to try everything to get Russia to at least tolerate the upcoming NATO action in Kosovo."

ITALY: "The Balkan Trap"

Arturo Guatelli, in Rome's centrist Il Messaggero opined (10/9): "The United States has (finally) awakened from its Balkan torpor. First it let Milosevic carry out a real ethnic cleansing in Kosovo...and now it wants to force Serbia to withdraw by using force.... An international matter which was simple has now become terribly complicated.... America's delay and Russia's veto both appear instrumental. On one side, there is the suspicion that Bill Clinton needs an external element in order to divert the attention of American public opinion from his domestic problems.... On the other side, there is Yeltsin's desperate effort to regain a primary role in the international political scenario, and thus divert attention from Russia's economic and financial chaos. In sum,...two opposite weaknesses are the main players in the Kosovo game."

"NATO Clock Continues Its Countdown"

Elena Ragusin noted in leading business Il Sole-24 Ore (10/9): "The NATO clock continues its countdown. Western countries are frantically seeking a solution to a crisis which seems to have escaped their control at this point: NATO and the United States have gone too far over the last few days to afford any kind of withdrawal in the absence of credible responses from Belgrade.... At this point, it is only a matter of political choice. The NATO war machine, in fact, is ready to intervene."

RUSSIA: "Neither Side Wanted To Budge"

Dmitry Zharnikov maintained in reformist Novye Izvestia (10/9): " Threats against Belgrade are becoming ever more shrill.... Effective poses and strong statements on the part of the West as fulfillment of the promise to use force against the Serbs is being postponed indefinitely. The wobbly attitude stems from the lack of common thinking among the members of the Alliance on whether NATO's strikes would be legitimate without a corresponding UNSC resolution, which is impossible without the consent of Russia.... In addition to discord in the international camp of the enemies of Slobodan Milosevic a conflict is brewing between the American branches of government.... Meanwhile Belgrade does not intend to cave in and is bracing itself for a possible aggression."

BELGIUM: "NATO's Dilemma"

Pierre Lefevre in independent Le Soir commented (10/9): "Remaining credible while safeguarding one's cohesion: such is NATO's dilemma.... After so much saber rattling, NATO and the Western capitals could not watch without losing face the pictures of thousands of refugees paralyzed by snow and dying of cold on the roads. This is an emergency. But NATO must also make a decision to resort to force as acceptable as possible to all member states, and less unacceptable as possible to Russia."

POLAND: "Russia in the Balkans"

Slawomir Popowski observed in centrist Rzeczpospolita (10/9): "Moscow has long played the first fiddle in the Balkans.... Russia is aware that if it ignores NATO threats toward the Serbs,...it will mean that it counts no more as a world super power.... For Russia, more important than the future of Kosovo or even Serbia is the authority of the Security Council, in which it still has the right of veto.... For the same reasons, Moscow cannot let the role of the UN be restricted. If NATO realizes its threats toward Belgrade without asking for the Security Council's consent and against Russia's stance, it will be equivalent to accepting the Alliance's leading role in the area of European security."

"The Test for NATO"

Aleksander Kropiwnicki wrote in right-of-center Zycie (10/9): "The Serbs in Kosovo have not been leading a war--they have been pacifying the civilian population. Actually, this is not a case for NATO to deal with, but for the OSCE or UN. They, however, are helpless. Washington recognized that to let Belgrade go further with impunity would constitute a threat to peace in Europe. And this peace NATO should defend."

SPAIN: "Milosevic Wins Again"

Carlos Mendo remarked in financial Cinco Dias (10/9): "As the Gulf War has abundantly demonstrated, only the overthrow of dictators will put an end to their people's suffering. To think that a series of selective air strikes against Serbian military installations will change the behavior of someone like Milosevic...is straight out of science fiction. Only deploying troops on the ground, like the ones NATO maintains in Bosnia, will be able to alleviate the suffering of the Kosovars. But this is something that neither the United States nor the Europeans are willing to do."

TURKEY: "International Intervention"

Ilter Turkmen wrote in intellectual Yeni Yuzyil (10/9): "It is expected that NATO will make the decision to hit Serbian targets. Because of strong possibility that Russia will use its veto at the UNSC, the U.S. claims that NATO air operation can be conducted without waiting for UNSC authorization.... There is a growing concern that an air strike will not be enough to produce results, and it will be inevitable that an international military force will be sent to Kosovo. Turkey's stance is to join the NATO action, with or without UNSC authorization. What is important here is the question of an ethnic conflict in a sovereign state. Do we agree in principle with an international intervention in these kinds of circumstances? Aren't we concerned about such a trend?"

CHINA: "War Clouds Over Kosovo"

Zhu Chengjun claimed in official Beijing municipal Beijing Daily (Beijing Ribao) (10/9): "An important explanation for possible military action by Western powers is that they want Yugoslavia to submit. Additionally, the West intends to establish a new post-Cold War military security arrangement in the Balkan region where the West would be dominant."

GLOBAL FINANCIAL ISSUES: 'NEW ECONOMIC DESIGN' STILL DISTANT

BRITAIN: "The Battered Dollar"

The independent Financial Times had this lead editorial (10/9): "The violent movements in the dollar/yen exchange rate over the past few days are a stern reminder of just how great an impact the emerging market crisis is now having on the developed world's financial system.... The direction of the movements in the dollar and yen may prove benign, even helpful. But such extreme exchange rate volatility can only do further damage to global economic stability."

"Missing The Point'

The independent weekly Economist's lead editorial stressed (10/9): "Nobody could accuse the world's financial elite of underplaying the mess in today's global economy. The mood among bankers ad politicians gathered in Washington for the annual meetings of the IMF and World Bank was grim.... But too much gloom can be unhelpful.... The more investors and politicians panic, the more they demand bold, elaborate schemes not merely to end the current turmoil but to redesign the global financial system from the ground up. For the problems at hand, there is no big fix. Trying to devise one is a distraction from doing the smaller, useful things that would actually help.... Visions of a new global architecture can wait. There is work to be done."

"The Big D"

The left-wing weekly New Statesman judged in an editorial (10/9): "World leaders are still in thrall to free-market and anti-inflationary orthodoxy and, if you read closely what the Clintons, Browns and Greenspans say at their economic conferences, you will see they have no idea what to do. So let us, bearing in mind that many more Western consumers have their money in shares than ever before, hazard a forecast:this time, it could be (and will be, if the authorities don't act quickly) worse than the 1930s. Remember: you read it here first."

FRANCE: "Alert On The Dollar"

Philippe Mudry contended in centrist La Tribune (10/9): "Excellent proposals have been made this past week in Washington to stabilize the financial system, insure transparency and to reinforce the IMF...but nothing has been said about a crucial matter for the world's economic balance--the fluctuation of major currencies one against the other.... If the downward movement of the dollar continues, the clouds that Prime Minister Jospin is discovering on France's horizon could spread throughout Europe."

RUSSIA: "They Don't Give Money To Communists"

Vadim Bardin observed on page one of reformist business Kommersant Daily (10/9): "The IMF's potential is not what it used to be. It is close to bankruptcy--both financial and ideological. The crisis which has spread from Asia to Latin America and the developments in Russia confirm that the IMF is no longer the economic trend-setter, which means that Russia can feel free to ignore the Fund's recommendations."

CANADA: "Brazil On Brink Of Real Disaster"

In the conservative Ottawa Sun foreign affairs analyst Eric Margolis opined (10/8):
"The financial world is overseen by three great economic powerhouses. Japan is the ruler and defender of Asia's finances. Western Europe dominates East Europe and Russia. The United States' bailiwick is Latin America, Central America and the Caribbean. Japan has failed miserably to defend Asia. Europe has done no better in Russia. If the United States fumbles in Latin America, head for the storm cellars."

HONG KONG: "Hong Kong Wins Plaudits In Washington"

Charles Snyder said in the independent Hong Kong Standard (10/9): "[Hong Kong's] intervention may have been in the forefront of a new way of thinking about free trade and free markets that was clearly evident in Washington this week.... European governments were also said to be leaning against their no-capital-controls-at-any-cost mentality.... And, while Hong Kong and the United States are still firmly opposed to capital controls, President Clinton acknowledged in a speech that 'we must address not only a run on a bank or a firm, but also a run on nations.'"

INDONESIA: "Still A Long Road To New Design For World Economy"

Leading independent Kompas held (10/9): "The premier useful point of focus in overcoming the current crisis is capital control. Admittedly crony capitalism, weak banking controls, and speculation have worsened the Asian crisis. But the instability that resulted reflected uncertainty over currencies.... Developing countries, for example, must not devaluate currency for the sake of gaining an edge in export competition. Likewise, developed countries should not demand continued high rates for their currencies. Can this come to pass? Maybe, but...among the conditions for any new system is an accord on an active check and balance mechanism with a place for a wider portion of society and in which investors share responsibility as well."

SINGAPORE: "Where's The Beef?"

The pro-government Straits Times remarked (10/8): "One reason why the IMF failed to stem the financial blood-bath that has drained Asia in the past year is that its programs did not initially address the fundamental cause of the crisis--short- term private-sector debts. Significantly, South Korea, which the IMF now claims as its star pupil, began turning around the corner only after U.S. Treasury Secretary Rubin pressured international banks to first extend Korean banks' loans temporarily, and then agree to new repayment terms.... On hindsight, it is clear that the region would have mended faster if similar arrangements had been made for all the crisis economies."

SOUTH KOREA: "An Unproductive Debate"

Washington correspondent Kook Ki-yun noted in conservative Segye Ilbo (10/9): "IMF and IBRD meetings concluded in Washington, with no solutions found for the global economic crisis. Although President Clinton proposed increasing funds to help countries in need, he

nevertheless failed to address what is at the core of the current global economic challenge. In addition, it is not clear at this point how broadly and quickly his proposal will be realized.... It was pessimism about the future of the global economy that prevailed throughout the gatherings, which is unfortunate. Nobody was able to predict when this crisis will end and what would pull the world out of it. All that the meetings were able to agree on was a sense of anxiety about the future."

THAILAND: "World Economy: Stability Or Market?"

The lead editorial of the independent, English-language Nation commented (10/9), "The world still needs an orderly and stable growth path.... Wall Street's proposition that free flows of capital can deliver the magic of development, higher standards of living and jobs is really a grand illusion. It has only resulted in excessively high salaries and recognition for bankers and investment bankers. The free flow of capital and the excessiveness that it brings with it are in conflict with many factors that have to do with investment in production, job creation and mobility, and sustained growth. These, which matter to everyone, thrive on political, economic, social and now quite evidently financial stability--whether it be in exchange rates...or interest rates.... Will more evidence that the contagion is wrecking American and European economies be needed to propel the G-7 leaders to act beyond the mere self-interest of their own countries and specifically their highly influential finance industry?"

INDIA: "Deepening Gloom, Little Light"

According to an editorial in the pro-economic reform Business Standard (10/9): "The backdrop for the annual meeting of the IMF/World Bank could not have been more sombre.... But...awareness of the systemic and global nature of the problem came too late for any grand...restructuring strategy to be ready in time for the meet. In the event, all that has been forthcoming is the most cautious and tentative of solutions, the most grudging of admissions by the IMF that it may have erred a little and clear sniping between the Fund and the Bank.... It is not as if some solutions have not been offered. The IMF is willing to lend to countries which have defaulted ...(and) will also put pressure on private banks to roll over their loans to countries in distress. The G-22 is for greater transparency on the part of both governments and business. All this will at best provide a painkiller to the troubled Asian economies whose legs seem to have been broken so as to prevent them from running too fast."

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TO: Todd Stern (CN=Todd Stern/OU=WHO/O=EOP @ EOP [WHO])
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CC: Elizabeth A. Arner (CN=Elizabeth A. Arner/OU=WHCCTF/O=EOP @ EOP [WHCCTF])
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TEXT:
Most of these are from last week, but the BA and Industry pieces are
insteresting.

Budget

(w/ TDS quote)
WHITE HOUSE WILL RUN GLOBAL WARMING PROGRAMS
Reuters
October 2

WASHINGTON, Oct 2 - White House climate change officials said Friday that language approved late Thursday in a fiscal 1999 spending bill allows the Clinton administration to proceed with programs to reduce greenhouse gas emissions.

House and Senate negotiators in a conference on the Veterans Administration-Housing and Urban Development (VA-HUD) appropriations bill agreed to soften language intended to bar the Environmental Protection Agency from carrying out programs to meet the Kyoto Protocol.

The treaty was negotiated last December, and terms called for the U.S. to cut greenhouse gas emissions by 7 percent below 1990 levels by the period 2008-2012. The agreement has not been ratified by the Senate.

Lawmakers weary of the Kyoto targets for U.S. reductions in global warming-causing gases want to prevent ``back door'' implementation by the administration without Senate approval.

White House officials denied ever having intended to attempt such Kyoto implementation, and said the EPA works to reduce greenhouse gases through a number of programs that have nothing to do with the controversial treaty.

``We think the VA-HUD climate change language is unnecessary because we have never had any intention of implementing the Kyoto Protocol before it is ratified,'' said Todd Stern, the White House coordinator for climate change.

The compromise worked out in the conference allows programs like one promoting solar energy use to continue, as long as funds are not used to propose or issue ``rules, regulations, orders or consent decrees for the purpose of implementation or in preparation for implementation of the Kyoto Protocol.''

``But we are pleased that the final language makes clear we can proceed with common sense actions to reduce greenhouse gases and to pursue other important environmental goals,'' Stern said.

The White House fought attempts to ``gag'' the EPA from any planning or education efforts on fighting climate change and had held out the threat of a presidential veto of the bill.

Republicans and some Democrats from industrial states have complained that Kyoto terms would hurt U.S. industries, sending jobs overseas to developing nations not bound to the treaty.

