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TEXT:
The International Monetary Fund's (IMF) decision last Sunday to further assist Russia during its time of economic crisis was met with mixed reviews in the international press. The latest $17.1 bailout package--on top of a $5.5 billion loan already pledged by the IMF and the World Bank, for a total of $22.6 billion earmarked for Russia--was seen by a majority of analysts as a necessary measure to ease the "financial panic" now gripping the country. The more optimistic pundits said the money would help stave off a ruble devaluation and provide "needed breathing space" in Moscow for the "most single-minded and determined group of reformers to hold office

since 1992." Commentators, including Moscow's State Duma newspaper Parlamentskaya Gazeta, were quick to point out, however, that this money could only serve as a temporary "prop," and that the Russians themselves must put their economy back in shape. Several editorialists emphasized that the Fund must be strict in its loan requirements and closely monitor Moscow's actions. Critics, including many in Moscow, argued that the IMF's aid will not help solve Russia's economic woes and will only postpone an inevitable "crash." Moscow's centrist Nezavisimya Gazeta stressed that the loan will "delay devaluation, add to this country's debt, and dollarize the economy." In Germany, left-of-center Berliner Zeitung advised the IMF and the World Bank to "stop" their fiscal assistance, holding that "the past years clearly demonstrated that dollar transfers, as comprehensive as they were, have not helped Russia get out of its misery.... These injections have promoted inflexibility and distracted attention from the necessary search for self-healing forces." In Indonesia--a country that has also experienced economic turmoil and international rescue packages--leading independent Kompas was equally skeptical, saying that bailout efforts in Southeast Asia "have yet to overcome the crisis" in that region. Following are major themes in the commentary:

RUSSIA IN TROUBLE: Opinionmakers everywhere described a very serious situation in all sectors of post-Soviet Russian society--including economic, political and military. Observers were especially concerned about the threat to recovery efforts posed by anti-reformers in the Duma. Pundits agreed with the judgment of Moscow's reformist Izvestia that a scenario whereby "Russia's fiscal system bursts at the seams, Yeltsin resigns, and nationalists take over is the worst of all nightmares" for the world.

BEHIND IMF DECISION: Many writers dwelled on what they saw as the reasons behind the IMF's decision to assist Russia. Most opinion-makers asserted that the West--led by the U.S.--was practicing "global crisis management," aimed at saving Russian President Yeltsin from a "premature political death" and safeguarding their own economies, which would suffer from the effects of a Russian economic "meltdown."

U.S. ROLE: Writers in Russia, Germany, Britain and Italy commented on the central role of the U.S. in this crisis. Some noted that it was the active involvement of the Clinton administration that pushed the IMF to decide in favor of the loan for Russia. Others cast a critical eye toward Congress, enjoining the House to unblock U.S. funds for the IMF. If this is not done, said one German columnist, the Fund will be at the "brink of a disastrous solvency crisis."

This survey is based on 43 reports from 15 countries, July 9-15.

EDITOR: Diana McCaffrey

EUROPE

RUSSIA: "Reforms At The Expense Of The West"

Vyacheslav Zalomov commented in the State Duma's newspaper Parlamentskaya Gazeta (7/15), "Many deputies in the State Duma are of the opinion that the government, by pressing for new loans from international bankers, is concerned first of all about its own fate and the well-being of the Russian oligarchs who support it. In our opinion, foreign loans, given they are rationally used, may serve as a powerful prop for our economy which should be put in shape mostly by domestic efforts with the emphasis on production. Otherwise, the prospect will be bankruptcy and a prison for debtors. After all, nobody gives loans for free. Somebody at some point of time will have to return them."

"Time For Strategic Changes In Our Economic Policy"

Alexander Privalov observed in reformist Izvestia (7/15), "Along with the sudden lavish Western credits comes a certain freedom of action and now it is vitally important for this, alas, temporary breathing spell to be used not only for a more or less virtuoso plugging of holes, but also for strategic changes in economic policy.... Although the government's resolve 'to live according to its means' is novel, in theory it is not novel at all. It is not the first year that we are hearing statements about the need to increase budget revenue and decrease budget spending. There are no fundamentally new ideas in the government program and for this reason nobody pays attention to the words about 'a new course.' Yet, the need for a new course is not an invention of the opposition. There is every reason to believe that the measures provided for by the government program are necessary, though by far not sufficient for the commencement of economic growth."

"Putsch In 1998 Is Quite Possible"

Oleg Moroz wrote in the writers' weekly Literaturnaya Gazeta (7/15): "The situation is thus: On the one hand, there is the president who counts on the loyalty of the generals and, on the other hand, there are the radicals in the opposition who are actually urging these very officers to rebel.... Who will have the upper hand? The answer is far from obvious. If only everything could be solved by lavishly promoting the generals.... In principle, nobody today stands to gain from a coup, except for a handful of professional adventurers (but they exist everywhere and in all times). But at such moments people tend to forget what is in their interests and what is not. Everything is decided by the scream 'Down with them!' This scream possesses a magic, hypnotic force. It begins to seem that the supreme truth is concentrated in it. And all logical arguments and economic analyses retreat before this sweeping yell."

"Clinton Helps Russia Secure IMF Credit"

Andrei Kolesnikov stated on page one of reformist Izvestia (7/14): "The IMF's decision to give Russia such a big loan is due not only to the circumstances--the crisis in Russia may spread to foreign markets--but to the active involvement of the U.S. administration, especially President Clinton who has praised the Russian government's stabilization program."

"Clinton Is Scared"

Yevgeny Bai in Washington wrote for reformist Izvestia (7/14): "A scenario whereby Russia's fiscal system bursts at the seams, Yeltsin resigns, and nationalists take over is the worst of all nightmares that the Clinton team might have."

"Loan Is A Prop, Not A Solution"

Aleksei Portansky pointed out in the Finansoviye Izvestia supplement to reformist

Izvestiya (7/14): "Foreign aid is just a prop, sturdy as it might be. We have to repair the whole structure on our own. Foreign aid will not solve the problem, unless we learn to collect taxes and balance the budget by next fall, as indicated in the government's program."

"Merely An Aspirin"

Under this headline, centrist Nezavisimya Gazeta (7/14) front-paged a comment by Tatyana Koshkareva and Rustam Narzikulov: "The victory of Anatoly Chubais [Russia's chief negotiator with the IMF] is not Russia's victory. Economic depression will not go away even after the said billions of dollars arrive. The IMF's aid is merely an aspirin reducing the fever, without curing the disease. Ironically, in the longer term, Western aid is no better than devaluation. Massive Western aid is even worse than devaluation.... This 'stabilization' has nothing to do with the general state of the Russian economy.... The IMF's loan will delay devaluation, add to this country's debt, and dollarize the economy."

"West To Stand By Yeltsin"

Amidst widespread speculation in the Russian media on coup plans, reformist, business-oriented Kommersant Daily (7/11) published a page one comment by Igor Klochkov: "The head of state is demonstrating that he remains a guarantor of the constitution and, if need be, will use force to protect it.... There is no doubt about whom the Western political elite would support.... No Russian oligarch would like to see his reputation set against the authority of the democratically elected head of state."

GERMANY: "Questionable Assistance"

Klaus Engelen noted (7/15) in an editorial in business newspaper Handelsblatt of Duesseldorf: "There are good reasons why, in contrast to the time of Boris Yeltsin's election campaign, it is now Bill Clinton and not Helmut Kohl who organized a large-scale Western aid package to stabilize the ruble. On the one hand, the Clinton administration considers this geopolitically important aid package for Russia's democrats to be a useful lever to pillory the Republican majority in Congress for their refusal to release U.S. contributions to the IMF. If the Republicans continue to block the increase in funds of the IMF, they could bring the IMF to the brink of a disastrous solvency crisis. But the aid package for Russia also involves global crisis management. In view of the fact that the emerging economies in Asia and in Japan are in dangerous turbulence, a collapse of the Russian economy could entail negative implications both regionally and globally and could cause a geo-political deterioration of relations."

"Helper In An Emergency"

Ernst August Ginten wrote in right-of-center Die Welt of Berlin (7/15): "The aid package of the IMF to Russia will dangerously erode the reserves of the IMF.... These reserves will not be sufficient for the global fire brigade to help another problem country in case of an emergency.... So far, the U.S. Congress has raised massive opposition to an increase in funds to the IMF. By pointing to a looming incapability to act, the IMF has now increased pressure on the U.S. parliamentarians. But in view of the almost empty IMF coffers, many of congressmen will no longer be able to oppose the package, despite their reservations against it.... But even U.S. lawmakers will not be willing to bear responsibility for a global economic crisis which could be caused by inactivity of the IMF."

"First Comes Morale, Then The Money"

Washington correspondent Kurt Kister commented in centrist Sueddeutsche Zeitung of Munich (7/15), "The U.S. Senate has shown understanding for the IMF. In contrast to the House of Representatives, the senators have a more realistic and less ideological view of the global responsibility of the United States. But in the House of Representatives, there is a coalition of some Democrats and the right-wing majority of Republicans who are opposed to the IMF. The left-wing accuses the IMF of showing too little consideration for social concerns and human rights in recipient countries, while the right-wing does not like the concept of the United States having to solve all the problems in the world. In addition, they distrust international institutions such as the UN and the IMF, where the United States does not have the say. In addition, the members of the House are also trying to implement their moral convictions on a global scale..... But out of consideration for his voters, President Clinton is not willing to accept the conditions of the Republicans.... This means that Russia's stabilization has become a prisoner of moralizing domestic policy experts from Mississippi and Texas."

"A Supportive Brace Amounting To $41 Billion"

Thomas Urban wrote in centrist Sueddeutsche Zeitung of Munich (7/15): "The Kiriyenko cabinet is faced with the gigantic task of establishing order in the country. Compared to the task of setting up an effective administration with incorruptible officials and an independent justice system, it is probably a minor task of establishing a banking system according to Western standards. These things did not exist in Russia even before the rule of the party. But as long as companies, including international ones, are unable to get their rights against a fabric of mafia and state functionaries, who control the economy, this economy will not work. In addition, the premier must also assert his view towards the 'finance industrial complex,' towards the leaders of the world of finance, the arms sector, and the raw materials industry which is in principle not interested in a transparent flow of their capital....

"We can surmise that Kiriyenko has clearly recognized this situation. However, in view of his zig-zag course over the past few years, we cannot say the same of President Yeltsin.... But he is now supporting Kiriyenko's course. However, Yeltsin can govern with decrees only to a limited degree. This is why the government is trying to get the support of parliament for its reform plans. But the Red-Brown majority in the Duma such as the financial oligarchy is not interested in a success of the reforms in contrast to the West, which is now interfering in the conflict by granting a stability loan, even though there is the danger that the money will disappear in dark channels. But the West has no other choice, since all other solutions would be more expensive in the long run."

"The Russian Patient"

Werner Adam argued (7/14) in right-of-center Frankfurter Allgemeine: "Only when Russia no longer mistakes a free market economy for mafia-like piracy can there be an end to the country's inability to live without foreign capital and only then can it take full advantage of its rich economic potential."

"IMF, World Bank Should Stop Fiscal Aid"

Frank Herold wrote in an editorial in left-of-center Berliner Zeitung (7/14): "The past years clearly demonstrated that dollar transfers, as comprehensive as they were, have not helped Russia get out of its misery. The constant dollar injections, which are given without any restrictions, even resulted in the fact that the Russians realized too late how sick their economic system really is. These injections have promoted inflexibility and distracted attention from the necessary search for self-healing forces. But the IMF and the World Bank should realize these consequences and finally stop their fiscal aid."

