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

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TO: Cabinet Affairs (Cabinet Affairs [UNKNOWN])
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TO: David S. Beaubaire (CN=David S. Beaubaire/OU=WHO/O=EOP @ EOP [WHO])
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TEXT:
September 10, 1998

MEMORANDUM FOR ERSKINE BOWLES, THE WHITE HOUSE

FROM: Robert E. Rubin

SUBJECT: Weekly Report for the week of September 14, 1998

HOT ISSUES

Japan

Ukraine

Financial Modernization

KEY NEWS

Japan: On September 4, Secretary Rubin met Japanese Finance Minister

Miyazawa in San Francisco to discuss the economic situation in Japan, the United States, and the rest of the world. The two agreed on the importance of taking all possible steps to quickly resolve Japan's financial sector problems, including the use of sufficient public funds to restructure the banking system and protect depositors. Minister Miyazawa also outlined his government's plans to cut taxes and maintain fiscal expenditures at a high level next year. Secretary Rubin emphasized the importance of taking rapid action in both the banking and fiscal areas that is of sufficient magnitude to address the problems convincingly and restore market confidence, and growth and stability to Japan's economy.

Latin America: On September 3, Secretary Rubin, Federal Reserve Vice Chair Rivlin, other Administration officials, and Finance Ministers and Central Bank governors from nine Latin American countries and Canada met in Washington with the heads of the IMF, World Bank, and Inter-American Development Bank. The officials discussed global economic turbulence and strategies to combat it. They agreed that the regions reforms of the past decade set it apart from other emerging markets and affirmed their commitment to economic reform, which they pledged to intensify in response to financial volatility. The International Monetary Fund agreed to strengthen its support for counties in the region, if necessary.

Ukraine: On September 4, the IMF approved a 3-year, $2.2 billion Extended Fund Facility, which will lead to an immediate disbursement of $257 million (increasing reserves from their current low level of $700 million.) As part of the program, the IMF and Ukraine reached agreement that IMF funds will not be used to repay private creditors, which was a primary U.S. concern.

Financial Modernization: On September 9, Secretary Rubin released a statement reinforcing the Administrations position that the financial modernization bill will be vetoed, in part because of the Administrations concerns with elements of the bill which would undermine CRA. The statement was sent to all Senate Banking Committee members, House Banking members, and community groups. Treasury is continuing to educate community organizations about our position on the bill, and the consequences for low income communities, and is also working with Congress on proposals to reform the Home Loan Bank system as part of financial modernization. The Senate Banking Committee mark up of the financial modernization bill has been rescheduled for September 11 following the postponement of the September 3 markup because of disagreements among Senate Banking Committee Republicans relating to the Community Reinvestment Act.

Suspicious Activity Reporting: On September 9, Under Secretary Johnson spoke at Treasurys Financial Crimes Enforcement Network (FinCEN) public hearing in New York City. The hearing focused on FinCENs proposed rule for suspicious activity reporting for casinos and card clubs. The proposed rule represents a further step towards combating money laundering through effective administration and enforcement of the Bank Secrecy Act.

Foreign Sales Corporations: In the coming weeks, final regulations will be issued that resolve an issue of major concern to the software industry. Under these final regulations, a limitation on the foreign source income of a related supplier of a Foreign Sales Corporation (FSC) will affect only income from sales of export property. Therefore, the limitation will not apply to income from computer software licensing, which become eligible for treatment under the FSC rules as a result of the Tax Reform Act of 1997.

Border Issues: Treasury is working to develop a comprehensive economic profile of the U.S. Southern border region and a review of the relationship of the areas economic condition and crime for the Attorney Generals Southern Borders Conference in September.

WORK ON PRESIDENTIAL INITIATIVES

Presidents Working Group on Financial Markets: On September 8, Secretary Rubin joined the other Principals of the Working Group on Financial Markets to discuss current market developments, global year 2000 preparedness, bank derivatives activity, and the Working Group study of the derivatives markets requested by Chairman Leach. The Principals directed staff to consult with Congress on the appropriate scope of the study.