The Global Climate Change Coalition, an organization of trade groups and private firms against Kyoto mandates, praised lawmakers for including the measure in the spending bill.

``This puts Congress clearly on record opposing implemention of the Kyoto Protocol without Senate consent,'' said GCC chairman Connie Holmes.

The environmental language on Kyoto was part of a $71 billion fiscal 1999 spending bill for housing, veterans and smaller federal agencies. Both the Senate and the House must vote on the final overall spending bill before it is sent to President Clinton.

Buenos Aires

CLINTON, MENEM DISCUSS ECONOMY, CLIMATE CHANGE
Reuters
Oct 06, 1998

WASHINGTON, Oct 6 - President Bill Clinton and Argentine President Carlos Menem discussed the global financial crisis, the border dispute between Peru and Ecuador and world climate change talks on Tuesday, the White House said.

The two met briefly after addressing the opening session of the annual meetings of the International Monetary Fund and the World Bank, White House spokesman Joe Lockhart told reporters.

Lockhart said the two men had concentrated on Latin America in their discussion of the world financial crisis, but he gave no details on that subject or on the discussions about climate change and the border dispute between Peru and Ecuador.

Argentina, Brazil, Chile and the United States are acting as the guarantors of negotiations between Peru and Ecuador that aim to end their decades-old border dispute that erupted into a brief war in 1995.

Argentina will also host talks in Buenos Aires next month designed to put flesh on the bones of the global climate change treaty concluded last December in the Japanese city of Kyoto.

CLINTON OFFICIAL RELAYS LOW EXPECTATIONS FOR COP-4-E&E MIDWEEK
Published every Thursday morning, the Environment and Energy Mid-Week Update. This week's edition contained the following:

With the follow-up, international negotiations to the 1997 Kyoto Protocol less than a month away, an administration official on Tuesday cautioned members of the House Commerce Energy and Power Subcommittee not to expect much from the November meeting. Especially in terms of formulating a system of greenhouse gas emissions trading and obtaining "meaningful participation"
from key developing countries - major hurdles for President Clinton's climate change strategy - Melinda Kimble of the State Department provided no
specific goals for the conference other than "incremental, but credible, progress."

The level of understanding about the proposed market mechanisms for achieving emissions reductions in a cost-efficient manner, including trading
and a Clean Development Mechanism to encourage greater energy investments in
the developing world, are still in their early stages, she warned. A full force effort will continue though, she said, to try to educate China, India and other nations about how those mechanisms could benefit their economies.

"Breakthrough accomplishments and headline-making events, however, are not likely," said Kimble, acting assistant secretary of State for oceans and international environmental and scientific affairs. "We view [Buenos Aires] as a stepping stone to future efforts on climate change."

Seeing little or no progress in the near future only added wood to the fire for the subcommittee's Kyoto critics, who continued their jabs at the Clinton team's estimate of "modest" total costs from the protocol. As committee ranking Democrat John Dingell (Mich.) pointed out, Clinton's domestic estimates are
based largely on assumptions dealing with emissions trading and developing

world participation. Yet, in order for emissions trading to effectively work, Dingell argued, developing countries would have to take on reductions targets of their own, which they have thus far resisted. Plus, Dingell said, because no compliance mechanism is included in the protocol, achieving "meaningful participation" by developing countries would be meaningless.

"There is no definition of meaningful participation," Kimble said. "It is important to keep in mind the substantial differences that exist among developing countries in terms of their emissions profiles, levels of development, capacity for effective action, and economic and political conditions."

Kimble also agreed that a means of compliance would have to be designed. Janet Yellen, chairwoman of the White House Council of Economic Advisers, argued that when she evaluated the domestic effects of the Kyoto agreement she did not take into consideration expected savings through the inclusion in the protocol of credits for "sinks," Clinton's climate change budget initiative, electricity deregulation and already existing energy-efficiency programs.

But Robert Hahn, director of the AEI-Brookings Joint Center for Regulatory Studies, said the Kyoto Protocol will not work because the world does not yet have the knowledge to build a trading system. In Buenos Aires, negotiators should instead seek ways to pump up research and development programs and work toward building a future "institution" needed for such market-mechanisms as emissions trading.

"The protocol will not be ratified," Hahn said. "The most likely outcome [over the long term] will be that a few developing countries will agree to something." Any kind of agreement will likely not occur in the short term, he said.

House Science: The full House Science Committee, chaired by Rep. James Sensenbrenner (R-Wis.), has scheduled a Kyoto hearing for Friday morning, beginning just prior to the hearing in the House Government Reform Regulatory Affairs Subcommittee, chaired by Rep. David McIntosh (R-Ind.). - Neil Franz

UN CLIMATE TALKS NOT SEEN SOLVING CO2 TRADE ROW
Reuters
2 October

BRUSSELS - World climate talks in Buenos Aires in November will not solve disagreements between Western nations on trading in greenhouse gas emissions, a senior European Union diplomat said on Wednesday.

Nor would the United Nations-sponsored talks resolve a row between the EU and United States over the contribution fast-growing developing countries should make to curbing global warming, the diplomat said.

"We're not going to reach a compromise with the Americans at Buenos Aires," he said. "These instruments will take years to work out."

But the diplomat said he still expected progress in the November 2-13 ministerial negotiations on key aspects of a future emissions trading regime and other "flexible mechanisms" - including agreement on whether businesses, or only governments, should be allowed to trade and how trading should be reported and monitored.

The Buenos Aires talks are designed to put flesh on the bones of a global climate treaty concluded last December in the Japanese city of Kyoto.

The Kyoto Protocol commits the industrialised nations to bringing output of carbon dioxide (CO_2) and five other greenhouse gases to an average 5.2 percent below 1990 levels by 2008-2012.

Although the protocol stresses most of the cuts in the gases blamed for global warming must be achieved through domestic action, there is growing interest in "flexible mechanisms" which allow states to buy their way to their Kyoto reductions targets.

This can be done by purchasing credits from nations that have cut emissions by more than their target, or by funding greenhouse gas abatement projects in developing countries (the "clean development mechanism") or in other Western nations.

But there is no consensus on rules for flexible mechanisms or whether there should be a fixed limit on their use.

Austria, current president of the 15-nation EU, will endeavour at a meeting of EU environment ministers next Tuesday to garner support for a cap on flexible mechanisms. But EU officials say there is little chance of an accord on this.

The ministers are nonetheless expected to stress that the West is largely responsible for climate change and should therefore take substantial remedial action before it asks the world's poor nations to sign up to the Kyoto protocol.

This position is fiercely opposed by the U.S. Congress, preparing for mid-term elections in early November, which has refused to ratify the Kyoto accord unless the developing nations are brought on board.

EU ministers are also expected to insist that emissions credits gained by using the clean development mechanism should not count as much as emissions reductions achieved at home.

"If, as the Americans say, it's that much cheaper to fund clean technology in China, then surely they can afford to do a little bit extra," one official said.

Industry Action

WEYERHAEUSER JOINS THE PEW CENTER ON GLOBAL CLIMATE CHANGE
Business Wire (excerpt)
Oct 01, 1998

WASHINGTON--Oct. 1, 1998--The Pew Center on Global Climate Change announced today that Weyerhaeuser Company (NYSE:WY), one of the world's largest forest products companies, is joining the Pew Center's effort to combat the problem of climate change.

As a new member of the Pew Center's Business Environmental Leadership Council, Weyerhaeuser joins other Fortune 500 companies that represent a diverse group of corporate interests -- including auto manufacturing, energy and major appliance and technology producers.

"Weyerhaeuser's decision to join our effort signals a growing shift in the climate change debate. Weyerhaeuser joins the growing number of credible and responsive companies which recognize that there are solutions to climate change that can keep both the environment and the economy healthy," said Eileen Claussen, executive director of the Pew Center on Global Climate Change.

Launched in May of this year, the Pew Center on Global Climate Change was established with $5 million in support from one of the nation's largest philanthropies, The Pew Charitable Trusts. The Pew Center is conducting studies, launching public education efforts, promoting climate change solutions globally and working with businesses to develop marketplace solutions to reduce greenhouse gasses.

As with the current members of the Business Environmental Leadership Council, Weyerhaeuser has a significant stake in the climate change debate. Weyerhaeuser was incorporated in 1900. In 1997, it had sales of $11.2 billion and has offices or operations in 12 countries with customers worldwide. Weyerhaeuser is principally engaged in the growing and harvesting of timber; the manufacture, distribution and sale of forest products; and real estate construction, development and related activities.

"Weyerhaeuser is looking forward to joining the Pew Center's Business Environmental Leadership Council and being able to contribute to the climate change debate in a positive and constructive forum," said Bob Prolman, director, international environmental affairs at Weyerhaeuser. "We recognize the importance of the global climate change issue as an international, environmental, economic and political issue, and one in which forestry and forest products can make a significant contribution."

Together, the companies in the Business Environmental Leadership Council have combined revenues is excess of $370 billion.

"We applaud Weyerhaeuser for stepping forward and demonstrating there are steps businesses can and should be taking to address climate change. The Pew Center is looking forward to working with government, industry and the public to find fair and equitable solutions to this very serious problem," said Claussen. Claussen is the former U.S. Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs.

US AUTOMAKERS ARGUE AGAINST TAX BREAKS BASED ON FUEL USE
Detroit News
October 1

WASHINGTON -- Buying a super fuel-efficient automobile could save motorists money on tax day, as well as at the pump, under far-reaching legislation recently introduced in Congress. But many automakers oppose the way the bill is written because it ties tax relief to federal fuel-economy standards.

By doing so, automakers argue, the bill would force them to build vehicles that get incredibly high gas mileage -- an arduous and expensive venture -- before the market for such autos matures.

"We'd be in favor of incentives that are tied to the development of specific technologies, like fuel cells," said Mark Kemmer, General Motors Corp.'s top congressional lobbyist on environmental issues. "But we're not supportive of a program that ties directly into corporate average fuel economy (CAFE) standards."

The proposed law is an outgrowth of the White House battle against man-made emissions thought to contribute to global warming. President Clinton unveiled the plan during his State of the Union address, much to the delight of environmentalists.

The bill -- initially overshadowed in a Congress debating impeachment proceedings against the president -- also would give homeowners and businesses tax credits for investing in such energy-efficient technologies as solar roofs, and replacing machines that emit "greenhouse gases."

But the breaks given to car shoppers are getting the earliest notice.
Written by U.S. Rep. Bob Matsui, D-Calif., the legislation seeks to give car shoppers a $3,000 tax break for purchasing a vehicle that gets twice the gas mileage of others in its class. The credit swells to $4,000 for buying a vehicle that travels three times farther on a tank of gas than similar-sized autos.

If, for example, all compact cars averaged 30 mpg, a consumer would have to buy a compact model that gets at least 60 mpg to qualify for the $3,000 tax credit and 90 mpg for the $4,000 write-off.

Today, only one vehicle -- the Toyota Prius -- even meets the lower threshold by employing a gasoline and electric hybrid powertrain that gets 66 mpg. For now, Toyota is only selling the Corolla-size sedan in Japan, but has announced plans to bring it to the United States in 2000.

Kemmer argued the bill would be better -- plus have greater odds of passing -- if it offered consumers tax relief for buying any auto employing green technology, regardless of its gas mileage.

"Building and selling greener automobiles isn't just about high fuel economy or high fuel efficiency," concurred Barbara Ponce, manager of corporate communications for Honda Motor Co. "It's also about alternative-fuel technology and low-emission vehicles."

She called the bill "a step in the right direction" but said it should also offer automakers tax credits "to inspire us to invest in such vehicles."

The $3,000 tax break would take effect Jan. 1, 2000, and phase out by 2006; the $4,000 credit would take effect Jan. 1, 2003, and end in 2010. "It's a good idea to provide incentives for (consumers to buy) cleaner cars," said Dan Becker, the Sierra Club's Washington lobbyist on global warming and energy issues. Becker found irony in automakers' cool reception of the bill. "They've been ragging on this administration for years, saying, 'Don't regulate us. Create incentives, instead, to help build a market for these cars,'" Becker said. "Now they're fighting the incentives; they won't take 'Yes' for an answer."

Becker opposes amending the bill to grant automakers tax relief, too, saying it would make the measure "less politically salable."

Among the green technologies automakers are considering:

* Fuel cells, which convert hydrogen into electricity to power a vehicle and yield water vapor as the only by-product.

* Hybrid vehicles, which combine electric drives with small internal combustion engines to power a vehicle.

* Advanced batteries that enable electric vehicles to travel more miles on a single charge.

* Cleaner diesel engines that spew less soot -- a suspected carcinogen -- into the air and get more miles per gallon than gasoline-powered vehicles.

If the bill doesn't pass Congress by Dec. 31, it will expire.

AUTOS, 'BIG OIL' GET EARTH-FRIENDLY
Christian Science Monitor (excerpt)
6 October

William Clay Ford Jr., new chairman of Ford Motor Co., drives a snappy little battery-powered pickup and vows to promote a "new environmental ethic" in the company that bears his family name. He warns fellow automakers not to dismiss the possibility of global warming.

British Petroleum, the international oil giant, plans to cut its greenhouse-gas emissions 10 percent below 1990 levels by 2010 - double the target agreed to by the world's industrialized nations in Kyoto, Japan, last December. In the process, it links up with the Environmental Defense Fund (EDF), one of the United States' largest environmental groups.

And Royal Dutch/Shell, another multinational firm whose name personifies "Big Oil," announces it will spend more than half a billion dollars on renewable-energy technology over five years. Shell also pulls out of an industry lobbying group fighting the Kyoto treaty.

Oil execs consorting with green activists, extolling the virtues of solar panels and windmills? What's going on?