"IMF Loan Would Only Postpone Crash"

Centrist Maerkische Allgemeine Zeitung of Potsdam (7/11) had this to say: "Before the Senate, Premier Kiriyenko openly admitted that the economy and the finances will soon be wrecked. And if the tendency to get loans does not stop by the end of the year, Russia will be faced with bankruptcy. A stabilization loan of the IMF would only postpone the crash. The problems in Russia are of a basic nature: inconsistently implemented reforms, democracy deficiencies, a lack of concepts. These are sins for which not Kiriyenko but his predecessors are responsible. But this is of no interestfor the striking miners or the parliament who was opposed to Yeltsin making Kiriyenko the new premier. Right from the start, the Duma refused to support him. The same is now also true for the Senate. This is a very unfavorable constellation to change a course which requires everybody to tighten the belt."

"We Can't Afford To Write Russia Off"

Right-of-center Nordbayerischer Kurier of Bayreuth argued (7/11), "Can we allow to write off an embattled Russia? For the Western Europeans this would be fatal. Their own safe future depends on whether the standard of living in the East can be improved as soon as possible making it impossible for doctrinaires to get a chance."

BRITAIN: "Alternatives To The IMF"

The independent Financial Times opined (7/15): "The heavy demands imposed on the IMF by Asia have left its finances in a weakened state. That much is clear from the decision to draw on credit under the long-dormant General Arrangements to Borrow [a special contingency fund] to help Russia. Yet the U.S. House of Representatives is prevaricating over an $18 billion contribution to its coffers. And there are some who question whether the IMF's task in Russia and Asia is necessary or effective.... The American Congress is justifiably concerned that the IMF's role as an international lender of last resort gives rise to moral hazard. Lenders may advance money to uncreditworthy borrowers on the assumption that the IMF will bail them out. Countries like Russia may flout the IMF's conditionality in the knowledge that wider American foreign policy considerations will ensure continuing funds....

"Yet the question has to be faced as to whether the alternative to such monumental injections of liquidity is feasible. In the case of Russia, it scarcely bares contemplating.... As Michel Camdessus, the IMF managing director, has put it, the IMF's goal should be to ensure that the world has adequate protection against the risks of globalization, together with the chance to embrace the opportunities it provides. To do that, it must have the requisite funds."

"Aiding Russia"

The independent Financial Times opined (7/13), "Russia needs enough outside help to ease the financial panic now threatening it. It should be given not because Boris Yeltsin is a convinced reformer, nor because his new government is bound to keep its promises. Russia should be supported because, with assistance, there is hope of stability and reform; without it, there is none.... The new government consists of the most single-minded and determined group of reformers to hold office since 1992. Its achievements ultimately depend on events outside its control. But it might make substantial progress, provided it survives the next few months. What is needed is an aid package capable of giving the needed breathing space.... The only question for the outside world to answer is whether a chance of success is to be preferred to the certainty of failure. The answer is obvious."

FRANCE: "A Geopolitical Wager"

Pascal Mudry held in centrist La Tribune (7/15): "Frankly, the IMF had very good reasons for postponing its signing a new financial aid program with Russia.... Michel Camdessus himself had previously declared that the IMF would agree to increase its contribution 'only if Russia made an exceptional effort in its reforms.' That is not the case. Then why did the IMF make this decision? Is Chubais such a good negotiator? Or more to the point, has he received strong and irresistible support from the United States and Germany?"

ITALY: "Loans To Russia Push Stock Markets Up"

Ennio Caretto reported from Washington in centrist, top-circulation Corriere della Sera (7/15): "Yesterday the world's financial world was relieved...by the Russian bailout.... However, the boom in the stock markets did not dispel all apprehension for the near future of the global economy. On one hand there is the fear that Yeltsin does not succeed in making the Duma approve the IMF package. On the other, there is the IMF warning that it is short of funds.... The reason for the IMF's lack of cash is the American Congress, which has not approved the appropriation of billions of dollars requested by Clinton."

"God Save The Czar"

A front-page editorial by Franco Venturini in centrist, top-circulation Corriere della Sera read (7/15): "Boris Yeltsin's Russia is an atomic bomb ready to explode in the midst of a globalization which has already gone through the hardest trials following the Asian crisis, and while the single currency Europe is preparing its enlargement to the East, while NATO is also enlarging its borders, while the world's investors are wondering how many promises an unregulated market can keep.... Kiriyenko will present a package of financial and fiscal measures to the Duma. For sure, the IMF dollars will help him. But to be effective...the prescription must be a bitter one, and should involve new sacrifices.... However, the Russian people are exhausted and look at the oligarchy of the new rich with increasing anger. Therefore, it is necessary that any dollar given to Yeltsin be closely monitored, that the loans do not take the road to Zurich, but are used to give new legitimacy to democracy and reforms."

"Capitalism, Rope, Communists And Lenin"

Provocative, classical liberal Il Foglio concluded (7/15): "How will Kiriyenko pursue austerity while helping Yeltsin get some of his men elected and defeat the opposition? Perhaps the West may be happy, because the giant from Moscow is completely enmeshed by its debts, in dollars, with the IMF and the international financial operators who own its public bonds. It seems that capitalism has created the rope to hang former Communists and not, as Lenin hoped, the other way round."

"No Other Choice"

Andrea di Robilant filed from Washington for centrist, influential La

Stampa (7/14): "The agreement reached in Moscow between Yeltsin and the IMF for a financial package worth $22 billion was welcomed with great relief. The Russian financial crisis has less impact on the global economy than the Japanese crisis. But the White House feared, and still fears, that the social situation may worsen with unforeseeable political consequences.... The White House defined the maxi-loan as a 'major step forward in Russia's reform effort.'... Indeed, the decision to meet the Russian government requests was taken mainly for political reasons. The idea of continuing to give money to Russia might seem illogical to economists, sources in the administration acknowledge, but this government must be supported. There is no other choice.... But it's a road that the administration cannot follow indefinitely without the support of Congress, which continues to block IMF financing."

"World Gives Yeltsin A Hand"

Left-leaning, influential La Repubblica commented (7/13): "Once again, the West will bet its trumps and money on Boris Yeltsin for Russia's stability. But the aid Moscow requested in order to overcome the peak of its financial crisis remains linked to a series of reforms and austerity measures that the Kremlin and the Russian government must prove they are able to implement.... In order to remove the latest obstacles, Bill Clinton, the 'American friend,' exerted pressure on the IMF, since he is determined to bet again on Yeltsin, notwithstanding rumors of possible conspiracies around the Kremlin. Or perhaps just because of these."

BELGIUM: "Kiriyenko Must Defuse Time Bomb Of Social Revolt"

Conservative Catholic La Libre Belgique's Moscow correspondent Boris Toumanov concluded (7/15): "Even though money problems are not deadly, the urgency of such assistance was clear for the international community, lest it would see Russia's financial and economic crisis result over the coming weeks in Boris Yeltsin's premature political death.... It is...certain that, from now on, Boris Yeltsin's political future only depends on Mr. Kiriyenko's ability to rapidly defuse, with the help of the IMF's money, the time bomb of social revolt whose mechanism has already been engaged."

HUNGARY: "Yeltsin's Dollars"

An op-ed piece by senior columnist Tibor Varkonyi in influential daily Magyar Hirlap read (7/14): "After agreeing on all the details, Russia now can go the cashier to get a vast amount of money. Russia can do that, despite the fact that its president not that long ago announced quite proudly that 'Moscow was not begging for alms.' The two international institutions, the IMF and the World Bank, have agreed to grant billions of U.S. dollars to Russia, knowing that they don't have unlimited resources. The only limit is their own cash reserves. Would it be a sacrifice for the West to fulfill almost all needs of the Russian president? Not in the least. Russia is in a deeper than deep crisis and not just in a financial sense.... Its economy is almost entirely controlled by various mafia circles, and it is also quite likely that the new monies granted to Moscow are going to slip through its fingers. Then why is the West, and especially the United States, offering the horn-of-plenty to Russia?

Because this ragged and shabby country possesses nuclear weapons that might not be the latest model but are still of a vast destruction potential. Help is given to Yeltsin in order to keep somebody else, a more irresponsible political figure, from getting access to the secret code. It is why President Clinton has dropped his earlier set criteria, why he is going to visit Moscow and why the taps of the IMF and World Bank have opened."

SPAIN: "To Russia's Rescue"

Liberal El Pais commented (7/15): "Long-term Western interests, as Clinton noted yesterday, are what swayed the International Monetary Fund (IMF) to offer an immediate relief package to Russia in the amount of $12.5 billion. Neither the United States nor Europe could afford to risk a new crisis there with unforeseeable consequences. Nevertheless, the success of this effort cannot be guaranteed at a time when capital is massively fleeing the country because Russian investors themselves appear pessimistic about the country's future.... [The number of complex problems now affecting Russia and the serious dangers they portend] lead one to conclude that international assistance for Russia should be conditioned, at least to a certain extent, on progress towards the country's democratization. Otherwise, what will emerge will be an authoritarian political model based on the power of industrial and financial groups and the mafia. This is not about merely saving Yeltsin temporarily, or sewing yet another patch on a national fabric in tatters, but rather constructing a better, democratic Russia."

EAST ASIA AND PACIFIC

CHINA: "West Gives Russia A Transfusion"

Sun Zhanlin commented in the official Chinese Youth Party China Youth Daily (Zhongguo Qingnianbao, 7/15), "Generous as they are, international financial organizations have their own motivations. The turmoil in the Russian financial market will do harm Western economic interests. Western countries are reluctant to see an unstable political situation in Russia. Foreign loans can only temporarily ease the economic pain in Russia. Increasing production is Russia's only way to 'storm past' the difficulties."

INDONESIA: "Economy Threatening Collapse, Russia Seeks IMF Bailout"

Leading independent Kompas asserted (7/13): "It is debatable whether an international aid package will be effective in overcoming Russia's crisis, particularly given the experiences of Thailand, South Korea and Indonesia. The bailout packages for those countries have yet to overcome the crisis. It is almost certain that Russia will be unable to extricate itself from its economic crisis should there be no fundamental improvements in its economy. There are those who say the Russian crisis was in part caused by the impact of the Asian crisis. But more believe it occurred because Russia's economy is fundamentally weak.... Although Soviet-era communism has been left behind, Russia has yet to find a political formula that can guarantee peace and security. The elite's focus remains more on the struggle for power than on economic, social and political improvements.

The group that suffers most is still the people."

SOUTH KOREA: "Financial Crisis Averted, But Recovery Doubted"

Conservative Segye Ilbo commented (7/15): "The IMF-led bailout rescued Russia from imminent crisis, but recovery of the Russian economy remains a big 'if'.' The Russian political situation will determine the future of the economy. Many are skeptical about the prospects. The main source of revenue, the oil industry, is on the decline, and a corrupt bureaucracy hampers essential tax reform. On balance, the uncertain political and economic situation continues to make foreign investors jittery. Western nations, including the United States, were more desperate to get the bailout package for Russia than the Russian government itself, because they feared the economic meltdown would shake up the Yeltsin government.... However, it remains to be seen when Russia will hold its hand out for bailout money again."