Race Initiative: During August and September 1998, Treasury executives, managers and supervisors participated in the Computer-Based Training (CBT) pilots, during which the participants completed the CBT course, Management Aspects of EEO, and tested the on-line help system, EEO Assistant. Staff members are using the pilot feedback to make final revisions to the products, and distribution is planned for November 1998. Treasury managers and supervisors will be required to complete the course within eighteen months of its distribution. The on-line help system, EEO Assistant, will be loaded onto managers and supervisors desk top computers and will provide EEO information on an as needed basis.

Medicare: On September 8, the Medicare Commission held a public meeting to discuss interest-group recommendations for public reform, and also held a private meeting on September 9 to outline work for the next several months, leading up to the preparation of their report. Treasury is working with the White House, OMB, HHS, and HCFA staff on developing background evidence on the likely consequences of alternative Medicare reform proposals.

Social Security: On September 1, the Social Security Public Trustees held the final meeting in a series with outside experts to discuss the methods and assumptions used in preparing the annual Social Security and Medicare reports. The final meeting examined productivity growth and the real interest rate. The session on real interest rates focused on whether the Trustees projections for real rates are reasonable, and the panels consensus is that the Trustees real interest rate assumptions are consistent with historical values for real short-term interest rates and the yield spread on short and long-term securities.

Welfare-to-Work: Treasury continues working with the DPC and SBA to provide guidance on how businesses who hire recent welfare recipients can benefit from the welfare-to-work tax credit enacted last year. Treasury helped SBA respond to specific questions from several businesses in

California and also initiated a guidance project with the IRS to provide information on the operation of the credit and the rules for eligibility.

Climate Change: On September 10, Deputy Secretary Summers joined Vice President Gore and Rep. Matsui at the White House to announce Rep. Matsui's introduction in the House of the Energy Efficient Technology Tax Act. The bill includes the Administration's FY '99 energy efficiency tax incentives package. The event was attended by Reps. Thurman, and McCarthy, congressional staff, and representatives of the business and environmental communities. On September 9, Treasury officials met with representatives from the natural gas industry to discuss the Administration's climate change proposals. The American Gas Association and the Interstate Natural Gas Association were supportive of several provisions of the proposal and offered to work with us on the legislation.

Treasury continues to work with the State Department and other agencies to settle a number of unresolved issues that emerged from the Kyoto negotiations last December, including who would bear the risk of default when carbon permits are traded internationally: the buyer or the seller of the tainted permits. In addition, Treasury is working with CEA to provide analytical support for the upcoming climate change negotiations in Buenos Aires in November. Treasury officials participated in a delegation that visited China and Korea during the first week in September to encourage these countries to adopt targets and timetables for emissions reductions.

CONGRESSIONAL ACTIVITY

Tax: On September 9, Secretary Rubin and OMB Director Lew met with Minority Leader Gephardt, and Reps. Rangel, Obey and Spratt to discuss an end-of-the-year legislative strategy with regard to appropriations and taxes. Rep. Gephardt's office indicated that they will pursue initiating a new Whip count in the House to see whether Members remain committed to voting against unpaid-for tax cuts. Treasury will work with Members to provide assistance to the committee or the Leadership.

IMF: On September 10, the House Appropriations Committee marked up the Foreign Operations FY99 bill. Rep. Pelosis amendments to increase IMF funding to the full $18 billion and conditionality language were defeated 22-30 and 24-28, respectively. On September 2, the Senate passed their FY99 Foreign Operations bill 90-3 containing the full $18 billion in funding for the IMF. The Senate Foreign Operations bill also contains $47.5 million towards the $192.5 million arrears request for funding for the Global Environment Facility (GEF), though the bill contained no funding towards the $107.5 million annual commitment.

In anticipation of the House Foreign Operations Appropriations markup, Secretary Rubin sent the Speaker a letter on September 1 urging action on this legislation. Speaker Gingrich responded with a letter pointing out Congress concerns with recent developments in Russia and IMF reforms. On September 4, Secretary Rubin sent a second letter to Speaker Gingrich further explaining the Russia fiscal situation and addressing the Speakers concerns outlined in a letter to Rubin regarding the IMF and Russia. On September 9, Secretary Rubin discussed the IMF with Rep. Livingston and followed-up with a letter detailing the Administrations position and urging legislative action.