Congress and the Clinton administration may be at loggerheads over global warming. Developed and developing countries may be stymied over the specifics of the Kyoto agreement. But some major energy producers - including big oil companies - are preparing for the day when greenhouse gases will be reduced substantially.

To skeptics who doubt the reality of man-induced climate change, British Petroleum's chief executive officer John Browne says, "We've moved - as the psychologists would say - beyond denial."

"Of course, the science of climate change is not proven," Mr. Browne said recently. "But there is mounting evidence that the concentration of carbon dioxide in the atmosphere is rising and the temperature of the earth's surface is increasing."

BP is focusing its initial carbon-reduction plan, worked out with the EDF, on 12 business units that account for one-quarter of the company's global emission of greenhouse gases. These include refineries, chemical plants, and oil-production facilities.

For example, new "drag reducing" technology will allow BP to have fewer pumping stations along the Alaska pipeline. Net result: an annual reduction of 236,000 tons of carbon dioxide. In the North Sea, BP is cutting "flaring" (the burning of waste gases), which means a reduction of 200,000 tons of CO_2 emissions.

Like Shell, BP is also increasing its investment in solar energy. And both companies have broken ranks with the Global Climate Coalition, which opposes the Kyoto treaty.

Such actions, says EDF executive director Fred Krupp, set "a powerful new standard for corporate responsibility."

"There's no conflict between doing the right thing and the bottom line," says Ford's board chairman. "I don't see a conflict between shareholder value, customer value, and social value."

Critics point out that Ford sells more trucks and sport utility vehicles - top greenhouse-gas emitters - than its competitors.

But the No. 2 automaker says technological developments soon will allow its minivans and sport utes to qualify as low-emission vehicles. Ford also has formed a partnership with Canadian and German companies to develop fuel cells that combine hydrogen and oxygen to produce electricity. A fuel-cell-powered car will be tested early next year, Ford recently announced.

Those who advocate a move away from fossil fuels see efforts to green up such industries as more than window dressing. "It's a real trend," says Rhys Roth, executive director of the Atmosphere Alliance in Olympia, Wash., a private organization that addresses global warming.

Or as Mr. Ford says, "preserving the environment is not only the right thing to do, it's the best thing to do from a long-term business perspective."

In the Pacific Northwest, notes Mr. Roth, companies are scrambling to become the next Intel or Microsoft of renewable energy. The world's largest manufacturer of solar-panel electronics and the top producer of silicon for solar systems are both in Washington State. Oregon has three electric-vehicle companies.

Shell researchers estimate that renewable-energy sources such as wind, solar, and biomass could supply half the world's energy by the middle of the next century. Company officials say it's only prudent to plan for that kind of future. BP reported last month that it would increase its solar business tenfold by 2010.

"Fossil-fuel companies are looking at themselves as energy companies - more than just oil companies," says Roth.

The same apparently is true of those involved in automaking, Roth notes. Robert Stemple and Lee Iacocca, former chairmen of General Motors and Chrysler, respectively, now are involved in producing electric-powered vehicles.

Editorial

HOT AIR
Forbes (excerpt)
By Steve Forbes Editor-in-Chief
19 October edition

A GROUP OF REPUBLICANS are trying to block the Clinton Administration from implementing, by regulatory decree, last year's Kyoto Protocol on global warming. Their efforts deserve success. The White House knows the treaty can't get more than a handful of affirmative votes in the Senate, so, not surprisingly, the President and his cohorts are trying to enact the thing by stealth through the Environmental Protection Agency and other government departments.

Congressional skepticism is well warranted. The global warming theory is deeply flawed. The Earth's temperatures were fluctuating long before there were people, not to mention the Industrial Revolution. Satellite and weather balloon data tell us that the Earth's average temperature has fallen slightly during the last 20 years. Scientists at NASA, as well as the designer of the federal weather satellite system, have expressed serious doubts. The most recent spikes in the Earth's temperature are no different, long term, than the peaks one finds beside deep valleys on the Earth's surface. One expert, Dr. John

Christy of the University of Alabama in Huntsville, notes that over the last 100 years 35 states experienced record temperatures before 1940, while only 11 have had such temperatures since. If Vice President Gore and the other Chicken Littles are correct, shouldn't those temperature figures be reversed?

The Kyoto Protocol is simply a Big Government power grab that would severely harm our economy. In California alone the proposed permit fee of 65 cents per gallon of gasoline would cost consumers $9 billion. Nationwide, the treaty would lose us 2.5 million jobs and reduce family income by about $2,700 a year.

The truth is, we are still in the Dark Ages when it comes to knowing what actually changes weather patterns. But never underestimate the determination of Big Government advocates to find new rationales for controlling our lives, even ones as half-baked and pseudoscientific as global warming.

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ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: HorwitzR@sec.gov (HorwitzR@sec.gov [UNKNOWN])

CREATION DATE/TIME:13-JAN-1999 18:59:49.00

SUBJECT: Brazil Q&A

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TEXT:

Just in case any of you guys are asked about the situation in Brazil in the next 48 hours.

Q. What happened in Brazil on Wednesday?

A. Gustavo Franco, head of Brazil's central bank, quit, citing personal reasons and policy differences. His replacement, Francisco Lopes, allowed the country's currency, the real (pronounced 'ree-ahl'), to decline about 8 percent against the dollar.

Q. Why did they do that?

A. As part of an effort to keep inflation in check, Brazil had been defending the real's value by keeping interest rates high and by buying the real on currency markets. Those measures had exacted a high price on Brazil's economy. The government is running out of foreign money to buy reals, and the high interest rates have been stifling economic activity. Brazil hopes that by letting its currency decline, or devalue, it will be able to bring interest rates lower and will spend less in defending the real.

Q. But the International Monetary Fund approved a $41 billion aid package for Brazil last fall. Shouldn't that be helping?

A. The IMF aid package was approved on condition that Brazil take fiscal austerity measures, including spending cuts. Some of those measures have yet to be approved, meaning that the bulk of the IMF aid has not yet been released. But even if the IMF package had been in place, some experts say that Brazil may have had to devalue its currency anyway.

Q. What happens if Brazil's economic situation worsens?

A. Latin America economies are already weak, making them even more vulnerable to a drastic downturn in Brazil, the largest economy in the region with 160 million people. Many U.S. banks have significant loans outstanding in Brazil, an estimated 2,000 U.S. companies do business there.

Worries about these companies' profits pressured the U.S. stock market Wednesday. Should Brazil's troubles spread to Mexico, it could have an even greater impact on the United States since Mexico is one of the United States' biggest trading partners after Canada and Japan.

Brazil has been seen as a test case for whether the financial turmoil that has gripped Asia and Russia can be contained. "If the situation in Brazil unravels, you could have a much more severe recession throughout the region which could start a vicious cycle that could hurt the U.S. economy," says Francisco Larios, senior emerging markets economist at Standard & Poor's DRI.

Q. Why is currency devaluation such a big deal anyway?

A. One of Brazil's most serious problems now is that international investors have been pulling their money out of the country's stock and bond markets because they're losing faith in the government's ability to get the economic problems under control. Every time the real falls, foreign investors take a hit as their Brazilian holdings lose value. A gradual decline in the real's value is bad enough, but an unexpected move like Wednesday's one can be even more unsettling. If investors keep pulling money out and selling their reals against other currencies, the real suffers further, creating a vicious circle.

Q. What does Brazil do now?

A. Brazil's main task is to convince foreign investors that their country is a safe place to invest. Even though some economists agree with the thinking behind Brazil's currency devaluation, they say it comes at a very bad time. "They had a policy which was not sustainable. They wanted a stable currency that required high interest rates," Larios said.

But, he added, the crisis is intensifying just as many countries around the world are in recession and as financial markets remain jittery. "Their chances of success are much lower now than they were a year ago."

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TEXT:
This is the kind of shit the Group needs to keep informed about. Good
job Russ.

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18:48:24 -0500
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>To: moran_k1@a1.eop.gov, bbanino@aol.com, CEBringard@aol.com,
SDAkins@aol.com,
>   chris.hill@attws.com, jdyck@bakerbotts.com,
>   John.M.Lemery@Dartmouth.EDU, Erik.Bringard@gs.com,
>   dfrankhouser@hotmail.com, joejacquot@hotmail.com,
postalex@hotmail.com,
>   wmay@indiana.edu, daniv@juno.com, jldoyle@mail.utexas.edu,
>   pstacy@silcom.com, jdbakke@tcco.com, leishear@us.ibm.com,
>   Kirk Pumphrey <Kirk_Pumphrey@riggsbank.com>
>Cc: Kevin_S._Moran@who.eop.gov
>Subject: Brazil Q&A
>Content-Type: multipart/mixed; boundary="IMA.Boundary.403172619"
>
>   Just in case any of you guys are asked about the situation in
Brazil
>   in the next 48 hours.
>   ---------------------------------
>   Q. What happened in Brazil on Wednesday?
>

> A. Gustavo Franco, head of Brazil's central bank, quit, citing
> personal reasons and policy differences. His replacement,
Francisco
> Lopes, allowed the country's currency, the real (pronounced
> 'ree-ahl'), to decline about 8 percent against the dollar.
>
> Q. Why did they do that?
>
> A. As part of an effort to keep inflation in check, Brazil had
been
> defending the real's value by keeping interest rates high and by
> buying the real on currency markets. Those measures had exacted a
high
> price on Brazil's economy. The government is running out of
foreign
> money to buy reals, and the high interest rates have been stifling
> economic activity. Brazil hopes that by letting its currency
decline,
> or devalue, it will be able to bring interest rates lower and will
> spend less in defending the real.
>
>
> Q. But the International Monetary Fund approved a $41 billion aid
> package for Brazil last fall. Shouldn't that be helping?
>
> A. The IMF aid package was approved on condition that Brazil take
> fiscal austerity measures, including spending cuts. Some of those
> measures have yet to be approved, meaning that the bulk of the IMF
aid
> has not yet been released. But even if the IMF package had been in
> place, some experts say that Brazil may have had to devalue its
> currency anyway.
>
>
>
> Q. What happens if Brazil's economic situation worsens?
>
> A. Latin America economies are already weak, making them even more
> vulnerable to a drastic downturn in Brazil, the largest economy in
the
> region with 160 million people. Many U.S. banks have significant
loans
> outstanding in Brazil, an estimated 2,000 U.S. companies do
business
> there.
>
> Worries about these companies' profits pressured the U.S. stock
market
> Wednesday. Should Brazil's troubles spread to Mexico, it could
have an
> even greater impact on the United States since Mexico is one of
the
> United States' biggest trading partners after Canada and Japan.
>

> Brazil has been seen as a test case for whether the financial
turmoil
> that has gripped Asia and Russia can be contained. "If the
situation
> in Brazil unravels, you could have a much more severe recession
> throughout the region which could start a vicious cycle that could
> hurt the U.S. economy," says Francisco Larios, senior emerging
markets
> economist at Standard & Poor's DRI.
>
>
> Q. Why is currency devaluation such a big deal anyway?
>
> A. One of Brazil's most serious problems now is that international
> investors have been pulling their money out of the country's stock
and
> bond markets because they're losing faith in the government's
ability
> to get the economic problems under control. Every time the real
falls,
> foreign investors take a hit as their Brazilian holdings lose
value. A
> gradual decline in the real's value is bad enough, but an
unexpected
> move like Wednesday's one can be even more unsettling. If
investors
> keep pulling money out and selling their reals against other
> currencies, the real suffers further, creating a vicious circle.
>
>
> Q. What does Brazil do now?
>
> A. Brazil's main task is to convince foreign investors that their
> country is a safe place to invest. Even though some economists
agree
> with the thinking behind Brazil's currency devaluation, they say
it
> comes at a very bad time. "They had a policy which was not
> sustainable. They wanted a stable currency that required high
interest
> rates," Larios said.
>
> But, he added, the crisis is intensifying just as many countries
> around the world are in recession and as financial markets remain
> jittery. "Their chances of success are much lower now than they
were a
> year ago."

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: HorwitzR@sec.gov@INET@LNGTWY (HorwitzR@sec.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:13-JAN-1999 18:59:48.00

SUBJECT: Brazil Q&A

TO: Kevin Moran@eop (Kevin Moran@eop [WHO])
READ:UNKNOWN

TEXT:
Just in case any of you guys are asked about the situation in Brazil in the next 48 hours.

Q. What happened in Brazil on Wednesday?

A. Gustavo Franco, head of Brazil's central bank, quit, citing personal reasons and policy differences. His replacement, Francisco Lopes, allowed the country's currency, the real (pronounced 'ree-ahl'), to decline about 8 percent against the dollar.

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A. The IMF aid package was approved on condition that Brazil take fiscal austerity measures, including spending cuts. Some of those measures have yet to be approved, meaning that the bulk of the IMF aid has not yet been released. But even if the IMF package had been in place, some experts say that Brazil may have had to devalue its currency anyway.

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A. Latin America economies are already weak, making them even more vulnerable to a drastic downturn in Brazil, the largest economy in the

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outstanding in Brazil, an estimated 2,000 U.S. companies do business
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sustainable. They wanted a stable currency that required high interest
rates," Larios said.