"Russia, Too, Is Under IMF Guidelines"

Independent Hankyoreh Shinmun held (7/14), "The IMF's rescue package, now promised to Russia, is just enough for a badly needed break. With it coming now, Russia may be able to avoid having to devaluate its currency. While social unrest due to economic difficulties has reached an explosive level, concern over whether the IMF will have sufficient resources to fund the promised rescue further complicates the issue. The challenges are lined up."

SINGAPORE: "Yeltsin's Troubles"

According to the pro-government Straits Times' editorial (7/11), "The Fund has been strict, and must remain so.... Nothing concentrates the mind and collective will in Moscow better than the threat of insolvency. The United States can lecture Russia all it wants about full democratization, but the holders of purse strings ultimately call the tune. With the price of oil, its main earner, down by 40 percent, the ruble having to be propped up with 150 percent interest rates and share market values down by half, only IMF discipline can deliver Russians from their Bolshie ways."

LATIN AMERICA

ARGENTINA: "Yeltsin Must Build Another System, But Maybe It's Too Late"

Guillermo Ortiz commented in business-oriented El Cronista (7/13): "What happens in Russia is important, but its evolution is ignored. Clinton's visit to Moscow in September relocated Russia to the center of the world gameboard at a moment of financial and geopolitical crises. Something is clear: Russia must get better.... Taking into account Washington's new isolationism, that NATO is still looking for a mission and that UN has not redefined its interventionist pattern, the West needs a strong Russia.... But today Russia is a social boiler.... To understand the importance ofRussia, we need to review the foreign situation: Indian and Pakistani nuclear escalation, Middle East peace process at a deadlock, the new U.S.-Iran relationship, Chinese awakening and renewed Balkan crisis in Kosovo.... A situation of chain-reaction destabilization, in which Russia has something to say and to do. Because even if it is paralyzed, Russia is a great nation, having responsibilities.... In sum, it cannot escape history. An old aphorism says: 'Russia is never as strong or as weak as it looks.' It can also be applied to Yeltsin. His capability seems to reappear when he looks worn out.... There will be a chaotic process of rebuilding the country. With steps back and forward."

BRAZIL: "Rescuing Russia"

Readers of liberal Folha de Sao. Paulo saw this editorial (7/15): "The help given to Russia recalls to some extent the attitude adopted toward Mexico during the December, 1994 crisis.... More recently, with the crises in Southeast Asia, Japan and Russia, fear has emerged that a worsening of the exchange and financial markets could also affect the confidence in European and U.S. markets. This [situation] has set in motion what seems to be the beginnings of an international safety net aimed at preventing financial disruptions. In the case of Russia, political and even military aspects have contributed to the adoption of the decision to lend. No sensible government would be interested in a crisis that could cause social and political instability of the world's second largest nuclear power."

"A Frightful Specter"

Independent afternoon Jornal da Tarde sketched this scenario (7/15): "The world economy has now been frightened by another ghost--the seriousness of the economic imbalances being experienced by Japan and Russia.... If Yeltsin's settlement with the IMF is completed...part of the threat will be removed at least for a while.... Despite all the advice and even foreign material help, in both Moscow and Tokyo the solution depends fundamentally on the local leaders' political determination and on the politicians' good will."

CHILE: "Unpredictable Consequences"

Influential, centrist La Epoca ran this editorial commented (7/9): "The conflicts that have broken out in Russia because of its economic crisis are beginning to become political and threaten to cause social unrest of enormous proportions, whose effects will be felt throughout the world.... Observers believe that the combination of worker discontent, military unrest and political loss of reputation, together with a brutal economic crisis, could unleash into a situation of unrest of unpredictable consequences."

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FOREIGN MEDIA REACTION
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WA
SHINGTON DC 20547 OFFICE OF RESEARCH AND MEDIA REACTIONOO
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X` hp x (##Xn\ P6Qy&P#Wednesday, July 15, 1998
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RUSSIAN ECONOMIC CRISIS: MIXED VIEWS ON IMF BAILOUT PACKAGE

X` hp x (#The International Monetary Fund's (IMF) decision last Sunday to furt
her
assist Russia during its time of economic crisis was met with mixed reviews

in the international press. The latest $17.1 bailout packageon top of a
$5.5
billion loan already pledged by the IMF and the World Bank, for a total
of $22.
6 billion earmarked for Russiawas seen by a majority of analysts as
a necessary
measure to ease the "financial panic" now gripping the country.
The more opti
mistic pundits said the money would help stave off a ruble
devaluation and prov
ide "needed breathing space" in Moscow for the "most
singleminded and determine
d group of reformers to hold office since 1992."
Commentators, including Mosco
w's State Duma newspaper Parlamentskaya Gazeta,
were quick to point out, howeve
r, that this money could only serve as a
temporary "prop," and that the Russian
s themselves must put their economy
back in shape. Several editorialists empha
sized that the Fund must be strict
in its loan requirements and closely monitor
Moscow's actions. Critics,
including many in Moscow, argued that the IMF's ai
d will not help solve
Russia's economic woes and will only postpone an inevitab
le "crash."
Moscow's centrist Nezavisimya Gazeta stressed that the loan will
"delay
devaluation, add to this country's debt, and dollarize the economy." In

Germany, leftofcenter Berliner Zeitung advised the IMF and the World Bank
to "
stop" their fiscal assistance, holding that "the past years clearly
demonstrate
d that dollar transfers, as comprehensive as they were, have not
helped Russia
get out of its misery.... These injections have promoted
inflexibility and dis

tracted attention from the necessary search for
selfhealing forces." In Indone
siaa country that has also experienced
economic turmoil and international rescu
e packagesleading independent
Kompas was equally skeptical, saying that bailout
efforts in Southeast Asia
"have yet to overcome the crisis" in that region. F
ollowing are major themes
in the commentary:

RUSSIA IN TROUBLE: Opinionmakers everywhere described a very serious
situation
in all sectors of postSoviet Russian societyincluding economic,
political and
military. Observers were especially concerned about the
threat to recovery ef
forts posed by antireformers in the Duma. Pundits
agreed with the judgment o
f Moscow's reformist Izvestia that a scenario
whereby "Russia's fiscal system b
ursts at the seams, Yeltsin resigns, and
nationalists take over is the worst of
all nightmares" for the world.
BEHIND IMF DECISION: Many writers dwelled on what they saw as the reasons
behi
nd the IMF's decision to assist Russia. Most opinionmakers asserted
that the
Westled by the U.S.was practicing "global crisis management,"
aimed at saving R
ussian President Yeltsin from a "premature political death"
and safeguarding th
eir own economies, which would suffer from the effects of
a Russian economic "m
eltdown."
U.S. ROLE: Writers in Russia, Germany, Britain and Italy commented on the
cent
ral role of the U.S. in this crisis. Some noted that it was the active
involve
ment of the Clinton administration that pushed the IMF to decide in
favor of th
e loan for Russia. Others cast a critical eye toward Congress,
enjoining the H
ouse to unblock U.S. funds for the IMF. If this is not done,
said one German c
olumnist, the Fund will be at the "brink of a disastrous
solvency crisis."
This survey is based on 43 reports from 15 countries, July 915.
EDITOR: Diana McCaffrey
X` hp x (#
EUROPE

RUSSIA: "Reforms At The Expense Of The West"
X

X Vyacheslav Zalomov commented in the State Duma's newspaper Parlamentskaya Gazeta (7/15), "Many deputies in the State Duma are of the opinion that the government, by pressing for new loans from international bankers, is concerned first of all about its own fate and the wellbeing of the Russian oligarchs who support it. In our opinion, foreign loans, given they are rationally used, may serve as a powerful prop for our economy which should be put in shape mostly by domestic efforts with the emphasis on production. Otherwise, the prospect will be bankruptcy and a prison for debtors. After all, nobody gives loans for free. Somebody at some point of time will have to return them."

X

X "Time For Strategic Changes In Our Economic Policy"

X

X Alexander Privalov observed in reformist Izvestia (7/15), "Along with the sudden lavish Western credits comes a certain freedom of action and now it is vitally important for this, alas, temporary breathing spell to be used not only for a more or less virtuoso plugging of holes, but also for strategic changes in economic policy.... Although the government's resolve 'to live according to its means' is novel, in theory it is not novel at all. It is not the first year that we are hearing statements about the need to increase budget revenue and decrease budget spending. There are no fundamentally new ideas in the government program and for this reason nobody pays attention to the words about 'a new course.' Yet, the need for a new course is not an invention of the opposition. There is every reason to believe that the measures provided for by the government program are necessary, though by far not sufficient for the commencement of economic growth."

X

X "Putsch In 1998 Is Quite Possible"

X

X Oleg Moroz wrote in the writers' weekly Literaturnaya Gazeta (7/15): "The situation is thus: On the one hand, there is the president who

counts on the l
oyalty of the generals and, on the other hand, there are
the radicals in the op
position who are actually urging these very
officers to rebel.... Who will hav
e the upper hand? The answer is far
from obvious. If only everything could be
solved by lavishly promoting
the generals.... In principle, nobody today stand
s to gain from a
coup, except for a handful of professional adventurers (but th
ey exist
everywhere and in all times). But at such moments people tend to forge
t
what is in their interests and what is not. Everything is decided by
the scr
eam 'Down with them!' This scream possesses a magic, hypnotic
force. It begins
to seem that the supreme truth is concentrated in it.
And all logical argumen
ts and economic analyses retreat before this
sweeping yell."
X
X "Clinton Helps Russia Secure IMF Credit"

XX Andrei Kolesnikov stated on page one of reformist Izvestia (7/14): "The IM
F's
decision to give Russia such a big loan is due not only to the
circumstance
sthe crisis in Russia may spread to foreign marketsbut to the
active involvemen
t of the U.S. administration, especially President Clinton
who has praised the
Russian government's stabilization program."

"Clinton Is Scared"

Yevgeny Bai in Washington wrote for reformist Izvestia (7/14): "A scenario
whe
reby Russia's fiscal system bursts at the seams, Yeltsin resigns, and
nationali
sts take over is the worst of all nightmares that the Clinton team
might have."

"Loan Is A Prop, Not A Solution"

Aleksei Portansky pointed out in the Finansoviye Izvestia supplement to
reform
ist
Izvestiya (7/14): "Foreign aid is just a prop, sturdy as it might be. We

have
to repair the whole structure on our own. Foreign aid will not solve
the probl
em, unless we learn to collect taxes and balance the budget by next
fall, as in
dicated in the government's program."

"Merely An Aspirin"

Under this headline, centrist Nezavisimya Gazeta (7/14) frontpaged a comment
by
Tatyana Koshkareva and Rustam Narzikulov: "The victory of Anatoly Chubais
[Rus
sia's chief negotiator with the IMF] is not Russia's victory. Economic
depressi
on will not go away even after the said billions of dollars arrive.
The IMF's
aid is merely an aspirin reducing the fever, without curing the
disease. Ironi
cally, in the longer term, Western aid is no better than
devaluation. Massive
Western aid is even worse than devaluation.... This
'stabilization' has nothin
g to do with the general state of the Russian
economy.... The IMF's loan will
delay devaluation, add to this country's
debt, and dollarize the economy."