Russia: On September 10, Under Secretary Lipton testified before the House Banking Subcommittee on General Oversight and Investigations on the Russia IMF program. Under Secretary Lipton was praised by the Members for his frank and honest answers. Most of the Members comments suggested that they laid most of the blame on the Russians, some on the IMF, while acknowledging that the U.S. has to stay engaged with Russia. The debate centered around how much reform is needed before re-engaging, where the past assistance went, and concerns with the IMF program in Russia. On September 16, Secretary Rubin will testify before the House Banking Committee on the global economic and financial situation. On September 17, Deputy Secretary Summers will testify before the House International Relations Committee on the IMF program in Russia. Deputy Secretary Summers will also speak at the Senate Democratic Policy Committee lunch on September 17 on the Russian economic situation issue.

NADBank: The House Appropriations Committee approved a Foreign Operations bill without funding for the NADBank/CAIP. Treasury will continue to work with key Members in achieving funding in the Conference to the Foreign Operations bill.

Treasury Appropriations: On September 3, the Senate passed the Treasury-Postal Appropriations bill with a 91-5 vote. Treasury will now focus on securing Y2K funding in conference.

Bankruptcy: The Senate continues its consideration of the Grassley-Durbin consumer bankruptcy bill, and the prospects for passage are good. On September 10, Treasury, the NEC, Justice, and Majority and Minority staff of the Judiciary Committee participated in negotiations over amendments that would incorporate Democratic concerns to the bill, such as Sen. Durbin's efforts to make credit card companies more responsible for poor lending practices and to give child support and alimony debts priority over other liabilities.

PRESS ACTIVITY

International: On September 1, Assistant Secretary Geithner and Chief of Staff Froman spoke with Fortune Magazine on Treasurys role in managing the Asian financial situation. On September 2, Assistant Secretary Geithner spoke with Japanese newspapers about the San Francisco meeting. On September 4, Secretary Rubin meet with Japanese Finance Minister Miyazawa in San Francisco and participated in a press conference following the meeting. There were over 100 members of the media at the press conference. Secretary Rubin also did live interviews with CNN Moneyline and Nightly Business Report about the meeting.

Tax and Budget: On August 31, Deputy International Tax Counsel Brown spoke with Reuters regarding the U.S. -Venezuela Income Tax Treaty. On September 1, Deputy Assistant Secretary McClellan spoke with the White House Bulletin regarding the Treasury Departments participation in CHIP Initiative. On September 3, Deputy International Tax Counsel Brown spoke with Petroleum Argus Magazine regarding U.S. -Venezuela Income Tax Treaty and Benefits Tax Counsel Iwry spoke with Investors Business Daily regarding Roth IRA Conversions. On September 10, Assistant Secretary Wilcox is scheduled to meet with Susan Dentzer from the Lehrer NewsHour to discuss Social Security.

Domestic Finance: On September 2, Under Secretary Hawke spoke with American Banker on financial modernization, detailing Treasurys opposition to the legislation. On September 4, Director of the Office of Cash and Debt Management Munroe spoke with the Washington Post, explaining statistics describing the governments daily cash flow. The article is a follow-up to a 1996 article comparing how much the government takes in and spends to the executive branchs payroll.

Enforcement: On September 2, Customs Commissioner Kelly held a press conference announcing Customs role in raids on members of an international Internet child pornography ring. Announcements were held in several of the 12 other countries that executed search warrants and made arrests. All major and regional print and broadcast media led with the story and Kelly did a live interview on CNN International. On September 4, OFAC Director Newcomb spoke with Kevin Hall, Journal of Commerce, about Treasury/States denial of a license to Alamar Associates for a proposed business summit in Cuba. Public Affairs provided background interviews to the Associated Press, National Public Radio, Washington Times, Agence France-Presse, Miami Herald, Ft. Lauderdale Sun-Sentinel and the Dallas Morning News.