But, he added, the crisis is intensifying just as many countries
around the world are in recession and as financial markets remain
jittery. "Their chances of success are much lower now than they were a
year ago."==================== ATTACHMENT 1 ====================
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Date: Thu, 31 Dec 1998 14:36:26 -0500
From: Kirk Pumphrey <Kirk_Pumphrey@riggsbank.com>
To: moran_k1@a1.eop.gov, bbanino@aol.com, CEBringard@aol.com, SDAkins@aol.com,

chris.hill@attws.com, jdyck@bakerbotts.com,
John.M.Lemery@Dartmouth.EDU, Erik.Bringard@gs.com,
dfrankhouser@hotmail.com, joejacquot@hotmail.com, postalex@hotmail.com,

wmay@indiana.edu, daniv@juno.com, jldoyle@mail.utexas.edu,
HorwitzR@sec.gov, pstacy@silcom.com, jdbakke@tcco.com,
leishear@us.ibm.com
Cc: Kevin_S._Moran@who.eop.gov
Subject: Last day before the Tax -Reply
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Content-Disposition: inline
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================== END ATTACHMENT 2 ==================

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Dag Vega (CN=Dag Vega/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:13-JAN-1999 11:38:22.00

SUBJECT: Brazil Statement by the President

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READ:UNKNOWN

TO: opvsmp (opvsmp @ juno.com @ inet [UNKNOWN])
READ:UNKNOWN

TO: info (info @ elsoldetexas.com @ inet [UNKNOWN])
READ:UNKNOWN

TO: mgarcia (mgarcia @ pacifica.org @ inet [UNKNOWN])
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TO: mpena (mpena @ efeamerica.com @ inet [UNKNOWN])
READ:UNKNOWN

TO: bujanda (bujanda @ hispanicjournal.com @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release January 13, 1999

REMARKS BY THE PRESIDENT

IN PHOTO OPPORTUNITY WITH U.S. LABOR LEADERS

The Cabinet Room

THE PRESIDENT: First of all, I want to thank these distinguished leaders of the American labor movement for coming here today for this meeting. We are meeting to talk about the economy, the challenges we face in the 21st century -- in part, what I intend to say about it in the State of the Union next week. We will be discussing ways we can work together to save Social Security, to renew our public schools, to improve health care, and deal with a whole range of other issues.

In large measure, opportunity for America's labor families and their children will depend upon whether America can master the challenges of a global economy. We have worked hard over the last year, as all of you know, to deal with the global financial crisis and restore growth. I talked about that at the Detroit Economic Club on Friday. This will require a very vigorous set of actions this year, and part of it will involve the Congress, part of it will involve our work with other nations over the course of the year. But it will be very important.

I have received a briefing this morning from Secretary Rubin and my economic team on the situation in Brazil, and on the developments in the world markets. We are monitoring these developments closely, especially what is going on in Brazil. We've been in contact with key Brazilian government officials, the G-7, and other important countries. We've been in contact with the International Monetary Fund. We have a strong interest in saving Brazil, with whom we have worked on so many important things around the world, carrying forward with its economic reform plan, and succeed. And we certainly hope that they will.

At the present time, I think that's about all I have to say about developments in --

Q Mr. President, on Brazil. Do you -- harmful effect on the U.S. economy? We send a lot of exports to Latin America.

THE PRESIDENT: Well, as you know, we have worked hard to keep the financial crisis in Asia, which enveloped Asia last year, from spreading to Brazil. Latin America is our fastest growing market for American goods and services. And Brazil is the largest country in Latin America. So, obviously, we hope that the situation will be resolved in a satisfactory way not only for the people of Brazil, but for all of the people in the Americas that want to continue to enjoy the good progress that all of us have enjoyed in the last several years. And we're working hard to that end and will continue to do so.

Q Thank you.

END

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark A. Kitchens (CN=Mark A. Kitchens/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:14-JAN-1999 11:11:09.00

SUBJECT: CNN Moneyline, January 13, 1999

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TO: gamble-bennett (gamble-bennett @ dol.gov @ inet [UNKNOWN])
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TO: Dag Vega (CN=Dag Vega/OU=WHO/O=EOP @ EOP [WHO])
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TO: Eli G. Attie (CN=Eli G. Attie/O=OVP @ OVP [UNKNOWN])
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TO: Julianne B. Corbett (CN=Julianne B. Corbett/OU=WHO/O=EOP @ EOP [WHO])
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TO: Elizabeth R. Newman (CN=Elizabeth R. Newman/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jordan Tamagni (CN=Jordan Tamagni/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Megan C. Moloney (CN=Megan C. Moloney/OU=WHO/O=EOP @ EOP [WHO])
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TO: Brenda M. Anders (CN=Brenda M. Anders/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jennifer M. Palmieri (CN=Jennifer M. Palmieri/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
Moneyline News Hour with Lou Dobbs
Aired January 13, 1999 - 6:30 p.m. ET

White House Delivers Senate Point-by-Point Rebuttal of
Impeachment Charges; Brazil's Devalues Currency;
Michael Jordan Retires

ANNOUNCER: From CNN's New York headquarters, the
MONEYLINE NEWS HOUR WITH LOU DOBBS.

TONY GUIDA, CNN ANCHOR: Good evening. I'm Tony Guida
sitting in
for Lou Dobbs.

GUIDA: This was a day unlike almost any other on the
world's financial
markets. It began with dread, proceeded with volatility,
and ended with Wall
Street still standing, especially the seemingly indest
ructible high-tech stocks.
The trigger: One of the great fears of the world's
financial system became
reality. Brazil, Latin America's largest economy, in

effect, devalued its
currency.

Our financial editor Myron Kandel says he has not witnessed anything like today.

Mike.

MYRON KANDEL, CNN FINANCIAL EDITOR: Well, Tony, this was, indeed, an incredible session. I call it a whiplash day.

Following the news from Brazil, stocks tanked at the opening bell, the Dow Industrials plunging 261 points in the first half-hour, only to erase all but 3 points of that loss before falling again, the Dow finishing with a drop of 125 points at 9,349. In two days, the Dow has lost nearly 3 percent.

But the NASDAQ Composite Index, loaded with those high-flying technology stocks, rode an even more spectacular roller coaster. It plunged 116 points right after today's open, or nearly 5 percent, but then as signs of panic were emerging, it staged a remarkable turnaround erasing, all of its early freefall and actually rising to a 33-point gain. Then it turned around again and closed with a loss of just under 4.

Investors may have been shell shocked by today's gyrations, but they were also relieved that the market was able to bounce off its lows.

Tony.

GUIDA: All right, Myron. The situation in Brazil tonight is perilous. Its central bank governor has resigned, the stock market is in freefall and, today, Brazil joined Thailand, South Korea, and Russia in taking one of the most painful economic options available to a government, in effect devaluing its currency.

From Washington, Kelli Arena has more on what Brazil's drastic action means from Rio to the Rio Grande.

(BEGIN VIDEOTAPE)

KELLI ARENA, CNN CORRESPONDENT (voice-over): The
Brazilian
government's move to lower the value of its currency is
significant, not only
for its economy but for the world.

GREG MASTEL, ECONOMIC STRATEGY INSTITUTE: Say you buy a
factory in Brazil. Now when Brazil devalues its
currency, that factory's value
in dollars drops dramatically. So your investment's
worth a lot less, and so
you're less likely to want to invest in a country that's
prone to frequent
devaluations.

ARENA: An estimated 2,000 U.S. businesses operate in
Brazil, including
Ford and Coca-Cola. U.S. banks, meanwhile, have a $27-
billion stake in
the country.

GARY HUFBAUER, INSTITUTE FOR INTERNATIONAL
ECONOMICS: Many of our banks have lent money to Brazil,
and some of
those loans may not look so good today after the
devaluation as they did
before. So banks will be hurt -- or some banks will be
hurt, and the
stockholders in those banks will be hurt.

ARENA: Brazil's move is expected to eventually help its
economy by
making its exports cheaper and by lowering Brazilian
interest rates, but
currency devaluations are tricky and often
uncontrollable.

MASTEL: A good example is Mexico in the mid-1990s.
Initially, Mexico
tried to do a very moderate devaluation of the peso in
response to some
economic factors, but the market didn't accept it, and
with the complete loss
of control of this currency, there was a dramatic
evaluation and a subsequent
recession in Mexico, even depression in Mexico.

ARENA: And a recession in one country often leads its
neighbors to
experience an economic slowdown.

(on camera): With 20 percent of U.S. exports heading to

Latin America,
that's a domino effect the United States cannot afford.

Kelli Arena, CNN Financial News, Washington.

(END VIDEOTAPE)

GUIDA: Let's try to put this in perspective now. We have Robert Hormats,
vice chairman of Goldman Sachs International.

Bob, welcome back to the program. ROBERT HORMATS, VICE CHAIRMAN, GOLDMAN SACHS INTERNATIONAL: Good to be back, Tony.

GUIDA: I guess the key question is what are the chances that Brazil's
problems spread to its neighbors, setting off a chain reaction of devaluation
reminiscent of Asia.

HORMATS: Well, there are real risks of that. If they can manage a
controlled devaluation, that is one thing, and I think the risks can be
contained. If it's an unmanageable, wild devaluation, a collapse like
Indonesia had or Russia has had, that would be very serious. It would push
down a lot of the currencies in the region, make it harder for many countries
in the area to finance themselves. Spreads would widen, a lot of banks might
not roll over their maturities, and that would hurt all of Latin America,
slowing growth and causing a lot of turmoil in the markets.

GUIDA: So this could go from bad to even worse, and it's pick 'em at this
point. How bad is the chance that we're going to have the worst-case
scenario, in your view?

HORMATS: Well, there are very serious downside risks. It's hard to
quantify those risks, but if the Brazilian government is unable to get support
in the Congress for the tough measures to reduce the big fiscal deficit that
country has, then it's going to be very hard to regain the credibility of the
market, and there will be constant downward pressure on the currency, and

there could be a contagion effect in Latin America, and it would spread in some areas around the world, like East Asia.

GUIDA: We saw what the markets did today. How, in your view, are they reacting, taking it seriously enough, or not yet fully understanding?

HORMATS: Well, I think the markets are taking it seriously. I think they really have not yet figured out what the dimensions of the crisis are, and they're not jumping to conclusions, but, if they find over the next few days that the Brazilian currency continues to deteriorate, that there's a capital outflow, then I think it's going to have an adverse effect on the markets, particularly companies that sell a lot to Latin America or have a lot of investments in Latin America.

GUIDA: Bob Hormats of Goldman Sachs. Thank you for being with us.

HORMATS: Thank you.

GUIDA: We're going to have a lot more on Brazil and the wild ride on Wall Street, of course, at the top of hour.

Just ahead, the Senate impeachment trial, the president's defense, and the prosecution's possible witness list. We'll be right back.

(COMMERCIAL BREAK) GUIDA: On the eve of the impeachment trial of the president, the House prosecutors honed their opening statements, the president's lawyers filed a 130-page brief for his defense, and the man in the middle, President Clinton, said he plans to spend as little time as possible thinking about all of this.

Wolf Blitzer reports from the White House.

(BEGIN VIDEOTAPE)

WOLF BLITZER, CNN CORRESPONDENT (voice-over): Breaking his silence on the impeachment trial, President Clinton says

he trusts the Senate
will do the right thing and not remove him from office.

WILLIAM J. CLINTON, PRESIDENT OF THE UNITED STATES: The important thing, I think, you should be asking yourself is why did nearly 900 constitutional experts say that they strongly felt that this matter was not the subject of impeachment. My opinion is not important here.

BLITZER: The White House sent the Senate a 130-page brief which states many of the arguments made to the House. Its bottom line: The whole case is simply about sex and does not justify conviction. In the final analysis, the House is asking the Senate to remove the president because he had a wrongful relationship and sought to keep the existence of that relationship private. But a former Bush White House counsel disagrees.

BOYDEN GRAY, FORMER WHITE HOUSE COUNSEL: In fact, it was workplace sex where the White House machinery was used to put her in a position where she could have easy access to him and where she was then moved to the Pentagon and then later attempted to be moved out to New York in order to manage this relationship. It was deeply involved with official acts of government.

BLITZER: There was also this warning from the president's lawyers: If the House managers call a single witness, that will initiate a process that leaves the president potentially unprepared and unable to defend adequately without proper discovery.

JOE LOCKHART, WHITE HOUSE PRESS SECRETARY: The problem isn't the time it takes to do the cross-examination and questioning. It's all of the work that has to get done before you can move forward with that point. You have issues of depositions, discovery, and that's going to take time.

BLITZER: But warning that even one witness could add weeks to the trial could backfire, says even one lawyer sympathetic to the president's case.

DAVID SCHERTLER, FORMER FEDERAL PROSECUTOR: To the extent that the president tries to threaten, in a way, and says, "If you call one witness, we're going to drag this out. It's going to be long," I think he will lose support. It's a bad idea.

(END VIDEOTAPE) BLITZER: The White House lawyers also warn that removing Mr. Clinton from office would create a major constitutional crisis in the United States, including the possibility that it could even lead to a "quasi-parliamentary" system.

Tony.

GUIDA: Wolf Blitzer at the White House.

House prosecutors today filed papers of their own to support their case against the president, but as they head into this trial, the question of witnesses and whether there will be any is still up in th e air.

Joining me now from Capitol Hill is Bob Franken.

Bob.

BOB FRANKEN, CNN CORRESPONDENT: Tony, the House Judiciary Committee announces that staff members have contacted attorneys for Monica Lewinsky. They requested an interview with Lewinsky. The attorneys turned them down, and this is just the first of what is actually turning out to be at least a contact with at least one more prospective witness.

(BEGIN VIDEOTAPE)

FRANKEN (voice-over): CNN Has learned that two of the House managers had a face-to-face meeting with former White House volunteer Kathleen Willey and her attorney. The managers were not named. One source says they met Monday to talk about the possibility of her being a witness. They were interested, said another source, in

alleged efforts by the
president's supporters to suppress her claim that Presid
ent Clinton fondled
her in a room off the Oval Office. This as House
managers made final
preparations for opening statements, not knowing if
there will be witnesses in
the trial of President Clinton.

Several of the House managers wanted one more look at
the Senate floor on
the eve of the trial. They're all lawyers, but they've
never argued a case like
this, never in a court like this.