"West To Stand By Yeltsin"
X` hp x (#
Amidst widespread speculation in the Russian media on coup plans, reformist,
b
usinessoriented Kommersant Daily (7/11) published a page one comment by
Igor Kl
ochkov: "The head of state is demonstrating that he remains a
guarantor of the
constitution and, if need be, will use force to protect
it.... There is no do
ubt about whom the Western political elite would
support.... No Russian oligar
ch would like to see his reputation set against
the authority of the democratic
ally elected head of state."

GERMANY: "Questionable Assistance"

Klaus Engelen noted (7/15) in an editorial in business newspaper
Handelsblatt
of Duesseldorf: "There are good reasons why, in contrast to
the time of Boris
Yeltsin's election campaign, it is now Bill Clinton and
not Helmut Kohl who or
ganized a largescale Western aid package to stabilize
the ruble. On the one ha

nd, the Clinton administration considers this
geopolitically important aid pack
age for Russia's democrats to be a useful
lever to pillory the Republican major
ity in Congress for their refusal to
release U.S. contributions to the IMF. If
the Republicans continue to block
the increase in funds of the IMF, they could
bring the IMF to the brink of a
disastrous solvency crisis. But the aid packa
ge for Russia also involves
global crisis management. In view of the fact that
the emerging economies in
Asia and in Japan are in dangerous turbulence, a col
lapse of the Russian
economy could entail negative implications both regionally
and globally and
could cause a geopolitical deterioration of relations."

"Helper In An Emergency"

Ernst August Ginten wrote in rightofcenter Die Welt of Berlin (7/15): "The
ai
d package of the IMF to Russia will dangerously erode the reserves of the
IMF..
.. These reserves will not be sufficient for the global fire brigade to
help a
nother problem country in case of an emergency.... So far, the U.S.
Congress h
as raised massive opposition to an increase in funds to the IMF.
By pointing t
o a looming incapability to act, the IMF has now increased
pressure on the U.S.
parliamentarians. But in view of the almost empty IMF
coffers, many of congr
essmen will no longer be able to oppose the package,
despite their reservations
against it.... But even U.S. lawmakers will not
be willing to bear responsibi
lity for a global economic crisis which could be
caused by inactivity of the IM
F."

"First Comes Morale, Then The Money"

Washington correspondent Kurt Kister commented in centrist Sueddeutsche
Zeitun
g of Munich (7/15), "The U.S. Senate has shown understanding for the
IMF. In c
ontrast to the House of Representatives, the senators have a more
realistic and

less ideological view of the global responsibility of the
United States. But
in the House of Representatives, there is a coalition of
some Democrats and the
rightwing majority of Republicans who are opposed to
the IMF. The leftwing ac
cuses the IMF of showing too little consideration
for social concerns and human
rights in recipient countries, while the
rightwing does not like the concept o
f the United States having to solve all
the problems in the world. In addition
, they distrust international
institutions such as the UN and the IMF, where th
e United States does not
have the say. In addition, the members of the House a
re also trying to
implement their moral convictions on a global scale..... But
out of
consideration for his voters, President Clinton is not willing to accep
t the
conditions of the Republicans.... This means that Russia's stabilization
has
become a prisoner of moralizing domestic policy experts from Mississippi a
nd
Texas."

"A Supportive Brace Amounting To $41 Billion"

Thomas Urban wrote in centrist Sueddeutsche Zeitung of Munich (7/15): "The
Ki
riyenko cabinet is faced with the gigantic task of establishing order in
the co
untry. Compared to the task of setting up an effective administration
with inc
orruptible officials and an independent justice system, it is
probably a minor
task of establishing a banking system according to Western
standards. These th
ings did not exist in Russia even before the rule of the
party. But as long as
companies, including international ones, are unable to
get their rights agains
t a fabric of mafia and state functionaries, who
control the economy, this econ
omy will not work. In addition, the premier
must also assert his view towards
the 'finance industrial complex,' towards
the leaders of the world of finance,
the arms sector, and the raw materials
industry which is in principle not inter
ested in a transparent flow of their
capital....

"We can surmise that Kiriyenko has clearly recognized this situation.
However,
in view of his zigzag course over the past few years, we cannot say
the same o
f President Yeltsin.... But he is now supporting Kiriyenko's
course. However,
Yeltsin can govern with decrees only to a limited degree.
This is why the gov
ernment is trying to get the support of parliament for its
reform plans. But t
he RedBrown majority in the Duma such as the financial
oligarchy is not interes
ted in a success of the reforms in contrast to the
West, which is now interferi
ng in the conflict by granting a stability loan,
even though there is the dange
r that the money will disappear in dark
channels. But the West has no other ch
oice, since all other solutions would
be more expensive in the long run."

"The Russian Patient"
X` hp x (#
X` hp x (#Werner Adam argued (7/14) in rightofcenter Frankfurter Allgemeine:
"Only
when Russia no longer mistakes a free market economy for mafialike pirac
y
can there be an end to the country's inability to live without foreign
capita
l and only then can it take full advantage of its rich economic
potential."

" IMF, World Bank Should Stop Fiscal Aid"

Frank Herold wrote in an editorial in leftofcenter Berliner Zeitung (7/14):
"The past years clearly demonstrated that dollar transfers, as comprehensive
as
they were, have not helped Russia get out of its misery. The constant
dollar
injections, which are given without any restrictions, even resulted in
the fact
that the Russians realized too late how sick their economic system
really is.
These injections have promoted inflexibility and distracted
attention from the
necessary search for selfhealing forces. But the IMF and
the World Bank shoul
d realize these consequences and finally stop their
fiscal aid."

X` hp x (# "IMF Loan Would Only Postpone Crash"
X` hp x (#
X` hp x (#Centrist Maerkische Allgemeine Zeitung of Potsdam (7/11) had this to
say:

"Before the Senate, Premier Kiriyenko openly admitted that the economy and the finances will soon be wrecked. And if the tendency to get loans does not stop by the end of the year, Russia will be faced with bankruptcy. A stabilization loan of the IMF would only postpone the crash. The problems in Russia are of a basic nature: inconsistently implemented reforms, democracy deficiencies, a lack of concepts. These are sins for which not Kiriyenko but his predecessors are responsible. But this is of no interest for the striking miners or the parliament who was opposed to Yeltsin making Kiriyenko the new premier. Right from the start, the Duma refused to support him. The same is now also true for the Senate. This is a very unfavorable constellation to change a course which requires everybody to tighten the belt."

"We Can't Afford To Write Russia Off"

Rightofcenter Nordbayerischer Kurier of Bayreuth argued (7/11), "Can we allow to write off an embattled Russia? For the Western Europeans this would be fatal. Their own safe future depends on whether the standard of living in the East can be improved as soon as possible making it impossible for doctrinaires to get a chance."

BRITAIN: "Alternatives To The IMF"

The independent Financial Times opined (7/15): "The heavy demands imposed on the IMF by Asia have left its finances in a weakened state. That much is clear from the decision to draw on credit under the longdormant General Arrangements to Borrow [a special contingency fund] to help Russia. Yet the U.S. House of Representatives is prevaricating over an $18 billion contribution to its coffers. And there are some who question whether the IMF's task in Russia and Asia is necessary or effective.... The American Congress is justifiably concerned that the IMF's role as an international lender of last resort gives rise to moral hazard. Lenders may advance money

to uncreditworthy borrowers on the assumpti
on that the IMF will bail them
out. Countries like Russia may flout the IMF's c
onditionality in the
knowledge that wider American foreign policy consideration
s will ensure
continuing funds....

"Yet the question has to be faced as to whether the alternative to such
monumen
tal injections of liquidity is feasible. In the case of Russia, it
scarcely ba
res contemplating.... As Michel Camdessus, the IMF managing
director, has put
it, the IMF's goal should be to ensure that the world has
adequate protection a
gainst the risks of globalization, together with the
chance to embrace the oppo
rtunities it provides. To do that, it must have
the requisite funds."

"Aiding Russia"

The independent Financial Times opined (7/13), "Russia needs enough outside
hel
p to ease the financial panic now threatening it. It should be given not
becau
se Boris Yeltsin is a convinced reformer, nor because his new government
is bou
nd to keep its promises. Russia should be supported because, with
assistance,
there is hope of stability and reform; without it, there is
none.... The new g
overnment consists of the most singleminded and
determined group of reformers t
o hold office since 1992. Its achievements
ultimately depend on events outside
its control. But it might make
substantial progress, provided it survives the
next few months. What is
needed is an aid package capable of giving the neede
d breathing space....
The only question for the outside world to answer is whe
ther a chance of
success is to be preferred to the certainty of failure. The
answer is
obvious."

FRANCE: "A Geopolitical Wager"

Pascal Mudry held in centrist La Tribune (7/15): "Frankly, the IMF had very g
ood reasons for postponing its signing a new financial aid program with Russia
.... Michel Camdessus himself had previously declared that the IMF would agree
to increase its contribution 'only if Russia made an exceptional effort in its
reforms.' That is not the case. Then why did the IMF make this decision? Is
Chubais such a good negotiator? Or more to the point, has he received strong
and irresistible support from the United States and Germany?"

ITALY: "Loans To Russia Push Stock Markets Up"

Ennio Caretto reported from Washington in centrist, topcirculation Corriere de
lla Sera (7/15): "Yesterday the world's financial world was relieved...by the
Russian bailout.... However, the boom in the stock markets did not dispel all
apprehension for the near future of the global economy. On one hand there is t
he fear that Yeltsin does not succeed in making the Duma approve the IMF packag
e. On the other, there is the IMF warning that it is short of funds.... The re
ason for the IMF's lack of cash is the American Congress, which has not approve
d the appropriation of billions of dollars requested by Clinton."

"God Save The Czar"

A frontpage editorial by Franco Venturini in centrist, topcirculation Corriere
della Sera read (7/15): "Boris Yeltsin's Russia is an atomic bomb ready to ex
plode in the midst of a globalization which has already gone through the hardes
t trials following the Asian crisis, and while the single currency Europe is pr
eparing its enlargement to the East, while NATO is also enlarging its borders,
while the world's investors are wondering how many promises an unregulated mark
et can keep.... Kiriyenko will present a package of financial and fiscal measu
res to the Duma. For sure, the IMF dollars will help him. But to be effectiv
e...the prescription must be a bitter one, and should involve new sacrifices...

. However, the Russian people are exhausted
and look at the oligarchy of the n
ew rich with increasing anger. Therefore,
it is necessary that any dollar give
n to Yeltsin be closely monitored, that
the loans do not take the road to Zuric
h, but are used to give new legitimacy
to democracy and reforms."

"Capitalism, Rope, Communists And Lenin"
X`   hp x (#
Provocative, classical liberal Il Foglio concluded (7/15): "How will
Kiriyenk
o pursue austerity while helping Yeltsin get some of his men elected
and defea
t the opposition? Perhaps the West may be happy, because the giant
from Mosc
ow is completely enmeshed by its debts, in dollars, with the IMF
and the inter
national financial operators who own its public bonds. It
seems that capitali
sm has created the rope to hang former Communists and
not, as Lenin hoped, the
other way round."
X`   hp x (#
"No Other Choice"

Andrea di Robilant filed from Washington for centrist, influential La Stampa
(
7/14): "The agreement reached in Moscow between Yeltsin and the IMF for a
fina
ncial package worth $22 billion was welcomed with great relief. The
Russian f
inancial crisis has less impact on the global economy than the
Japanese crisis.
But the White House feared, and still fears, that the
social situation may wo
rsen with unforeseeable political consequences....
The White House defined the
maxiloan as a 'major step forward in Russia's
reform effort.'... Indeed, the
decision to meet the Russian government
requests was taken mainly for political
reasons. The idea of continuing to
give money to Russia might seem illogical
to economists, sources in the
administration acknowledge, but this government m
ust be supported. There is
no other choice.... But it's a road that the admini
stration cannot follow
indefinitely without the support of Congress, which cont
inues to block IMF
financing."

"World Gives Yeltsin A Hand"
X` hp x (#
Leftleaning, influential La Repubblica commented (7/13): "Once again, the West will bet its trumps and money on Boris Yeltsin for Russia's stability. But th
e aid Moscow requested in order to overcome the peak of its financial crisis re
mains linked to a series of reforms and austerity measures that the Kremlin and the Russian government must prove they are able to implement.... In order to remove the latest obstacles, Bill Clinton, the 'American friend,' exerted pres
sure on the IMF, since he is determined to bet again on Yeltsin, notwithstandin
g rumors of possible conspiracies around the Kremlin. Or perhaps just because of these."

X` hp x (# BELGIUM: "Kiriyenko Must Defuse Time Bomb Of Social Revolt"

Conservative Catholic La Libre Belgique's Moscow correspondent Boris Toumanov concluded (7/15): "Even though money problems are not deadly, the urgency of
such assistance was clear for the international community, lest it would see Ru
ssia's financial and economic crisis result over the coming weeks in Boris Yelt
sin's premature political death.... It is...certain that, from now on, Boris Y
eltsin's political future only depends on Mr. Kiriyenko's ability to rapidly de
fuse, with the help of the IMF's money, the time bomb of social revolt whose me
chanism has already been engaged."
X` hp x (#
X` hp x (# HUNGARY: "Yeltsin's Dollars"

An oped piece by senior columnist Tibor Varkonyi in influential daily Magyar H
irlap read (7/14): "After agreeing on all the details, Russia now can go the
cashier to get a vast amount of money. Russia can do that, despite the fact th
at its president not that long ago announced quite proudly that 'Moscow was not begging for alms.' The two international institutions, the IMF and the World Bank, have agreed to grant billions of U.S. dollars to Russia, knowing that the
y don't have unlimited resources. The only limit is their own cash reserves.
Would it be a sacrifice for the West to fulfill

almost all needs of the Russian
president? Not in the least. Russia is in a
deeper than deep crisis and not
just in a financial sense.... Its economy is
almost entirely controlled by var
ious mafia circles, and it is also quite
likely that the new monies granted to
Moscow are going to slip through its
fingers. Then why is the West, and especi
ally the United States, offering
the hornofplenty to Russia? Because this ragg
ed and shabby country
possesses nuclear weapons that might not be the latest mo
del but are still of
a vast destruction potential. Help is given to Yeltsin in
order to keep
somebody else, a more irresponsible political figure, from getti
ng access to
the secret code. It is why President Clinton has dropped his earl
ier set
criteria, why he is going to visit Moscow and why the taps of the IMF a
nd
World Bank have opened."

SPAIN: "To Russia's Rescue"

Liberal El Pais commented (7/15): "Longterm Western interests, as Clinton
noted
yesterday, are what swayed the International Monetary Fund (IMF) to
offer an i
mmediate relief package to Russia in the amount of $12.5 billion.
Neither the
United States nor Europe could afford to risk a new crisis there
with unforese
eable consequences. Nevertheless, the success of this effort
cannot be guaran
teed at a time when capital is massively fleeing the country
because Russian in
vestors themselves appear pessimistic about the country's
future.... [The numb
er of complex problems now affecting Russia and the
serious dangers they porten
d] lead one to conclude that international
assistance for Russia should be cond
itioned, at least to a certain extent, on
progress towards the country's democ
ratization. Otherwise, what will emerge
will be an authoritarian political mo
del based on the power of industrial
and financial groups and the mafia. This
is not about merely saving Yeltsin
temporarily, or sewing yet another patch on
a national fabric in tatters, but
rather constructing a better, democratic Rus

sia."

EAST ASIA AND PACIFIC

CHINA: "West Gives Russia A Transfusion"

Sun Zhanlin commented in the official Chinese Youth Party China Youth Daily (Z
hongguo Qingnianbao, 7/15), "Generous as they are, international financial orga
nizations have their own motivations. The turmoil in the Russian financial ma
rket will do harm Western economic interests. Western countries are reluctant
to see an unstable political situation in Russia. Foreign loans can only tempo
rarily ease the economic pain in Russia. Increasing production is Russia's onl
y way to 'storm past' the difficulties."

INDONESIA: "Economy Threatening Collapse, Russia Seeks IMF Bailout"
X` hp x (#
Leading independent Kompas asserted (7/13): "It is debatable whether an int
ernational aid package will be effective in overcoming Russia's crisis, partic
ularly given the experiences of Thailand, South Korea and Indonesia. The bail
out packages for those countries have yet to overcome the crisis. It is almost
certain that Russia will be unable to extricate itself from its economic crisi
s should there be no fundamental improvements in its economy. There are those
who say the Russian crisis was in part caused by the impact of the Asian cris
is. But more believe it occurred because Russia's economy is fundamentally wea
k.... Although Sovietera communism has been left behind, Russia has yet to fin
d a political formula that can guarantee peace and security. The elite's focu
s remains more on the struggle for power than on economic, social and politica
l improvements. The group that suffers most is still the people."

SOUTH KOREA: "Financial Crisis Averted, But Recovery Doubted"

Conservative Segye Ilbo commented (7/15): "The IMFled bailout rescued Russia
from imminent crisis, but recovery of the Russian economy remains a

big 'if'.'
The Russian political situation will determine the future of the economy. Man
y are skeptical about the prospects. The main source of revenue, the oil indus
try, is on the decline, and a corrupt bureaucracy hampers essential tax reform.
On balance, the uncertain political and economic situation continues to make foreign investors jittery. Western nations, including the United States, were more desperate to get the bailout package for Russia than the Russian governmen
t itself, because they feared the economic meltdown would shake up the Yeltsin government.... However, it remains to be seen when Russia will hold its hand out for bailout money again."
X` hp x (#
"Russia, Too, Is Under IMF Guidelines"
X` hp x (#
Independent Hankyoreh Shinmun held (7/14), "The IMF's rescue package, now prom
ised to Russia, is just enough for a badly needed break. With it coming now, R
ussia may be able to avoid having to devaluate its currency. While social unre
st due to economic difficulties has reached an explosive level, concern over wh
ether the IMF will have sufficient resources to fund the promised rescue furthe
r complicates the issue. The challenges are lined up."

X` hp x (# SINGAPORE: "Yeltsin's Troubles"

According to the progovernment Straits Times' editorial (7/11), "The Fund has
been strict, and must remain so.... Nothing concentrates the mind and collecti
ve will in Moscow better than the threat of insolvency. The United States can
lecture Russia all it wants about full democratization, but the holders of purs
e strings ultimately call the tune. With the price of oil, its main earner, do
wn by 40 percent, the ruble having to be propped up with 150 percent interest r
ates and share market values down by half, only IMF discipline can deliver Russ
ians from their Bolshie ways."
X` hp x (#

LATIN AMERICA

ARGENTINA: "Yeltsin Must Build Another System, But Maybe It's Too Late"

Guillermo Ortiz commented in businessoriented El Cronista (7/13): "What happ
ens in Russia is important, but its evolution is ignored. Clinton's visit to M
oscow in September relocated Russia to the center of the world gameboard at a
moment of financial and geopolitical crises. Something is clear: Russia must
get better.... Taking into account Washington's new isolationism, that NATO is
still looking for a mission and that UN has not redefined its interventionist
pattern, the West needs a strong Russia....
But today Russia is a social boi
ler.... To understand the importance of
Russia, we need to review the foreign
situation: Indian and Pakistani
nuclear escalation, Middle East peace process
at a deadlock, the new
U.S.Iran relationship, Chinese awakening and renewed B
alkan crisis in
Kosovo.... A situation of chainreaction destabilization, in wh
ich Russia
has something to say and to do. Because even if it is paralyzed, Ru
ssia is a
great nation, having responsibilities.... In sum, it cannot escape h
istory.
An old aphorism says: 'Russia is never as strong or as weak as it look
s.' It
can also be applied to Yeltsin. His capability seems to reappear when h
e
looks worn out.... There will be a chaotic process of rebuilding the countr
y. With steps back and forward."

X` hp x (# BRAZIL: "Rescuing Russia"

X` hp x (#Readers of liberal Folha de Sao. Paulo saw this editorial (7/15): "
The help
given to Russia recalls to some extent the attitude adopted toward Mex
ico
during the December, 1994 crisis.... More recently, with the crises in Sou
theast Asia, Japan and Russia, fear has emerged that a worsening of the exchang
e and financial markets could also affect the confidence in European and U.S. m
arkets. This [situation] has set in motion what seems to be the beginnings of
an international safety net aimed at preventing financial disruptions. In the

case of Russia, political and even military aspects have contributed to the a
doption of the decision to lend. No sensible government would be interested i
n a crisis that could cause social and political instability of the world's se
cond largest nuclear power."

"A Frightful Specter"

Independent afternoon Jornal da Tarde sketched this scenario (7/15): "The wor
ld economy has now been frightened by another ghostthe seriousness of the econo
mic imbalances being experienced by Japan and Russia.... If Yeltsin's settleme
nt with the IMF is completed...part of the threat will be removed at least for
a while.... Despite all the advice and even foreign material help, in both Mo
scow and Tokyo the solution depends fundamentally on the local leaders' polit
ical determination and on the politicians' good will."
X` hp x (#
CHILE: "Unpredictable Consequences"
X` hp x (#
Influential, centrist La Epoca ran this editorial commented (7/9): "The confl
icts that have broken out in Russia because of its economic crisis are beginni
ng to become political and threaten to cause social unrest of enormous proport
ions, whose effects will be felt throughout the world.... Observers believe th
at the combination of worker discontent, military unrest and political loss of
reputation, together with a brutal economic crisis, could unleash into a situa
tion of unrest of unpredictable consequences."