REP. STEVE CHABOT (R-OH), HOUSE IMPEACHMENT TRIAL
MANAGER: We're getting a lay of the land. We're finding
out where the
microphones are, how they'll operate, which tables we're
going to be sitting
at, how to present the exhibits, the basic details that
one wants to be familiar
with when you're presenting a trial, and this is,
obviously, a very important
trial, so we want to make sure that we do it right.

FRANKEN: Judiciary Committee Chairman Henry Hyde opens
the drum,
sets the tone. He's followed by Jim Sensenbrenner.
Sensenbrenner says he
intends to include what he calls all kinds of little
nuggets, lots of stuff you
haven't heard of before, but he steadfastly refuses to
give further detail.
Those nuggets must come from the official public record,
which was boxed
and sent to the senators late this morning, thousands of
pages. Each senator
will have a copy. After Hyde and Sensenbrenner, a new
team takes over,
the fact team. Managers are reluctant to detail their
strategy, but several tell
CNN they will echo their prosecution brief filed Monday.
As a whole,
events and words that may seem innocent or even
exculpatory in a vacuum
may well take on a sinister or even criminal connotation
when observed in
the context of the whole plot. Those events and words
will be presented for
the rest of the day tomorrow and into Friday by
Congressmen Ed Bryant,
Asa Hutchinson, James Rogan, and Bill McCollum.

(END VIDEOTAPE)

FRANKEN: They will argue without really knowing whether they'll have witnesses. Quoting one Judiciary Committee source, "We will present a complete case which could be more complete with witnesses."

Tony.

GUIDA: Congressional correspondent Bob Franken.

One of the senators turned juror is Missouri Republican John Ashcroft who had been considered a contender for the GOP presidential nomination for the year 2000 until he took himself out of the running e ight days ago. Senator Ashcroft is my guest tonight. He joins us from Washington.

Welcome to our program, Senator.

SEN. JOHN ASHCROFT (R), MISSOURI: Glad to be with you.

GUIDA: Senator, we hear so much about the Senate wanting to conduct a fair and impartial trial, yet, quite a while ago, you said of President Clinton, "He has disgraced and broken faith with the American people," and called upon him to resign. How can you be an impartial juror if it -- as it appears, you've already made up your mind about this?

ASHCROFT: Well, I haven't made up my mind about these articles of impeachment. I haven't viewed the evidence here. I took a solemn oath to do impartial judgment and to render impartial judgment. I signed that oath on the floor of the Senate. I think our pursuit of truth as it relates to these charges is different than a generalized opinion about the situation or even about the things that are no longer a part of this case, the things for which I called the president -- on which I called the president to resign. They key is here that we pursue what we are sworn to do, which is to measure specific evidence against particular charges that are included in the articles of impeachment. We're sworn to do that. I'm going to do my very best to make sure that my judgment is impartial and, as a matter of fact, I have a high standard. If I'm not convinced beyond a reasonable doubt, I will vote for acquittal.

GUIDA: Senator, given the fact that you favor the calling of witnesses by the Senate, what's your reaction of the president's lawyers comments that, if witnesses are called, they're going to need time to have depositions, discovery, and that could really lengthen this process a great deal? In your view, is that just a threat, or is that wise legal procedure?

ASHCROFT: First of all, I favor the right of the Senate to call witnesses, if we feel that they would be helpful, if they would help us arrive at the truth. I simply can't understand anyone saying -- given the process where we'll be able to learn about what a witness will testify to in advance, I can't believe anyone's saying, "Well, we don't want to have any possibility of hearing from witnesses, even if they could help us ascertain the truth." I believe that we have to make ourselves susceptible to and eager to learn things that will help us arrive at the truth and do impartial justice. Now the Senate procedure doesn't guarantee that there will be witnesses or there won't be. It simply says that a case can be made for bringing witnesses, and if a majority of the Senate calls for witnesses thinking that they can help us arrive at a better understanding of the truth, then we'll do that. It does provide for depositions, and no witness will be called without an opportunity for witnesses to be deposed, interrogated in advance by both sides.

GUIDA: Senator John Ashcroft, Republican of Missouri, one of the 100 jurors for President Clinton's trial that begins tomorrow. Thank you, Senator.

ASHCROFT: Thank you.

GUIDA: Perhaps in their haste to get the defense brief
filed, the president's
lawyers made a minor mistake. On the cover page of one
of the most
important legal documents in decades, they misspelled a n
ame. The name
Clinton. They didn't put in the L. It was spelled
C-I-N-T-O-N as in
President Cinton.

When the MONEYLINE NEWS HOUR continues, a look at the
man who
will gavel tomorrow's trial to order, Chief Justice
William Rehnquist.

(COMMERCIAL BREAK)

GUIDA: The man presiding over the impeachment trial
tomorrow, Chief
Justice William Rehnquist, began his tenure on the
Supreme Court when Bill
Clinton was still in law school. He was one of the few
conservatives on the
old court. He's known for his legal brilliance, but
Rehnquist is not without his
own share of controversy.

Jim Hill has a closer look at the man holding the gavel.

(BEGIN VIDEOTAPE)

WILLIAM REHNQUIST, SUPREME COURT CHIEF JUSTICE: And
I'm now ready to take the oath.

JIM HILL, CNN CORRESPONDENT (voice-over): Chief Justice
William
Rehnquist brings a powerful intellect, sense of history,
and vast experience
as he presides over the Senate impeachment trial. With a
1952 law degree
from Stanford University, Rehnquist moved to Phoenix,
Arizona, eventually
opening a small office with partner Jim Powers.

JIM POWERS, FORMER REHNQUIST PARTNER: He's a very
even-tempered person in his approach to everything. He
is calm. He's very
hard to get rattled.

HILL: If Rehnquist's professional style formed early, so
did his politics. He
was a conservative.

(on camera): In 1964, Rehnquist had his first hands-on experience with impeachment. As a conservative Republican attorney, he was hired to prosecute a double impeachment case before the Arizona State Senate.

(voice-over): The young lawyer failed to win convictions against the two state officials, but his experience and reputation in government grew. He was nominated to the U.S. Supreme Court by President Richard Nixon in 1971.

BRETT DUNKELMAN, FORMER REHNQUIST CLERK: He's a very warm, personable, informal, unpretentious type of person, but what he knew about -- not just about the law but about music, art, literature, history, geography -- I mean, it was downright scary at times.

HILL: But Rehnquist also drew criticism. As a law clerk himself in 1953, he wrote a memo to Justice Robert Jackson (ph) arguing that the basis of segregation, Plessy vs. Ferguson, was constitutional. "I realize that it is an unpopular and unhumanitarian position," he wrote. "I think Plessy vs. Ferguson was right and should be reaffirmed."

PROF. ERWIN CHEMERINSKY, UNIVERSITY OF SOUTHERN CALIFORNIA: Later, Rehnquist said he was just playing devil's advocate at Jackson's request, but many came forward and said he wasn't playing devil's advocate at all. He was expressing the same views that he also expressed repeatedly in the court.

HILL: But Rehnquist survived the slings and arrows. He went on to write and lecture about the impeachments of President Andrew Johnson and Justice Samuel Chase (ph). He concluded it was good both impeachments failed, calling impeachment a wildcard which could have upset the checks and balances established by the Constitution, although, as he now presides over the trial of President Clinton, Rehnquist has not revealed his private thoughts on the case, and those who know him say he likely never will.

Jim Hill, CNN, Phoenix, Arizona.

(END VIDEOTAPE)

GUIDA: An interesting sideline on the chief justice. For all his legal stature,
William Rehnquist has next to zero experience as a trial judge. He presided
over just one trial in his career. It was a civil case, and his decision was
overturned. The current trial has drawn so much attention to Rehnquist's
thoughts on impeachment, his publisher is reissuing Rehnquist's book on the
subject.

Coming up here on the NEWS HOUR, Michael Jordan takes his final bow
at court side, and basketball tries to figure out, "What do we do next?"

(COMMERCIAL BREAK)

GUIDA: Some evidence of Michael Jordan's prominence throughout the
world, if anymore is needed. In Europe, in South America, in Australia,
Jordan's retirement today made headlines, attention almost never given to
American sports figures. In this country, what more can be said? At 12:17
p.m. Eastern time, Mr. Jordan took his ball and went home.

Jeff Flock reports.

(BEGIN VIDEOTAPE)

JEFF FLOCK, CNN CORRESPONDENT (voice-over): The man who
knows says the championship ring in this box will be the last he will ever win.

MICHAEL JORDAN, NBA BASKETBALL PLAYER: I am here to
announce my retirement from the game of basketball.

FLOCK: Not for baseball or golf or because his skills had dimmed but
mostly for family.

JORDAN: Being a parent is very challenging, and if you have kids, you
know that, you know, and I welcome that challenge.

FLOCK: It seems the old challenges had all been met.

(on camera): Behind me, you see the crush, the herd, the
intense attention
that Michael Jordan's extraordinary talent attracted. It
is one of the things
about his old job that he will not miss.

JORDAN: No, I'm -- mentally, I'm exhausted. I don't feel
I have the
challenge. Physically, I feel great.

FLOCK (voice-over): The physical has never been a
problem, though a cut
finger will force surgery and would have sidelined him
for two months had he
intended to play. Michael says his mind had been made
up.

DAVID STERN, NBA COMMISSIONER: Thank you for gracing our
court.

FLOCK: There was gratitude from the league president,
sadness from the
team owner...

JERRY REINSDORF, CHICAGO BULLS OWNER: Well, this is a day
that I think -- I hoped would never come.

FLOCK: ... kudos from his agent...

UNIDENTIFIED SPORTS AGENT: I just think it's the
American dream.

FLOCK: ... tribute from his teammates.

BILL WENNINGTON, CHICAGO BULLS OWNER: Playing with
Michael Jordan makes everyone better, and he brings up
everyone's level.
You have to be able to compete with him.

FLOCK: Jordan's new goal: to be a better father.

JUANITA JORDAN, MICHAEL JORDAN'S WIFE: Actually, my life
won't change at all. I see Michael doing more car
pooling.

FLOCK: He took the kids to school before taking the hard
questions.

UNIDENTIFIED CORRESPONDENT: Michael, is there any chance
whatsoever that you'll change your mind down the road
and return?

JORDAN: No. I never say never, but 95 to 99.99 percent, I'm very secure with my decision.

FLOCK: Secure enough to have his famous jersey put back up in the rafters, the teams says, to symbolize his dominance over a game he loves and has now left.

I'm Jeff Flock, CNN, in Chicago.

(END VIDEOTAPE)

GUIDA: Michael Jordan car pooling. What a picture that is.

Brazil was the bombshell today for global markets. Jan Hopkins is here with a preview of what's coming up on MONEYLINE.

Jan.

JAN HOPKINS, CNN ANCHOR: Thanks, Tony.

Volatility rules on Wall Street and the world. We'll have a full report, and I'll talk to international economist Jeffrey Sachs about what lies ahead for Brazil and beyond.

Also, the amazing recovery of Apple Computer. The attack of the iMac leads to an earnings surprise. I'll talk to Apple CEO Steve Jobs.

(COMMERCIAL BREAK)

HOPKINS: Fears about the state of Brazil's economy triggered near-panic selling at the opening bell on Wall Street. The Dow Jones Industrials plummeted as much as 3 percent. The NASDAQ composite, at its low, was down 5 percent, 114 points. That would have been its third biggest point loss ever. But the buyers leaped in, cut the Dow's loss in half, and pushed the NASDAQ briefly into the plus column.

It was such a dizzying day for technology stocks. The NASDAQ traded in a 150-point range.

We have two reports on today's frenzied action,
beginning with Susan
Lisovicz at the New York Stock Exchange.

(BEGIN VIDEOTAPE)

SUSAN LISOVICZ, CNN CORRESPONDENT (voice-over): Bargain
hunters provided damage control to what could have been
a very ugly day
for stocks. The Dow Jones Industrials plummeted 261
points in the early
going, then staged a slow comeback, only to suffer
another round of selling
in the last hour. The Dow ended at 9349, a loss of 125
points on the day.

RALPH ACAMPORA, PRUDENTIAL SECURITIES: We had a
rip-roaring market for the last three months, and you
know, when you get
some confusing news like this, and some disturbing news,
you're going to get
a very sharp sell-off.

I think so far what I see is relatively contained, so
I'm impressed.

LISOVICZ: Brazil's effective devaluation of its currency
and the resignation
of the head of its central bank took Wall Street by
surprise.

(on camera): Financial stocks took the brunt of the
beating, despite having
pared their exposure to Latin America in recent months.

(voice-over): American Express, Citigroup and Merrill
Lynch all fell more
than $3 a share. J.P. Morgan plunged 5 1/4. And Chase
Manhattan lost 2
1/4.

U.S. multinationals, like Caterpillar and Minnesota
Mining & Manufacturing,
each fell more than $2.

ROBERT STOVALL, PRESIDENT, STOVALL 21ST ADVISERS: I
thought it would be worse, actually, because the market
had been looking
tired and toppy to me, and I thought it was searching
for a catalyst; it had
one, and it shows you that there's demand for stock.

LISOVICZ: The financial crisis in Brazil comes to a head
just as U.S.

companies begin reporting fourth-quarter earnings. First Call, an earnings research firm, says the it expects a record number of com panies to warn of weakening earnings. That promises to add more volatility to already jittery markets.

(END VIDEOTAPE)

(BEGIN VIDEOTAPE)

BILL TUCKER, CNN CORRESPONDENT (voice-over): I'm Bill Tucker from the NASDAQ-AMEX market site. Stocks were slammed on the open, quickly plunging to their lows of the session. But dramatic losses turned to gains by midsession.

BRIAN FINNERTY, C.E. UNTERBURG, TORBIN: Volatility is the name of the game, but I think that is because information is out and disseminated broadly and quickly, and people make faster moves now, it seems. So I think volatility is probably here to stay.

TUCKER: Few stocks were spared the ride. Cisco Systems fell to a low of 89 7/8 before ending the day with a modest lost in a trading range of 10 points. Intel dropped and then turned around a rally -- i ts trading range: 12 points. MCI/Worldcom, Microsoft also posted sharp recoveries.

Internet stocks, not surprisingly, proved even more volatile. Yahoo!, Broadcast.com, Doubleclick, Amazon.com, @Home -- all showing point swings greater than 32 points.

DAVE POWERS, EDWARD JONES: It is kind of a day of reckoning for the technology sector, especially the Internet stocks. Investors have bid up the Internet stocks to dizzying heights over the past few months, and they are going to be releasing their fourth-quarter earnings over the next couple of weeks. So it is, kind of, for these companies to lay the cards on the table, and let's see if the results justify the stock prices.

TUCKER: From its record close on Monday to its low here in trading on Wednesday, the NASDAQ tumbled 8 percent; that's what Wall Street calls a correction -- and all in just a day and a half of trading.

Bill Tucker, CNN Financial News, New York.

(END VIDEOTAPE)

HOPKINS: Behind the wild ride on Wall Street today, the events that investors world-wide have dreaded for months -- Brazil buckled today, under pressure from an ailing economy and soaring interest rates. Brazil lowered the value of its currency, the real.

Katharine Barrett has our report.

(BEGIN VIDEOTAPE)

KATHERINE BARRET, CNN CORRESPONDENT (voice-over): It came as a shock, but not a surprise; investors have feared and whispered about a Brazilian currency devaluation for months. They pulled more than a billion dollars a week out of Brazil in December.

Then, last week, a renegade state governor reneged on his debts to Brazil's central government -- not much money, but a political blow. And by this week, capital outflows had accelerated to a billion do llars a day. As investors ran, policy-makers had little choice but to devalue.

MICHAEL BURPEE, CIO, THE INTERNATIONAL PORTFOLIO: It's been an accident waiting to happen, and they are under extraordinary pressures, and have been now for over a year, specifically since the Russian event, to renovate their economy and try to bring some fiscal and monetary stability back into the place.

BARRET: This widening of exchange-rate bands allows the real to fall about 8 percent, but it cost the currency's staunchest defender, Central Bank President Gustavo Franco, his job. The news sent Brazil

ian stocks reeling.
After a delayed open, the Bovespa Index plunged 10.5 percent in 10 minutes, before trading was halted for a half-hour. The pause helped cut closing losses to 5 percent, but with the devaluation, the market is down 30 percent in dollar terms for the year.

Still, analysts say this mini-devaluation could help ease some economic strains in Brazil.

JOHN WILLIAM, CHIEF ECONOMIST, BANKERS TRUST: You had to keep interest rates very high, and therefore, hammer the economy, in an attempt to hold the currency up. So in some long-run sense, it is probably good to get it out of the way, and then eventually rates can come down, and eventually the economy can recover.

First, Brazil must recover its credibility with investors. One key -- passing legislation to cut its massive budget deficit.

JOSE BARRIONUEVO, LEHMAN BROTHERS: The market is very, very concerned that political pressures are mounting and that the economic program in its present form will probably have to be changed.

(END VIDEOTAPE)

BARRET: And several analysts suggest that this devaluation may not be the last if investors continue to withdraw money from Brazil and Brazil's politicians cannot put their economic house in order, the real may have further to fall -- Jan.

HOPKINS: Thanks, Katherine.

Brazil's bombshell rattled global stock markets. In addition to Brazil's losses, Argentine stocks plunged 10.2 percent. A third of the country's exports go to Brazil.

The real's devaluation will make imports to Brazil more expensive. Peruvian stocks lost nearly 5.5 percent. Mexico shares down 4.6 percent. In

Germany, stocks plunged more than 5 percent. Stocks in Zurich lost more than 4 percent. In both Paris and London, stocks sank more than 3 percent.

Some of the money flowing out of the world's stock markets poured into the U.S. bond market today. The bond soared two full points in early trading, the strongest gain in three months. The volatility that plagued the stock market also affected the bond market. When stock prices rebounded, bonds gave up much of their gains. Still, the Treasury's 30-year issue finished up 1 1/4 of a point, and the yield at 5.12 percent.

Today's move by Brazil puts the International Monetary Fund in a bind. It was only two months ago the IMF awarded the country roughly $41 billion in aid.

From Washington, Bill Dorman has more on the event that has the world's financial officials scrambling.

(BEGIN VIDEOTAPE) BILL DORMAN, CNN CORRESPONDENT (voice-over): President Clinton stresses the importance of Brazil as an export market for U.S. business.

WILLIAM J. CLINTON, PRESIDENT OF THE UNITED STATES: Latin America is our fastest-growing market for American goods and services, and Brazil is the largest country in Latin America. So obviously, we hope that the situation will be resolved in a satisfactory way.

DORMAN: U.S. officials consulted with their G-7 counterparts about Brazil. Treasury Secretary Robert Rubin voiced support not only for Brazil's president, but also for economic reforms.

In a written statement, Rubin concluded -- quote -- "It is important that Brazil carry forward the implementation of a strong credible economic program." That view is shared by the IMF, which led a $41.5 billion rescue plan for Brazil just two months ago.

ROBERT HORMATS, VICE CHAIRMAN, GOLDMAN SACHS
INTERNATIONAL: The IMF is in a very difficult position
at this point,
because they have made an enormous commitment to Brazil,
as have the
United States and other industrialized countries. That
was predicated on
Brazil adhering to some very tough conditions.

DORMAN: One important condition -- sharply cutting
Brazil's $65 billion
budget deficit. But despite winning a presidential
campaign last year that
included promises of economic changes, President Cardoso
is facing stiff
political opposition to achieving those reforms.

(END VIDEOTAPE)

DORMAN: The IMF is already facing criticism about its
Brazil package,
saying it did not prevent an effective currency
devaluation. But IMF
defenders say the package delayed that devaluation,
which might have been
much more costly if it had come when global financial
markets were already
reeling from Russia's financial collapse -- Jan.

WOODRUFF: Thanks. Bill Dorman, in Washington.

And Coming up on MONEYLINE -- Brazil's economic
quagmire. My guest
says the worst may be yet to come. Jeffery Sachs of
Harvard University,
when we come back.

(COMMERCIAL BREAK)

HOPKINS: Tonight's MONEYLINE focus is Brazil's currency
devaluation
and its impact on the global economy. My guest tonight
says today's action
should have come long ago.

Jeffery Sachs, of Harvard University, joins us now from
Boston.

Welcome back, Jeff.

JEFFREY SACHS, HARVARD UNIVERSITY: Thank you very much.

HOPKINS: Now, 9 percent devaluation -- is that enough or
is there more

to come?

SACHS: It's probably not enough. Some estimates, my own included, have put the overvaluation of the currency above 20 percent, perhaps 20 to 30 percent. Given the market anxiety that is bound to accompany this move, I think that there probably is more to come.

HOPKINS: Now, you have been a critic of the IMF in the past and you said that it shouldn't support Brazil and its strong currency. Is this another black eye for the IMF?

SACHS: The IMF can't seem to make a program stick for more than two months anymore. Everyone one of its major bailout programs in the last two years -- starting with Thailand, Indonesia, then Korea, then Russia, now Brazil -- has failed, failed to come anywhere close to target.

I think they have the wrong model. I think that this is more than a black eye. I think it's another proof that they're just working on the wrong framework.

HOPKINS: But what does the country do now? How does Brazil get itself out of this?

SACHS: Well, when you have gone down the wrong path for a long time, when you've used for 15 months very high interest rates to try to save a currency you couldn't save, you are going to be in very serious trouble.

The immediate task is to prevent utter panic from taking place. So keeping some of that package of $41 billion in place in a totally revamped framework is necessary.

Inside Brazil, they have to be careful there is not a cascade of bank failures or internal financial panic.

My own view is that they probably should let interest rates down, let the currency float, not go the route they have been going

for more than a year of
using superhigh interest rates to try to defend the undefendable.

By doing that, they willfully, together with the U.S. and the IMF, thrown themselves right over the cliff into a massive recession.

HOPKINS: Now, the U.S. market basically rebounded. After falling sharply, the Dow cut half its losses and the NASDAQ cut more than that.

The market is kind of reacting as if this is all over. Is the market responding correctly?

Well, no doubt the biggest harm is to Brazil itself. The next biggest harm is throughout Latin America. Argentina will really be rattled seriously by this, and we didn't see markets rebound in the rest of Latin America.

It's going to be a very dicey situation. The effects on the U.S. through trade are modest. You have some hits in the financial sector. You have some hits through trade. But it's not a large direct effect.

HOPKINS: Thanks very much. Jeffrey Sachs of Harvard University, thanks for joining us.

SACHS: Thank you very much.

HOPKINS: And next on MONEYLINE -- it's a deal Wall Street has been waiting for, one that will give Lucent a leg up in the Internet market. We'll have the details.

And I'll be talking to the man who brought Apple back to the black; Apple chief executive Steve Jobs joins us when MONEYLINE returns.

(COMMERCIAL BREAK)

HOPKINS: Now, it's Microsoft's turn. After 11 weeks, the government rested its anti-trust case against Microsoft. Microsoft's first witness, the

Dean of MIT's Sloan School of Management, today argued th
at the core of
the government's case is wrong, that Microsoft does not
have a monopoly,
never mind that Microsoft controls 93 percent of the
market for operating
systems.

Economist Richard Schmalansee (ph) testified that the
company has
competition from other operating systems, such as Linux.

After months of rumor and speculation, Lucent, today,
said it would buy
Ascend Communications. It's stock swap worth $20
billion, it's the largest
buy-out ever in the computer networking industry. Ascend
stock was up five
and three-eighths. Lucent stock was down more than
three. The combined
company will create a strong challenger for industry
leader, Cisco Systems.

Fred Katayama has the story.

(BEGIN VIDEOTAPE)

FRED KATAYAMA, CNN CORRESPONDENT: Lucent Technologies
has gobbled up 11 companies to bolster its data
networking business in the
age of the Internet. But it took its biggest leap
forward in that hot area with
its move today. It's acquiring Ascend's strength in
high- speed networking
equipment for transmitting voice, video, fax, and data.

RICH MCGINN, PRESIDENT AND CEO, LUCENT
TECHNOLOGIES: Over the next two years, virtually every
important
service provider will make a major deployment of
broadband networks
comprised of optical networking, software to manage
those networks, and
packet-based networking. Ascend is the undeniable leader
in carrier-grade
data- networking capability using packet technology.
They're a great match
for us.

KATAYAMA: Lucent said it could have built its
data-networking business
by itself, but it needed to expand fast, before
networking leader Cisco
Systems moves deeper into its and Ascend's stronghold of

selling to telecom
and Internet service companies.

MICHAEL NEIBERG, ING BARINGS FURMAN SELZ: Without Lucent closing the deal, it would have left the door open for Cisco to get into, what is essentially, Lucent's backyard, or selling to the phone companies. One of the ways you can look at the Lucent acquisition of Ascend is rounding out their product portfolio.

KATAYAMA: Cisco stock fell on the news.

BOB WILKES, BROWN BROTHERS HARRIMAN: The market is telling us that investors are beginning to worry that Cisco will be threatened by the combined Ascend/Lucent in the high end, broadband marketplace.
So, I think it's going to be an interesting battle between what are probably the two market leaders.

(END VIDEOTAPE)

KATAYAMA: Through the merger, Lucent gains Ascend's blue-chip clients, including MCI/Worldcom and Sprint, rivals of Lucent's former parent, AT&T. And the marriage will boost Lucent's international business, with Ascend particularly strong in Japan -- Jan.

HOPKINS: Thanks, Fred. Shares of Advanced-Micro-Devices plunged $4 in after-hours trading. Late today, the computer chip-maker posted disappointing profits of $22 million, compared with a loss a year ago.
Motorola's quarterly earnings, however, beat expectations. Motorola says its cost-cutting efforts are running ahead of schedule. Motorola stock was up three and three-eights, ahead of that report.

Apple stock rose slightly today to 46 and-a-half, just shy of the 52-week high set last week. After the market closed, Apple reported quarterly profits well above Wall Street forecasts. Operating income more than doubled from a year ago to $123 million on strong sales of its iMac computers. It was its fifth straight quarterly profit after years of devastating losses.

The man credited with bringing Apple back into the black: founder Steve Jobs.

He joins us now from Cupertino, California. Steve, welcome back to MONEYLINE.

STEVE JOBS, CEO, APPLE COMPUTERS: Thanks.

HOPKINS: So, is this mostly because of the success of iMac?

JOBS: You know, I think Apple is starting to fire on multiple cylinders at once. We had a really good quarter with our G3 product line for our publishing and design customers, e sold a lot of power-books, our portables, and of course, iMac. And iMac, as you know, rocketed to become the number one computer in America in its first four and a half months of sales.

HOPKINS: And so, what do you do next? Do you lower the price so that you even attract more buyers, do you create new products, what?

JOBS: Well, last week at MacWorld we did two big things. The first thing was, we introduced a whole new line of our Power MacIntosh G3 computers, these are our high-end computers for our professional customers and our pro-sumers. And they're off the charts, great, and we got a great reception for them.

And then the second thing we did was, we increase the speed of the iMac and the power a little bit, we lowered the price $100 and we came out with iMac's in five new colors, so you can get an iMac in the color that you want now. And we think one of the most important questions for people buying computers from now on is going to be, you know, what's your favorite color.

HOPKINS: And a different color in each room, right?

JOBS: Yes. We hope people want to collect all five.
So...

HOPKINS: Have you found anybody that's doing that?