##
X` hp x (#%#Xx\ P6QyXP#

================== END ATTACHMENT 1 ==================

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Mail Delivery Subsystem (Mail Delivery Subsystem <MAILER-DAEMON@gatekeeper.eop.gov> [UNKNOWN])

CREATION DATE/TIME:17-JUL-1998 21:55:54.00

SUBJECT: Returned mail: Deferred: Host Name Lookup Failure

TO: Cheryl M. Carter (CN=Cheryl M. Carter/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TEXT:
----- Transcript of session follows -----

550 msn.co (smtp)... 550 Host unknown

554 <castagnetti_deweysquare@msn.co>... 550 Host unknown (Authoritative

answer from name server)

550 iiaa.com.org (smtp)... 550 Host unknown

554 <pequale@iiaa.com.org>... 550 Host unknown (Authoritative answer from

name server)

While talking to mail-beth.i95.net:

>>> RCPT To:<satima@womens-health.org>

<<< 550 <satima@womens-health.org>... User unknown

550 <satima@womens-health.org>... User unknown

550 worldnet.atp.com (smtp)... 550 Host unknown

554 <lkelshaw@worldnet.atp.com>... 550 Host unknown (Authoritative answer

from name server)

While talking to usta.org:

>>> HELO gatekeeper.eop.gov

<<<

421 usta.org (smtp)... Deferred: Connection reset by peer during HELO wait

with usta.org

250 usx.com (smtp)... 250 Deferred

----- Unsent message follows -----

Received: from lngate3.eop.gov by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM)

id AA18988; Fri, 17 Jul 1998 17:55:54 -0400

Received: by lngate3.eop.gov(Lotus SMTP MTA SMTP v4.6 (462.2 9-3-1997))

id 85256644.00785D3D ; Fri, 17 Jul 1998 17:54:41 -0400

X-Lotus-Fromdomain: EOP

From: Cheryl_M._Carter@who.eop.gov

To: bkapp@uschina.org, silverst@abc.com, bonnie_rraquet@cargill.com,

lventino@us.oracle.com, macker@us.net, katescarr@aol.com,

agro02@email.mot.com, mlridley@erols.com, Goodstein8@aol.com,

dcarroll@synergics.com, bill.sweeney@eds.com,

joseph.s.caracuel@nationsbank.com, lnusgmb.szxsbh@gmeds.com,

mtimmeny@cisco.com, kfinney@scholastic.com, leapfrogsp@aol.com,

rhealy@mail.arco.com, halja@erols.com, lharris@teligentinc.com,

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72663.70@compuserve.com,

sswirsky@dol.gov, dtatejr@cassidy.com,

castagnetti_deweysquare@msn.co,

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fuqua@aia-aerospace.org, hyjekfix@imssys.com, amcham@amcham.org.hk,

Jeff_Muir@Seagram.com, dweiskopf@levi.com, jdeboer@nrc.org, CLEVY@WILMER.COM, sblacklin@amcham.ru, mebert@ibgc.com,

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aj12@chrysler.com, marcassoc@pipeline.com, cmanatt@manatt.com,

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ttmoff@monsanto.com, frank_moore@wmx.com, vtmorse@erols.com,

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pnelson@obriencalio.com, croneill@vais.net, noffen@dsa.org,

pnc@clark.net, jplebani@arterhadden.com, tpodesta@podesta.com,

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apride@entergy.com, prowittp@dc.corp.ge.com, pquinn@wbkq.com,

raffer@us.net, rragan@bechtel.com, bresler@na.ko.com,

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sspielmann@ibgc.com, Njdonohoe@aol.com, jslevine@mindspring.com,

jsorlando@cbs.com, vmorse@beneficial.com, HECASSOC@MINDSPRING.COM,

simon@simoninc.com

Message-Id: <85256644.0077502D.00@lngate3.eop.gov>

Date: Fri, 17 Jul 1998 17:50:03 -0400

Subject: Comments by the President

Mime-Version: 1.0

Content-Type: text/plain; charset=us-ascii

Thought you might be interested in the President's comments following an event today with

Girls's Nation, here at the White House. Have a great summer weekend everyone!

MR. MCCURRY: Last question.

Q Mr. President, the trade deficit in May was up around $15 billion. Are you

willing to overlook that while the Asian financial crisis -- itself out?

THE PRESIDENT: Well, I don't think -- no, I don't think we should overlook it, I

think it ought to prompt us to action. But let's understand why the trade deficit is so large. The trade deficit is large because we live in an integrated global economy, and our economy has been strong while the Asian economy has been in trouble.

What does that mean? When their economy is in trouble, the value of their currency goes down. What does that mean? That means that compared to yesterday, if their currency goes down, their money is worth less than ours in the same amounts.

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

making if
those economies were coming back. And a critical part of that is our contribution
to the International Monetary Fund.

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

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

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

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

THE PRESIDENT: I think, first of all, let's remember how we got where we are.

We got the strength of our economy to the point where it is now by being determined to bring down the deficit until we balanced the budget, by expanding trade to sell more American products around the world, and by investing in education, in training, in technology, in scientific research. Those are the engines of our economic recovery.

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

We don't want to count our chickens before they hatch. Now, the end of the fiscal year here is September 30th. And it's now projected that we'll have a $63-billion surplus, and I earnestly hope we do. But it wouldn't do any harm to rack one up before we start spending it. We had 29 years of deficits. Between 1981 and 1983

in 12 years alone, we increased by four times the total debt of the United States.

We quadrupled the debt of the United States in 12 years that we had amassed in

the previous 200. It won't do us any harm to take one year and enjoy the fact that

we've balanced our books, ran up a surplus and planned to save Social Security.

That will not do us any harm. It will keep our economy stronger and it's better for

America's future.

Thank you very much. (Applause.)

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: SUNTUM_M (SUNTUM_M@a1.eop.gov [UNKNOWN])

CREATION DATE/TIME:17-JUL-1998 15:36:09.00

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

TO: "/R=3$=/C=US/ADMD=WESTERN UNION/O=ATT.COM/DD.ELN=62955104/"@mrx.eop.gov ("/R=3$=/C=US/ADMD=WESTERN UNION/O=ATT.COM/DD.ELN=62955104/"@mrx.eop.gov [UNKNOWN])
READ:UNKNOWN

TO: "/R=OPUS/R=MRP/PR-L=AVUOEOB/PR-U=TDIXON/FFN=Timothy Dixon/"@mr.eop.gov ("/R=OPUS/R=MRP/PR-L=AVUOEOB/PR-U=TDIXON/FFN=Timothy Dixon/"@mr.eop.gov [UNKNOWN])
READ:UNKNOWN

TO: Alejandro G. Cabrera ("Alejandro G. Cabrera"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Andrei H. Cherny ("Andrei H. Cherny"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Angelina Walker ("Angelina Walker"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Brian A. Reich ("Brian A. Reich"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Christopher S. Lehane ("Christopher S. Lehane"@lngate4.eop.gov [@LNGATE])
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TO: Eli G. Attie ("Eli G. Attie"@lngate4.eop.gov [@LNGATE])
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TO: Jim Kohlenberger ("Jim Kohlenberger"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Jodi R. Sakol ("Jodi R. Sakol"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Joseph W. Cerrell ("Joseph W. Cerrell"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Lawrence J. Haas ("Lawrence J. Haas"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Nathan B. Naylor ("Nathan B. Naylor"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: Patricia M. Ewing ("Patricia M. Ewing"@lngate4.eop.gov [@LNGATE])
READ:UNKNOWN

TO: 62955104@eln.attmail.com (62955104@eln.attmail.com [UNKNOWN])

READ:UNKNOWN

TO: backup (backup@wilson.ai.mit.edu [UNKNOWN])
READ:UNKNOWN

TO: BARTHOLOW_T (BARTHOLOW_T@a1.eop.gov [UNKNOWN])
READ:UNKNOWN

TO: BUDIG_N (BUDIG_N@a1.eop.gov [UNKNOWN])
READ:UNKNOWN

TO: cmbeach (cmbeach@msn.com [UNKNOWN])
READ:UNKNOWN

TO: Adam W. Goldberg (CN=Adam W. Goldberg/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Alexander L. Boyle (CN=Alexander L. Boyle/OU=PIR/O=EOP [PIR])
READ:UNKNOWN

TO: Allison J. King (CN=Allison J. King/OU=PIR/O=EOP [PIR])
READ:UNKNOWN

TO: Amy W. Tobe (CN=Amy W. Tobe/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Andrew J. Mayock (CN=Andrew J. Mayock/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Anne E. McGuire (CN=Anne E. McGuire/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Anne M. Edwards (CN=Anne M. Edwards/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Antony J. Blinken (CN=Antony J. Blinken/OU=NSC/O=EOP [NSC])
READ:UNKNOWN

TO: Arkadi M. Gerney (CN=Arkadi M. Gerney/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Aviva Steinberg (CN=Aviva Steinberg/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Barbara D. Woolley (CN=Barbara D. Woolley/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Barbara Semedo (CN=Barbara Semedo/OU=PIR/O=EOP [PIR])
READ:UNKNOWN

TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Beverly J. Barnes (CN=Beverly J. Barnes/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

TO: Bradley M. Campbell (CN=Bradley M. Campbell/OU=CEQ/O=EOP [CEQ])
READ:UNKNOWN

TO: Brenda M. Anders (CN=Brenda M. Anders/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Brian A. Barreto (CN=Brian A. Barreto/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Brian D. Smith (CN=Brian D. Smith/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Brooks E. Scoville (CN=Brooks E. Scoville/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Carmen B. Fowler (CN=Carmen B. Fowler/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Carole A. Parmelee (CN=Carole A. Parmelee/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Catherine T. Kitchen (CN=Catherine T. Kitchen/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Cecilia E. Rouse (CN=Cecilia E. Rouse/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Chandler G. Spaulding (CN=Chandler G. Spaulding/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Charles F. Ruff (CN=Charles F. Ruff/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Cheryl D. Mills (CN=Cheryl D. Mills/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Christine N. Macy (CN=Christine N. Macy/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Christopher J. Lavery (CN=Christopher J. Lavery/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Craig T. Smith (CN=Craig T. Smith/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Dag Vega (CN=Dag Vega/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Daniel W. Burkhardt (CN=Daniel W. Burkhardt/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Darby E. Stott (CN=Darby E. Stott/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

TO: Dario J. Gomez (CN=Dario J. Gomez/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: David E. Kalbaugh (CN=David E. Kalbaugh/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: David K. Chai (CN=David K. Chai/OU=PIR/O=EOP [PIR])
READ:UNKNOWN

TO: David S. Beaubaire (CN=David S. Beaubaire/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: David T. Johnson (CN=David T. Johnson/OU=NSC/O=EOP [NSC])
READ:UNKNOWN

TO: Dawn L. Smalls (CN=Dawn L. Smalls/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Debra S. Wood (CN=Debra S. Wood/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Delia A. Cohen (CN=Delia A. Cohen/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Diane A. Stumpf (CN=Diane A. Stumpf/OU=ONDCP/O=EOP [ONDCP])
READ:UNKNOWN

TO: Diane Ikemiyashiro (CN=Diane Ikemiyashiro/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Dominique L. Cano (CN=Dominique L. Cano/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Donald Goldberg (CN=Donald Goldberg/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Dorian V. Weaver (CN=Dorian V. Weaver/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Dorinda A. Salcido (CN=Dorinda A. Salcido/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Doris O. Matsui (CN=Doris O. Matsui/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Douglas B. Sosnik (CN=Douglas B. Sosnik/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Douglas R. Matties (CN=Douglas R. Matties/OU=OA/O=EOP [OA])
READ:UNKNOWN

TO: Eleanor S. Parker (CN=Eleanor S. Parker/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

TO: Elisa Millsap (CN=Elisa Millsap/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Elisabeth Steele (CN=Elisabeth Steele/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Elizabeth A. Castellani (CN=Elizabeth A. Castellani/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Elizabeth R. Newman (CN=Elizabeth R. Newman/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Elliot J. Diringer (CN=Elliot J. Diringer/OU=CEQ/O=EOP [CEQ])
READ:UNKNOWN

TO: Emory L. Mayfield (CN=Emory L. Mayfield/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Estela Mendoza (CN=Estela Mendoza/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Evan Ryan (CN=Evan Ryan/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: G. Timothy Saunders (CN=G. Timothy Saunders/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Glen M. Weiner (CN=Glen M. Weiner/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Grace A. Garcia (CN=Grace A. Garcia/OU=PIR/O=EOP [PIR])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: James M. Teague (CN=James M. Teague/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Jason H. Schechter (CN=Jason H. Schechter/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Jeannetta P. Allen (CN=Jeannetta P. Allen/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Jeffrey A. Shesol (CN=Jeffrey A. Shesol/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Jennifer Ferguson (CN=Jennifer Ferguson/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

TO: John A. Gribben (CN=John A. Gribben/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Jon P. Jennings (CN=Jon P. Jennings/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

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

TO: Jonathan E. Smith (CN=Jonathan E. Smith/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

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TEXT:

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release July 17, 1998

REMARKS BY THE PRESIDENT

AT GIRLS NATION EVENT

Room 450, Old Executive Office Building

9:30 A.M. EDT

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

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

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

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

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

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

Women are earning more college degrees than men, they outnumber men in graduate school. Women-owned businesses are growing faster than the national economy. Forty-one percent of our administration's appointees, including the Secretary of State, the Secretary of Health and Human Services, the Attorney General, the Director of the Environmental Protection Agency, the Secretary of Labor, our Trade Ambassador and many others are women -- by far the highest percentage of women in high positions in any administration in the history of the United States.

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

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

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

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

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

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

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

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

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

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

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

So what's the answer? The answer is to find a way to preserve these fundamental programs that have lifted the elderly out of poverty and given dignity and strength to our professed family values in a way that does not bankrupt our children and grandchildren. Everybody I know my age is obsessed with the idea that we must not have the cost of our retirement be lowering your standard of living, be undermining your ability to raise your own children.

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

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

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

There is ample evidence now that what my wonderful Vice

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

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

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

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

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

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

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

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

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

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

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

Now, right now, our legislative drive has been stalled in the face of a $40-million advertising campaign by the tobacco companies that has been unanswered by the public health advocates because they don't have that kind of money. But the facts are clear, and if we keep working, I think we will prevail on the issue. Why?

Well, the main reason is the evidence that the tobacco companies themselves have given us about the dangers of smoking and their strategy. We now have, as a result of all these lawsuits, internal tobacco company documents that show that even as they publicly denied that nicotine was addictive, they conducted secret research in their labs, devised secret marketing strategies in their boardrooms to addict children to smoking for life, and they knew exactly what they were doing.

How do we know it? Again, look at the documents that they, themselves, have produced in the court cases. These documents tell us in the tobacco companies' own words how children and minorities became the primary targets they saw as new customers. There are memos admitting in plain English, for example, quote, "The base of our business is the high school student." Memos saying, quote, "Creating a fad in the 14- to 20-year-old market can be a great bonanza." And even as they insisted that young people are off limits for advertising, one company document from 1984 recommended targeting younger adult smokers as the only source of replacement smokers in the future, while children are the future of America, not the future of the tobacco companies -- and that future should not go up in smoke.

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

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

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

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

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

I can tell you that the tougher problems are, the harder the resolution is and the more controversial the resolution is, and the more painful the price to pay is. We had to make a lot of tough decisions in 1993 to get that deficit under control, and a lot of brave members of Congress lost their seats in Congress because they voted for an economic program in 1993, the benefits of which were not apparent in 1994 when they were up. But when we got ready to pass the Balanced Budget Act in 1997 on a bipartisan basis, guess what? Over 92 percent of the deficit had already disappeared because of what had been done in 1993.

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

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

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

And then they gave us -- all of us -- every American until time immemorial, a mission: They said, "We must work together to form a more perfect Union." They were really smart, those guys. They were really smart. They understood that every generation would have its own challenges. They understood the work of liberty would never be over. They understood all that. They understood it all.

And they gave us a permanent mission. And keep in mind, they created a limited government which means that in this country, the most important players will always be the citizens. As great as the leaders are and all the monuments you've seen to our great leaders around this city since you've been here this week, none of them could have accomplished anything if the people hadn't said, okay, we agree; we'll do our part.

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

Now, I'm just going to go sign this order and I'm going to ask your President and Vice President to stand with me, and then I'm going to turn the microphone over to them. Come on.

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

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

Okay, you've got the floor.

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

THE PRESIDENT: That's wonderful. Thank you.

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

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Mr. President.

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

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

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

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

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

Q But you have an opinion, surely.

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

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

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

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

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

MR. MCCURRY: Last question.

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

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

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

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

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

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

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

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

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

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

Thank you very much. (Applause.)

END 10:10 A.M. EDT

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Mail Delivery Subsystem (Mail Delivery Subsystem <MAILER-DAEMON@textron.com> [UNKNOWN])

CREATION DATE/TIME:18-JUL-1998 02:49:47.00

SUBJECT: Warning: could not send message for past 4 hours

TO: Cheryl M. Carter (CN=Cheryl M. Carter/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TEXT:
****

** THIS IS A WARNING MESSAGE ONLY **

** YOU DO NOT NEED TO RESEND YOUR MESSAGE **

****

The original message was received at Fri, 17 Jul 1998 18:35:53 -0400 (EDT)

from gatekeeper.eop.gov [198.137.241.3]

----- The following addresses have delivery notifications -----

<mhowell@dc.textron.com> (transient failure)

--- The transcript of the session follows ---

<mhowell@dc.textron.com>... Deferred: Connection timed out with

Warning: message still undelivered after 4 hours

Will keep trying until message is 5 days old

- att1.unkReturn-path: Cheryl_M._Carter@who.eop.gov

Received: from gatekeeper.eop.gov (gatekeeper.eop.gov [198.137.241.3]) by

fw2.textron.com (AIX4.2/UCB 8.7/8.7.1) with SMTP id SAA55194 for

<mhowell@dc.textron.com>; Fri, 17 Jul 1998 18:35:53 -0400 (EDT)

Received: from lngate3.eop.gov by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA18988; Fri, 17 Jul 1998 17:55:54

-0400

Received: by lngate3.eop.gov(Lotus SMTP MTA SMTP v4.6 (462.2 9-3-1997)) id

85256644.00785D3D ; Fri, 17 Jul 1998 17:54:41 -0400

Date: Fri, 17 Jul 1998 17:50:03 -0400

From: Cheryl_M._Carter@who.eop.gov

Subject: Comments by the President

To: bkapp@uschina.org, silverst@abc.com, bonnie_rraquet@cargill.com,

lventino@us.oracle.com, macker@us.net, katescarr@aol.com,

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mspovalski@mmm.com, sjpowell@hklaw.com, apride@entergy.com,

prowittp@dc.corp.ge.com, pquinn@wbkq.com, raffer@us.net,

rragan@bechtel.com, bresler@na.ko.com, lisa_rickard@ryder.com,

will_ris@amrcorp.com, robertw@corpdc.utc.com, americanbc@aol.com,

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cwilner@lga.att.com, scott.yohe@delta-air.com, hecassoc@mindspring.com,

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hriley@teamcr.com, noffen@dsa.org, sspielmann@ibgc.com, Njdonohoe@aol.com,

jslevine@mindspring.com, jsorlando@cbs.com, vmorse@beneficial.com,

HECASSOC@mindspring.com, simon@simoninc.com

Message-id: <85256644.0077502D.00@lngate3.eop.gov>

MIME-version: 1.0

Content-type: text/plain; charset=us-ascii

Content-transfer-encoding: 7BIT

X-Lotus-Fromdomain: EOP

Thought you might be interested in the President's comments following an

event today with

Girls's Nation, here at the White House. Have a great summer weekend

everyone!

MR. MCCURRY: Last question.

Q Mr. President, the trade deficit in May was up around $15 billion.

Are you
willing to overlook that while the Asian financial crisis -- itself
out?

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

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

THE PRESIDENT: I think, first of all, let's remember how we got where we are.

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surplus, and I earnestly hope we do. But it wouldn't do any harm to rack one up

before we start spending it. We had 29 years of deficits. Between 1981 and 1983

in 12 years alone, we increased by four times the total debt of the United States.

We quadrupled the debt of the United States in 12 years that we had amassed in

the previous 200. It won't do us any harm to take one year and enjoy the fact that

we've balanced our books, ran up a surplus and planned to save Social Security.

That will not do us any harm. It will keep our economy stronger and it's better for

America's future.

Thank you very much. (Applause.)

==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Reporting-MTA: dns; fw2.textron.com
Arrival-Date: Fri, 17 Jul 1998 18:35:53 -0400 (EDT)

Final-Recipient: RFC822; mhowell@DC.TEXTRON.COM
Action: delayed
Status: 4.2.0
Remote-MTA: DNS; lms.textron.com
Last-Attempt-Date: Fri, 17 Jul 1998 22:49:47 -0400 (EDT)
Will-Retry-Until: Wed, 22 Jul 1998 18:35:53 -0400 (EDT)

================== END ATTACHMENT 1 ==================

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Allison Fansler (CN=Allison Fansler/O=Department of the Treasury [UNKNOWN])

CREATION DATE/TIME: 3-SEP-1998 19:47:41.00

SUBJECT: weekly

TO: Cabinet Affairs (Cabinet Affairs [UNKNOWN])
READ:UNKNOWN

TO: David S. Beaubaire (CN=David S. Beaubaire/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jon P. Jennings (CN=Jon P. Jennings/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lisa J. Levin (CN=Lisa J. Levin/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
September 2, 1998

MEMORANDUM FOR ERSKINE BOWLES, THE WHITE HOUSE

FROM: Robert E. Rubin

SUBJECT: Weekly Report for the week of September 7, 1998

HOT ISSUES

Russia

Japan

Customs

KEY NEWS

Russia: On August 31- September 2, President Clinton, Deputy Secretary Summers, and other Administration officials traveled to Russia for the Moscow Summit with President Yeltsin. Deputy Secretary Summers met separately with several Russian officials, including Central Bank Governor Dubinin, Anatoly Chubais, and Boris Berezovsky. Russian markets continue their sharp decline following the Dumas rejection of the appointment of Chernomyrdin as prime minister on August 31.

Japan: On September 4, Secretary Rubin, Federal Reserve Chairman Greenspan, Deputy Secretary Summers, and Federal Reserve Governor Meyer will travel to San Fransisco to meet with Japanese Finance Minister Miyazawa. The officials will discuss the Japanese economy and financial sector issues, as well as developments in global markets, notably those in Asia, Russia and Latin America.

Latin America: On September 3-4, the Secretary Rubin will attend a meeting hosted by the IMF of Finance Ministers and Central Bank Governors from nine Latin American countries most exposed to international financial markets, including Mexico, Argentina, Brazil, and Venezuela. Federal Reserve Vice-Chairman Rivlin, Canadian officials, and officials from the World Bank and Inter-American Development Bank will also participate. The purpose of the meeting is to review global economic and financial developments and discuss Latin American economic policies in that context. Secretary Rubin will also host a working dinner for all the participants on September 3.

Customs: On September 2, Customs Commissioner Kelly announced that the

U.S. Customs Service had executed 32 Federal search and seizure warrants in 22 states around the United States to search for evidence in an investigation of a worldwide child pornography trading ring that involves more than 100 suspects in 14 countries around the world. The investigation was part of a global investigation that stems from information the U.S. Customs Service developed during a 1996 investigation of a child pornography trading and molestation ring.