JOBS: Well, I am...

HOPKINS: I think we are having trouble with our
connection with Mr.
Jobs. Is that true, or is he still there?

We hope to bring him back. We'll have more MONEYLINE
right after this.

(COMMERCIAL BREAK)

HOPKINS: We're back with Steve Jobs, the interim CEO of
Apple
Computer.

Steve, analysts say that sales of the iMac are basically
plateauing at this
point. There's a lot of competition for first time
computer users from
machines that are a lot less expensive, do you agree wi
th that assessment?

JOBS: You know, that doesn't appear to be what's happens
in the
marketplaces. As you know, the iMac includes a display
for $1195, so a
computer that costs a little bit less that doesn't
include a display is often times
more expensive than an iMac. So, if you actually look at
it, iMac is in the
sweet spot of the prices consumers are paying for
consumer computers.
And it's a lot better computer than its competitors.

Secondly, in terms of plateauing, I can't predict the
future, my crystal ball's
not perfect. If these other folks can, I'd love to know
what they're seeing.
But, so far, iMac's going very strong, and it's the
number one selling
computer in America.

HOPKINS: You have managed to double your market share
from 5 percent
to 10 percent. That's still a small percentage of the
whole pie. What's your
plan? How much more market share can you gain in order f

or the company to really survive? JOBS: You know, very early on in my career, somebody once told me something that I've always remembered which is: "Pay attention to the top line, which is your strategy, your products, your people, and the bottom line will follow." And I believe very strongly that if Apple pays attention to the quality of its products, if Apple makes the best personal computers in the world, and the coolest personal computers in the world, market share will follow. And, that's what we're going to try to do. We're going to try to make the best computers in the world, and I think we're off to a really good start in 1999.

HOPKINS: You've had such success as the interim CEO of Apple. Any interest in taking away the "interim" and being the permanent CEO?

JOBS: Oh, the "Interim" question. You know, I -- about a year ago I promised myself I wasn't going to think about that for a while, and maybe I'll get around to thinking about that in a few months, but right now we're just really thinking about how to make the best computers in the world.

HOPKINS: Thanks very much, Steve Jobs, interim CEO of Apple Computers.

Two of Broadway's biggest producers were indicted today on multiple charges of securities fraud by a federal grand jury in New York. Garth Drabinsky and Marvin Gottlieb, co-founders and recently ousted executives of the troubled theatrical company Livent, producers of "Ragtime" and "Parade," also face civil action by the Securities and Exchange Commission.

Donald Van Der Mark has the story.

(BEGIN VIDEOTAPE)

DONALD VAN DER MARK, CNN CORRESPONDENT (voice-over): Creating grand illusions on Broadway earned Garth

Drabinsky and Myron
Gottlieb standing ovations. But creating grand illusions in their books, as
charged by the Justice Department and the Securities and Exchange
Commission, may earn them a trip up the river.

MARY JOE WHITE, U.S. ATTORNEY: It is extremely brazen, and it's a
top-down fraud. It involved literally erasing expenses from the general
ledger.

RICHARD WALKER, DIRECTOR OF ENFORCEMENT, SECURITIES AND EXCHANGE COMMISSION: All of these accounting manipulations were designed to understate expenses in order to
fraudulently inflate earnings, to portray unsuccessful theatrical productions as
profitable, and to meet quarterly and annual projections provided to Wall
Street analysts. Simply put, Livent cooked the books.

VAN DER MARK: Drabinsky and Gottlieb face 16 criminal counts,
including conspiracy, securities fraud, and making false statements. Two of
Livent's former executives have already pleaded guilty, one count each, for
their part in the accounting scam. Separately, the Securities and Exchange
Commission is suing Drabinsky, Gottlieb, and six other former Livent
executives for filing false reports.

GARTH DRABINSKY, FORMER CHAIRMAN & CEO, LIVENT: These charges brought against me today, in the United States, are baseless. I
would never have knowingly permitted the release of false financial
statements about Livent.

VAN DER MARK: The turning point in the drama came last summer when
a group of investors, including former Disney president and super-agent,
Michael Ovitz, took over Livent. The new management found the alleged
accounting irregularities, fired, then sued Grabinsky and Gottleib, alerted
authorities, and finally filed for chapter-11 bankruptcy protection.

(END VIDEOTAPE)

VAN DER MARK: With the authorities now on his side, Ovitz said, quote, the government's order makes it clear where the responsibility lies for this regrettable matter, close quote. As for the company it self, the show must go on. Livent has a new show called "Fosse" opening tomorrow in New York City -- Jan.

HOPKINS: Thanks, Donald Van Der Mark. That's MONEYLINE for this Wednesday, I'm Jan Hopkins in for Lou Dobbs, thanks for joining us. Good night from New York.

"CROSSFIRE" is next, here's Pat Buchanan -- Pat.

PAT BUCHANAN, CROSSFIRE HOST: Jan, with the presentation of the case against the president just hours away, what is America talking about? Are the people as caught up in the impeachment as Bill Clinton, as this city? They can't be. Nevertheless, we'll ask two national talk-show hosts, one, the man on the left, Tavis Smiley, of Black Entertainment Television, the other, the redoubtable man of the right, Ollie North, next on "CROSSFIRE."

END

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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CREATION DATE/TIME:14-JAN-1999 11:14:10.00

SUBJECT: Re: Brazil Q&A

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READ:UNKNOWN

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

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

TO: jdyck@bakerbotts.com (jdyck@bakerbotts.com [UNKNOWN])
READ:UNKNOWN

TO: Erik.Bringard@gs.com (Erik.Bringard@gs.com [UNKNOWN])
READ:UNKNOWN

TO: postalex@hotmail.com (postalex@hotmail.com [UNKNOWN])
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TO: daniv@juno.com (daniv@juno.com [UNKNOWN])
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TO: jdbakke@tcco.com (jdbakke@tcco.com [UNKNOWN])
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TO: Kirk_Pumphrey@riggsbank.com (Kirk_Pumphrey@riggsbank.com [UNKNOWN])
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TO: moran_k1@a1.eop.gov (moran_k1@a1.eop.gov [UNKNOWN]) (WHO)
READ:UNKNOWN

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

TO: chris.hill@attws.com (chris.hill@attws.com [UNKNOWN])
READ:UNKNOWN

TO: John.M.Lemery@Dartmouth.EDU (John.M.Lemery@Dartmouth.EDU [UNKNOWN])
READ:UNKNOWN

TO: dfrankhouser@hotmail.com (dfrankhouser@hotmail.com [UNKNOWN])
READ:UNKNOWN

TO: wmay@indiana.edu (wmay@indiana.edu [UNKNOWN])
READ:UNKNOWN

TO: jldoyle@mail.utexas.edu (jldoyle@mail.utexas.edu [UNKNOWN])
READ:UNKNOWN

TO: leishear@us.ibm.com (leishear@us.ibm.com [UNKNOWN])
READ:UNKNOWN

TO: HorwitzR@sec.gov (HorwitzR@sec.gov [UNKNOWN])
READ:UNKNOWN

CC: Kevin S. Moran (CN=Kevin S. Moran/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

CC: Jon Venison <jvenison@hotmail.com> (Jon Venison <jvenison@hotmail.com> [UNKNOWN])
READ:UNKNOWN

TEXT:
I agree with Joe - we need to take advantage of each of our expertise and share with the group. Each member should share at least monthly a piece of information acquired through their respective practices, studies or businesses that would be of general interest.

Of course, I must also advise against the dissemination of sensitive & confidential information as we do not have secured access.

Pete
-----Original Message-----
From: joe jacquot <joejacquot@hotmail.com>
To: moran_k1@a1.eop.gov <moran_k1@a1.eop.gov>; bbanino@aol.com <bbanino@aol.com>; CEBringard@aol.com <CEBringard@aol.com>; SDAkins@aol.com <SDAkins@aol.com>; chris.hill@attws.com <chris.hill@attws.com>; jdyck@bakerbotts.com <jdyck@bakerbotts.com>; John.M.Lemery@Dartmouth.EDU <John.M.Lemery@Dartmouth.EDU>; Erik.Bringard@gs.com <Erik.Bringard@gs.com>; dfrankhouser@hotmail.com <dfrankhouser@hotmail.com>; postalex@hotmail.com <postalex@hotmail.com>; wmay@indiana.edu <wmay@indiana.edu>; daniv@juno.com <daniv@juno.com>; jldoyle@mail.utexas.edu <jldoyle@mail.utexas.edu>; pstacy@silcom.com <pstacy@silcom.com>; jdbakke@tcco.com <jdbakke@tcco.com>; leishear@us.ibm.com <leishear@us.ibm.com>; Kirk_Pumphrey@riggsbank.com <Kirk_Pumphrey@riggsbank.com>; HorwitzR@sec.gov <HorwitzR@sec.gov>
Cc: Kevin_S._Moran@who.eop.gov <Kevin_S._Moran@who.eop.gov>
Date: Wednesday, January 13, 1999 6:54 PM
Subject: Re: Brazil Q&A

>This is the kind of shit the Group needs to keep informed about. Good
>job Russ.
>
>
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>> chris.hill@attws.com, jdyck@bakerbotts.com,
>> John.M.Lemery@Dartmouth.EDU, Erik.Bringard@gs.com,
>> dfrankhouser@hotmail.com, joejacquot@hotmail.com,
>postalex@hotmail.com,
>> wmay@indiana.edu, daniv@juno.com, jldoyle@mail.utexas.edu,
>> pstacy@silcom.com, jdbakke@tcco.com, leishear@us.ibm.com,
>> Kirk Pumphrey <Kirk_Pumphrey@riggsbank.com>
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>>
>> Just in case any of you guys are asked about the situation in
>Brazil
>> in the next 48 hours.
>> ---------------------------------
>> Q. What happened in Brazil on Wednesday?
>>
>> A. Gustavo Franco, head of Brazil's central bank, quit, citing
>> personal reasons and policy differences. His replacement,
>Francisco
>> Lopes, allowed the country's currency, the real (pronounced
>> 'ree-ahl'), to decline about 8 percent against the dollar.
>>
>> Q. Why did they do that?
>>
>> A. As part of an effort to keep inflation in check, Brazil had
>been
>> defending the real's value by keeping interest rates high and by
>> buying the real on currency markets. Those measures had exacted a
>high
>> price on Brazil's economy. The government is running out of
>foreign
>> money to buy reals, and the high interest rates have been stifling
>> economic activity. Brazil hopes that by letting its currency
>decline,
>> or devalue, it will be able to bring interest rates lower and will
>> spend less in defending the real.
>>
>>
>> Q. But the International Monetary Fund approved a $41 billion aid
>> package for Brazil last fall. Shouldn't that be helping?

>>
>>   A. The IMF aid package was approved on condition that Brazil take
>>   fiscal austerity measures, including spending cuts. Some of those
>>   measures have yet to be approved, meaning that the bulk of the IMF
>aid
>>   has not yet been released. But even if the IMF package had been in
>>   place, some experts say that Brazil may have had to devalue its
>>   currency anyway.
>>
>>
>>
>>   Q. What happens if Brazil's economic situation worsens?
>>
>>   A. Latin America economies are already weak, making them even more
>>   vulnerable to a drastic downturn in Brazil, the largest economy in
>the
>>   region with 160 million people. Many U.S. banks have significant
>loans
>>   outstanding in Brazil, an estimated 2,000 U.S. companies do
>business
>>   there.
>>
>>   Worries about these companies' profits pressured the U.S. stock
>market
>>   Wednesday. Should Brazil's troubles spread to Mexico, it could
>have an
>>   even greater impact on the United States since Mexico is one of
>the
>>   United States' biggest trading partners after Canada and Japan.
>>
>>   Brazil has been seen as a test case for whether the financial
>turmoil
>>   that has gripped Asia and Russia can be contained. "If the
>situation
>>   in Brazil unravels, you could have a much more severe recession
>>   throughout the region which could start a vicious cycle that could
>>   hurt the U.S. economy," says Francisco Larios, senior emerging
>markets
>>   economist at Standard & Poor's DRI.
>>
>>
>>   Q. Why is currency devaluation such a big deal anyway?
>>
>>   A. One of Brazil's most serious problems now is that international
>>   investors have been pulling their money out of the country's stock
>and
>>   bond markets because they're losing faith in the government's
>ability
>>   to get the economic problems under control. Every time the real
>falls,
>>   foreign investors take a hit as their Brazilian holdings lose
>value. A
>>   gradual decline in the real's value is bad enough, but an
>unexpected

>> move like Wednesday's one can be even more unsettling. If
>investors
>> keep pulling money out and selling their reals against other
>> currencies, the real suffers further, creating a vicious circle.
>>
>>
>> Q. What does Brazil do now?
>>
>> A. Brazil's main task is to convince foreign investors that their
>> country is a safe place to invest. Even though some economists
>agree
>> with the thinking behind Brazil's currency devaluation, they say
>it
>> comes at a very bad time. "They had a policy which was not
>> sustainable. They wanted a stable currency that required high
>interest
>> rates," Larios said.
>>
>> But, he added, the crisis is intensifying just as many countries
>> around the world are in recession and as financial markets remain
>> jittery. "Their chances of success are much lower now than they
>were a
>> year ago."
>
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>____

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ARMS Email SystemRECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robin M. Roland (CN=Robin M. Roland/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:15-JAN-1999 13:09:24.00

SUBJECT: CNN Moneyline, January 14, 1999

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READ:UNKNOWN

TO: Charles W. Burson (CN=Charles W. Burson/O=OVP @ OVP [UNKNOWN])
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TEXT:
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01:09 PM ---------------------------

Mark A. Kitchens
01/15/99 11:10:26 AM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: CNN Moneyline, January 14, 1999

Moneyline News Hour with Lou Dobbs
Aired January 14, 1999 - 7:10 p.m. ET

Wall Street Loses 1999 Gains; Brazilian Currency Reaches Record Low

LOU DOBBS, HOST: Good evening.

On Wall Street today, stocks tumbled a gut-wrenching session. The Dow Jones industrials fell for the fourth straight day, shedding today almost 2-1/2 percent of its value, wiping out all of the gains for 1999. The Dow had been up this year as much as five percent, up 461 points. That's all disappeared now. Even technology stocks are now succumbing to styling. The NASDAQ composite down 1.75 percent. The sell-off has erased more than half of a trillion dollars from the stock market's value this week alone.

Susan Lisovicz reports from Wall Street.

(BEGIN VIDEOTAPE)

SUSAN LISOVICZ, CNN CORRESPONDENT (voice-over): Ongoing worries over Brazil and a deteriorating earnings picture at home sent blue-chip stocks tumbling for a fourth straight session. The Dow Jones industrials finished at a level of 9120, down 228 points, bringing the week's total loss to 522 points so far. General Electric was the only Dow-30 stock to end with a gain. Selling picked up after a second central bank official in Brazil quit, as concern mounted that another round of currency devaluation could come to Latin America.

JOSEPH BATTIPAGLIA, STOCK STRATEGIST, GRUNTAL: What goes on in the financial markets there has a direct implication for the region and, of course, back to the United States through the export equation.

LISOVICZ: Disappointing profit reports for Motorola and Eastman Kodak, both citing problems in emerging markets, reminded investors again how problems abroad could hurt U.S. business. The tech-heavy NASDAQ ended at a level of 2276, a loss of nearly 40 points. Investors virtually ignored two government reports showing that despite brisk consumer spending last month, inflation is at its lowest in more t han a decade.

(on camera): The markets also shrugged off bullish comments from a Federal Reserve governor who said that despite turmoil overseas, the U.S. economy has strong momentum with few signs of an imminent slo wdown.

(voice-over): Some on Wall Street echo that the economy's resilience will limit any damage. CHARLES BLOOD, BROWN BROTHERS HARRIMAN: With money supply growth in double-digits, and economic growth in the three percent or higher range, there's no reason for this to turn into a significant decline.

LISOVICZ: Last Autumn's market freefall prompted the Federal Reserve to lower interest rates three times, but market watchers expect the Fed to sit this one out as long as liquidity remains high.

Susan Lisovicz, CNN Financial News, New York.

(END VIDEOTAPE)

DOBBS: It was another brutal day in Brazil where the government there struggled to support its troubled currency, the real, which closed at 1.32 to the dollar, the lowest limit in the new trading band. Stocks also suffered badly after a strong start; Brazilian stocks sank. By afternoon, the Bovespa Index had plunged more than 10 percent; that prompting the Sao Paulo exchange to halt trading all together. The Bovespa then finished the day down almost 10 percent after trading resumed. It has now lost 25 percent this year alone, that is after losing 33 percent last year.

CNN Financial News correspondent Casey Wian is in Sao Paulo tonight and has the latest for us on this crisis in Latin America's largest economy -- Casey.

CASEY WIAN, CNN CORRESPONDENT: Lou, Brazil's financial markets got a double dose of bad news today. First, Standard & Poors downgraded $58 billion in Brazilian's debt. Then for the second day in a row a key official with Brazil's central bank resigned, and that triggered more capital flight from this nation. Economists estimate $800 million in capital flowed out of Brazil today, add that to more than a billion dollars that left this country yesterday. Since July, Brazil has depleted about half of its total foreign reserves. Of course if that keeps up much longer, Brazil will take a long time to gets it financial house in order.

(BEGIN VIDEO CLIP)

CARLOS KAWALL, CHIEF ECONOMIST, BANCO CITIBANK: A crisis in '99 -- yes, we will have that, but if the fiscal adjustment goes through, we can have growth resuming on a more healthy basis by year 2000, on. If not, we will have a crisis followed by inflation picking up and maybe Brazil going to its former scenario.

(END VIDEO CLIP)

WIAN: That scenario, of course, the painful episodes of hyper- inflation Brazil saw nearly two decades ago -- Lou.

DOBBS: The Brazilian's case, as you well know, have accomplished so much since President Cardoso took office. They have put the times and period of hyper-inflation behind them. What is the mood there in Sao Paulo on the street?

WIAN: It's surprisingly calm and business as usual. We have been in other places like Mexico in 1994, Jakarta about a year ago, where there were currency markdowns and financial market breaks, and there was panic buying, and rushing to get dollars. You see none of that here; it's business as usual. So far the residents of Brazil seem to have confidence that their government will be able to get this nation's financial house in order, Lou.

DOBBS: In that sense, what is the market in Sao Paulo particular -- the financial center of Brazil. What is expected in terms of the government and what steps it might take to further stabilize that eco nomy?

WIAN: Well, Brazil is about two-thirds of the way through in enacting reforms that it agreed to get help -- in order to get help from the International Monetary Fund. Next week, there's a couple of key votes here and it looks like if -- if the Brazilian government makes progress in enacting the rest of those reforms, the financial markets may be soothed somewhat, Lou.

DOBBS: OK. Casey thank you very much. Casey Wian reporting live tonight from Sao Paulo, Brazil.

The devaluation of the real makes Brazilian exports of course cheaper in the world economy. It also makes imported products more expensive for Brazilian consumers and therein lies the enormous threat to U.S. companies that do business there.

Katherine Barrett looks at the companies most at risk.

(BEGIN VIDEOTAPE)

KATHARINE BARRETT, CNN CORRESPONDENT (voice-over):
Whirlpool is the leading appliance maker in Latin America with fully a fifth of its sales from Brazil. After 30 years there, the company has been through other economic upheavals. Chief financial officer Ralph Hake (ph) concedes this devaluation will force asset markdowns. But if Brazil's action succeeds in bringing down interest rates -- an uncertain bet -- it could help spur sales.
Whirlpool's appliance sales in Brazil fell 25 percent last year as the high rates supporting the real hurt consumers ability to buy big-ticket items on credit.
Another silver lining: Whirlpool has a big business exporting compressors out of Brazil. Devaluation has, overnight, made that much

more competitive
internationally. But some are already forecasting real pain from the real's fall.
With three percent of its sales in Brazil, Motorola's president told analysts
the devaluation will immediately cost the company $15 million in asset
write-offs and he predicted the slowing economy would hit sales and profit
expectations this year.

For U.S. businesses, Brazil's problem is its promise. U.S. automakers,
consumer products companies, and telecom firms all raced in recent years to
increase exposure to Latin America's biggest economy; it was the place to
be. U.S. airlines added flights and routes to serve the region's business
boom. Latin America brings 13 percent of American's revenues, nine
percent of Continental's. Analysts say that expansion is already being
reconsidered and may slow further. JAMES HIGGINS, DONALDSON,
LUFKIN & JENRETTE: The concern, of course, is that Brazil, being the
600 pound gorilla of South American economies, is going to see its
weakness spread to the rest of the region and to its global trading partners
as well, and if you look at it that way, then it's a much bigger impact.

(END VIDEOTAPE)

BARRETT: But as one executive points out, this situation has not yet played
out fully, not until Brazil's markets, and its currency stabilize will anyone be
able to forecast the economic future there -- Lou.

DOBBS: You mean accurately?

BARRETT: Accurately -- precisely.

DOBBS: OK, Katherine thank you.

While Brazil's devaluation is of course a disturbing development for many
U.S. companies, and businesses around the world it is an outright
embarrassment for the International Monetary Fund as well as the Clinton

administration. In November, the IMF, with the support of the United States
and other wealthy nations, pledged almost $42 billion to stabilize Brazil's
troubled economy, five billion of which Brazil has already received. Now
with that nation in the grip of economic and political uncertainty, the IMF's
credibility is once again in serious doubt.

From Washington, Bill Dorman with the report.

(BEGIN VIDEOTAPE)

BILL DORMAN, CNN CORRESPONDENT (voice-over): The
International Monetary Fund never makes a move without the support of its
largest member: the United States. The nearly $42 billion credit-line for
Brazil announced in November is no exception. But by supplying the
promise of money, the U.S. Treasury Department and the IMF may have
sparked some unintended consequences.

BRADLEY BELT, CENTER FOR STRATEGIC & INTL. STUDIES: The
question is: did it lead to some complacency? Did it take the pressure off the
politicians in Brazil, to take away a sense of urgency that in fact they had
enact reforms that obviously were going to be very severe and have an
adverse impact on economic growth prospects.

DORMAN: The IMF led a $17 billion rescue in Thailand; a $42 billion plan
for Indonesia; a $58 billion package for South Korea; and nearly $23 billion
for Russia. Including Brazil, the IMF has led assistance packages of more
than $180 billion, more than a third of that money coming directly from the
IMF. What has that money bought?

MARK WEISBROT, PREAMBLE CENTER: What the IMF does is really
just organize a creditors' cartel among the banks so they can squeeze these
countries harder, so that they can protect foreign lenders against currency
depreciations or devaluations. DORMAN: An IMF team visits South Korea
next week to review what has been one of the Fund's few success stories.

Another IMF delegation heads to Russia.

(END VIDEOTAPE)

DORMAN: Brazil's president today spoke with the IMF's first managing
director, telling him, "things are under control." But the currency devaluation
means the conditions of the IMF's Brazil package will probably be changing
in the near future -- Lou.

DOBBS: Bill thank you very much.

The volatility in the Brazilian markets and the uncertainty of the Brazilian
economy and slumping U.S. stock market today once again sent investors
flocking to treasures. The 30-year bond jumped 1-5/32, to 102-29/32 in
price, and the yield tonight is down to 5.05 percent.

In tonight's "MONEYLINE Focus": Brazil in crisis.

My guest tonight has been warning investors to brace for trouble in Latin
America's largest economy ever since the IMF unveiled its rescue plan two
months ago. Nick Sargen of J.P. Morgan joins me now. G ood to have you
with us, Nick.

NICK SARGEN, J.P. MORGAN: Thank you, Lou.

DOBBS: Obviously the devaluation did not surprise you. Let me ask you
this: do you expect more trouble, more problems for the Brazilian economy
of a significant nature?

SARGEN: I think, Lou, this is a first step in the devaluation. I think what the
markets are telling us is that they expect that there will be more of a
devaluation to come. Its reflected in the lack of money going into the
country, money going out. Its reflected in the fact that interest rates are going
up in Brazil, not going down.

DOBBS: Outright capital flight in point and fact from Brazil that has not been
stemmed. As I mention at the outset, Nick, Brazil has under the leadership

of President Cardoso, done a remarkable job in reversing decades of
mismanagement and a lack of discipline in its economy. It is -- for the
Brazilians it has to be extraordinarily painful to be victims, if you will, to what
is occurring now.

SARGEN: That's correct. There's nobody that would question what you are
saying. I think that the real issue is that it's a tough world out there where
commodity prices are at 20-year lows -- this hurts Brazil.

DOBBS: Right.

SARGEN: So we had a situation where because of external developments,
the exchange rate became non-competitive. Then -- we're trying to defend
that. Now to convince investors that they can defend it -- the one area
where the government can't deliver politically is getting that budget deficit
down. And here is where you have the political problem; it's not a problem
of bad economic advisers.

DOBBS: And in point of fact, if we are to see further devaluation in the real,
Nick, we are looking at significant troubles in Brazil, obviously, but to what
extent -- do you believe they are manageable? And to what extent do you
believe that we're going to see, if you will, a northern directed version of the
so-called tequila effect that emanated from Mexico almost four years ago?

SARGEN: Well, Lou, I guess there's two answers. One, the IMF will be
criticized as a previous commentary said, but I do think there is one
important thing, that what the package did, whether you agreed with it or
not, is it bought us time. If the devaluation had occurred then, it would have
had global ramifications. I think the good news is nobody is talking of that.
But as you're implying, I think the nervousness is that just as the Mexican
peso devaluation unfolded, could we be seeing that now this time with Brazil,

so could it be a regional problem? And I think that's a
risk.

DOBBS: To what degree and how would you compare it to
what was --
what unfolded in '95?

SARGEN: I still would be more hopeful we don't get
there. I think that the
important thing is not that -- you're correcting an
overvalued exchange rate
-- that's not bad, that can be good. But what you have
to re-ensure investors
is that it won't continue to devalue indefinitely.
That's why the progress on
the budget is so key. The other thing is what you would
like to do is have the
IMF then come in with new package. The problem is the
market is saying
the package is already out there, so this is what makes
it tricky.

DOBBS: Tonight, our sources -- we are hearing from
several -- that there is
a possibility that Ecuador could be moving to
devaluation. How significant
would that be in your judgment?

SARGEN: I don't think Ecuador, per se -- mainly because
of the size of the
economy -- obviously, wouldn't be good, but I think that
the focal point
would be Argentina, where we do have confidence they w
ill hold, but there
will be spill-over to Venezuela and Mexico, which are
bigger countries; and
again, those are, I think, where the focus will be is on
the big three rather
than on the smaller economies.

DOBBS: With about 30-seconds, Nick, if you would give us
your forecast.

SARGEN: Forecast is in for more rockiness ahead, more
volatility, but
we're keeping funds away from emerging economies until
we have an
answer to how this plays out. But I don't think we see
-- the good news is
we don't see the replay that hit globally in August,
September, October.

DOBBS: I think a lot of people tonight would sign up for
that forecast.

Thanks a lot, Nick. Nick Sargen, J.P. Morgan. We will continue with
MONEYLINE in just a moment, stay with us.

(COMMERCIAL BREAK)

DOBBS: Well, for tonight, we're out of time. That's the bottomline. Thanks
for being with us. Good night from New York.

"CROSSFIRE" is next.

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