East Asia: While Indonesia, Korea and Thailand all continue to make progress in implementing their reform programs backed by the international community, Malaysia and Hong Kong have recently taken action targeted at punishing speculative activity. The Hong Kong Monetary Authority intervened heavily in equity cash and futures markets during the last two weeks of August in an effort to combat short-selling of stocks and speculation against the Hong Kong Dollar, while Malaysia imposed new capital controls on September 1. It is not yet clear whether these measures will be successful in deterring future speculation, but market participants are generally skeptical about the ability of these policies to boost confidence in the prospects for these economies.

Stock Market Developments: As U.S. equity markets fell on August 28 and 31, Treasury officials monitored the situation and kept in close contact with officials at the Fed, the SEC, and other market regulators to evaluate the functioning of the market. Regulators reported that the market functioned in an orderly fashion, and Treasury continues to work with the staff of these regulators to further monitor market developments.

Inflation-Indexed Savings Bonds: On September 1, Treasury began selling inflation-indexed savings bonds with a guaranteed 3.4 percent initial fixed rate of return over inflation. The bonds are attractive to investors because they protect investors from inflation; they are exempt from state and local income taxes and federal taxes can be deferred until the bond is redeemed or stops earning interest at 30 years; they increase in value monthly with interest compounded semiannually; and all or part of the interest earned may be tax-exempt if used for college tuition and fees at eligible post-secondary educational institutions, when income qualifications are met. Each of the eight bonds also features the portrait of a historically significant American.

Electronic Filing: On August 20, the IRS announced several new arrangements with private sector firms which ease barriers for taxpayers who file returns and pay taxes electronically. Beginning in 1999, all taxpayers who file electronically will be able to pay their taxes using most major credit cards by calling a toll-free telephone number. Working with Intuit Corporation, H&R Block, and preparers, the IRS will also pilot the use of personal identification numbers (PINs) in lieu of paper signatures on electronically filed returns. These tests are designed to find ways to eliminate the need for taxpayers and practitioners to mail paper documentation to IRS.

WORK ON PRESIDENTIAL INITIATIVES

Electronic Funds Transfer (EFT)'99: On August 20, Under Secretary Hawke, Fiscal Assistant Secretary Hammond, FMS Commissioner Gregg and other Treasury staff held an EFT99 forum for over 130 Federal agency representatives designed to brief the agencies on the key aspects of implementing EFT99. It was repeatedly emphasized to the agencies that under no circumstances would payments to Federal recipients be withheld or delayed due to EFT99. On August 14, Under Secretary Hawke and staff also met with H&R Block to discuss the implications and opportunities of EFT and the electronic transfer account (ETA) for the commercial tax preparation industry. Block has an arrangement with Mellon Bank whereby clients who do not have a bank account can have a special Direct Deposit account established, and when the refund is electronically deposited, the Block tax preparation fee is automatically deducted. Treasury is exploring whether this type of arrangement could potentially be broadened to provide expanded services for the unbanked.

Business LINC: Treasury continues working on the Business LINC initiative announced by the Vice President in July, designed to encourage the linkage of large businesses to locally-owned small businesses in distressed areas to increase their economic competitiveness. These programs, including one-on-one technical assistance, boards of advisors, classroom business training, and supplier development programs, benefit small firms by providing technical assistance, improved market and financial access, expansion opportunities, and procurement opportunities. Treasury has held regional meetings in Los Angeles, Chicago, Dallas, and Cleveland, and will hold meetings in New York on September 11 and Atlanta on September 18. Treasury is also putting together a website that will help match large and small businesses interested in mentoring, and will continue to work with local communities to keep attention focused on mentoring after the regional meetings are over. Treasury has also established a CEO Group that will review the report, including the CEOs of Chase Manhattan, General Motors, GE Capital, SAIC, Trumark, and ITC Personnel Services.

CONGRESSIONAL ACTIVITY

IMF: On September 2, the Senate voted 90-3 to approve the FY99 Foreign Operations bill with the full $18 billion in funding for the IMF. On September 1, Secretary Rubin sent letters to Sens. Lott and Daschle and Reps. Gingrich and Gephardt urging immediate action on the IMF funding, and copies of the letter were sent to the entire Senate and House. During the past few weeks, Treasury officials have met with staff to the House Minority Leadership as well as several committees, including House and Senate Banking and Senate International Relations to brief them on the Russian financial crisis and the IMF. The discussions centered around the new Russian policies concerning currency and restructuring and the economic/political climate that led to these reforms and the role of the IMF. Treasury will continue working to limit opportunities for IMF opponents to add unacceptable conditions on the IMF funding. The House is expected to mark up its FY99 Foreign Operations bill in full committee on the September 10 or 17.

Customs Reauthorization: On September 3, Under Secretary Johnson and Customs Commissioner Kelly testified before the Senate Finance Committee.

Under Secretary Johnson discussed the role of the U.S. Customs Service in the protection of our borders and the facilitation of trade, and Commissioner Kelly focused on a more detailed discussion of the current state of affairs at Customs.

NADBank: During the August recess, Treasury staff and NADBank Director Loftus met with key border state Members and staff, including Reps. Filner, Bonilla, and Rodriguez and staff to Sens. Domenici and Hutchison. Prior to the August recess, Treasury and NADBank staff met with staff to Sens. Domenici and Hutchison, both of whom sit on the Appropriations Committee, to seek support for the President's $37 million request for the CAIP. As of August 31, the Community Adjustment and Investment Program (CAIP) has assisted with the financing of 132 loan guarantees in twenty states with a principal amount of over $82.5 million.. Treasury will continue to work with key border state Members in an effort to secure CAIP funding in the conference to the Foreign Operations Appropriations bill.

Digital Counterfeiting: On October 5-6, Treasury, in conjunction with the Federal Reserve, is hosting a two day anti-digital counterfeiting of US currency forum. Under Secretaries Hawke and Johnson and Federal Reserve Governor Kelley have invited policy and technical representatives from companies involved in digital technologies to participate. The goal of the forum is to begin a process by which a technological solution to digital counterfeiting of currency can be developed.

PRESS ACTIVITY

International: On August 17, Deputy Secretary Summers held a background conference call on Russia with reporters from The Washington Post, New York Times, USA Today, Wall Street Journal, Financial Times, Los Angeles Times, Time, Newsweek and the financial wires. On August 17, Under Secretary David Lipton spoke with editorial writers from The New York Times and The Washington Post about the Russian governments recent actions. On August 18, Under Secretary Lipton spoke with the Financial Times about his visit to Russia, and on August 19, spoke with Newsweek about the current Russian economic situation and how US economic policies towards Russia have evolved. On August 20, Lipton spoke with The New York Times and The Washington Post about his trip to Russia and the current financial situation.

On August 20, Deputy Assistant Secretary Medish spoke with The Buffalo News for an editorial on Russia. On August 21, Under Secretary Lipton spoke with the New York Times on Russia. On August 24, Assistant Secretary Geithner spoke with Reuters about the IMF and Treasurys response to the developments in world markets. On August 26, Assistant Secretary Geithner held a conference call on the Russian economic situation with reporters from The Washington Post, The New York Times, USA Today, Wall Street Journal, Financial Times, Los Angeles Times, Time, Newsweek and the financial wires. On August 27, Deputy Secretary Summers held a conference call on Russia and the global economic situation with reporters from The Washington Post, The New York Times, USA Today, Wall Street Journal, Financial Times, Los Angeles Times, Time, Newsweek and the financial wires. On August 28, Deputy Secretary Summers joined National Security

Advisor Berger for a White House Press Briefing on the Russian economic situation, the Presidents upcoming trip to Russia and his meeting with President Yeltsin. On August 30, Deputy Secretary Summers appeared on CBS Face the Nation, to discuss the economic, financial and political environments of Russia and its future.

On August 31, Secretary Rubin spoke with NBC Anchor Tom Brokaw regarding the markets, Russias economic and financial situation and the Presidents trip and meeting with President Yeltsin. On August 31, Secretary Rubin read a statement to the Treasury Press Room wire reporters regarding the activities of the financial markets reassuring that the payment and settlement system and other market mechanisms are working effectively and that the United States economy is strong. In addition to the wires, stories were carried by Wall Street Journal, the New York TimesYT, WP, USA Today, Washington Times, Financial Times.

Domestic Finance: On August 17, Acting Fiscal Assistant Secretary Hammond spoke with the Sacramento Bee concerning EFT99 and on August 20 spoke with Buffalo News for a column encouraging seniors to enroll in the EFT program. On August 25, Assistant Secretary Gensler spoke with New Choices detailing Treasury Direct, and on August 26, Acting Fiscal Secretary Hammond spoke with the Cincinnati Post on EFT99.

U.S. Treasurer: On August 25, U.S. Treasurer Withrow traveled to the Federal Reserve Bank in Minneapolis, Minnesota, and spoke to Minnesota Public Radio, WCCO Radio and appeared on News Might Minnesota on KTCA-TV to discuss the new $20 bill. On September 1, Treasurer Withrow appeared on WHYY-TV regarding new currency and on September 2, addressed the Delaware Bankers Association on the same subject.

Enforcement: On August 14, Customs Commissioner Kelly taped an interview with ExtraTV on Customs strip searches and the ongoing Treasury review. The interview will air as part of a segment on August 24. On August 19, OFAC Director Newcomb spoke on background to The Dallas Morning News on the Cuba Assets Control Regulations for an upcoming conference that the Morning News will hold on Cuba. On August 22, OFAC Director Newcomb participated in a background briefing to the White House press pool following the Presidents radio address on the addition of Osama bin Laden to Treasurys Specially Designated Terrorists program. Background interviews were also provided to Newsweek and The Washington Post. On August 26, ATF Public Affairs Chief Roehm gave a briefing at the National Press Club on the ATF mission and their role in protecting Americas public safety, which was carried live on C-SPAN.

Tax Policy: On August 18, Deputy Assistant Secretary Scholz spoke with the Wall Street Journal regarding the projected surplus on the stock market. On August 19, Assistant Secretary Killefer spoke with Tax Notes regarding the IRS Oversight Board and its membership. The story ran in the August 24 issue.

SECRETARYS SCHEDULE

The Week in Review

Monday, August 31

Met with Treasury Press Corps to discuss develops in the financial markets.

Tuesday, September 1

Met with OMB Director Lew and Deputy Director Mathews to discuss FY99 Appropriations.

Wednesday, September 2

No external meetings.

Thursday, September 3

Will meet with Finance Ministers from Latin America.

Interview with Jeff Birnbaum, Fortune Magazine.

Will meet with Western Hemisphere Finance Ministers.

Will host dinner for Western Hemisphere Finance Ministers.

Friday, September 4

Traveled to San Francisco.

Met with Japanese Finance Minister Miyazawa to discuss the Asian financial crisis and the Japanese economy.

Held press conference to discuss the meeting with Minister Miyazawa.

Hosted a dinner with Minister Miyazawa and Chairman Greenspan and others.

The Week Ahead

Monday, September 7

Labor Day - Federal Holiday

Tuesday, September 8

Will meet with George Becker, United Steelworkers of America, to discuss steel trade issues.

Will participate in the Working Group on Financial Markets Principals meeting.

Wednesday, September 9

Breakfast with Chairman Greenspan.

Will meet with Neal Lane, White House Office of Science and Technology.

Will meet w/Steel Industry Representatives to discuss trade issues.

Thursday, September 10

Will meet with a delegation from the American Farm Bureau Federation to discuss IMF funding and Fast Track.

Will attend President Clintons Cabinet meeting.

Friday, September 11

No external schedule.