SECRETARYS SCHEDULE

The Week in Review

Monday, September 7, 1998

Labor Day - Federal Holiday

Tuesday, September 8, 1998

Met with George Becker, United Steelworkers of America

Met with Senate Democratic Caucus

Attended the Working Group on Financial Markets Principals Meeting

Wednesday, September 9, 1998

Met with Dr. Neal Lane, White House Office of Science and Technology

Met with Chairman Greenspan

Met with representatives of the steel industry to discuss trade issues

Met with Reps. Gephardt, Rangel, Spratt, and Obey to discuss budget priorities

Interviewed by David Wessell and Bob Davis, Wall Street Journal

Thursday, September 10, 1998

Met with Vice President Gore to discuss Japan

Met with American Farm Bureau representatives to discuss IMF funding, Fast Track and other international issues

Attended the Presidents Clintons Cabinet Meeting

Friday, September 10, 1998

Met with Ambassador Barshefsky to discuss Japan

The Week Ahead

Monday, September 14, 1998

Will attend President Clintons economic speech in New York

Will travel to Charlotte, North Carolina to address the Charlotte Chamber of Commerce with Rep. Mel Watt

Tuesday, September 15, 1998

No external meetings

Wednesday, September 16, 1998

Will attend Business Roundtable Breakfast (BRT)

Will meet with General McCaffrey to discuss FY 99 funding for the ONDCP

Will meet with BRT Policy Committee.

Will testify on the global economic situation before the House Banking Committee.

Thursday, September 17, 1998

Breakfast with Chairman Greenspan

Will host a CEO lunch

Friday, September 18, 1998

No external schedule

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Meftah Yvette (Meftah Yvette [UNKNOWN])

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SUBJECT: Holbrooke comment from today....

TO: Mark Childress (CN=Mark Childress/OU=WHO/O=EOP [WHO])
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TEXT:
see below...

From: Lisa_J._Levin@who.eop.gov[SMTP:Lisa_J._Levin@who.eop.gov]

Sent: Monday, September 14, 1998 4:03 PM

To:

Subject: 1998-09/14 POTUS remarks to council on foreign relations

THE WHITE HOUSE

Office of the Press Secretary

(New York, New York)

For Immediate Release September 14,

1998

REMARKS BY THE PRESIDENT

TO THE COUNCIL ON FOREIGN RELATIONS

Council on Foreign Relations Building

New York, New York

12:00 P.M. EDT

THE PRESIDENT: Thank you very much, Pete. Hillary and I are
delighted to be here with you and Joan, and I'm glad to be joined by Secretary
Rubin and Jim Harmon, Gene Sperling, other members of our team. I'm glad to
see Dick Holbrooke over here. I hope, if we can overcome the inertia of Congress, he will soon be a member of the team again. (Applause.) And I thank David Rockefeller and Les Gelb and others who welcomed us here today.

The subject that I want to discuss -- let me just say one thing in advance -- I'm going to give you my best thoughts. We have been working on this for three years at some level of intensity or another, going
back to the Naples G-7 meeting in the aftermath of the Mexican financial crisis. I have done everything I could do personally to reach out across the
country, and indeed across the world, for any new ideas from any source. I'm
going to give you my best thinking today about what we can do, but I want

you
to know that I'm here, and if I had my druthers, this would be about a three-hour session where I'd give this talk and then I would listen for the rest of the time.

So I want to encourage you, if you think we're right, to support us. But if you have any ideas, for goodness sake, share them, because I agree with what Pete said: this is the biggest financial challenge facing the world in a half-century. And the United States has an absolutely inescapable obligation to lead, and to lead in a way that's consistent with our values and our obligation to see that what we're doing helps lift the lives of ordinary people here at home and all around the world.

The Council on Foreign Relations has always stood for political and economic freedom, since right after World War I. And I think one of the things that has impacted all of us, and it was implicit in what Pete said, is that for the last decade the growth of freedom around the world, with more than half the people in the world living under governments of their own choosing, more than half the villages, the one million villages in China now, even electing their own governments, and this sweeping replacement of command and control economies by market economies. I think it seems to have happened so easily, so effortlessly, so inexorably, that I think we think the trend is inevitable and irreversible.

But if you consider today's economic difficulties, disruptions, and the plain old, deep, personal disappointments of now tens of millions of people around the world, it is clear to me that there is now a stark challenge not only to economic freedom, but, if unaddressed, a challenge that could stem the rising tide of political liberty as well.

Obviously we have profound interests here. It is a great irony that we are at a moment of unsurpassed economic strength at a time of such turmoil in the world economy. We, I think all of us in this room, know that our future prosperity depends upon whether we can work with others to restore confidence, manage change, stabilize the financial system, and spur robust global growth.

For most of the last 30 years, the United States and the rest of the world has been preoccupied by inflation, for reasons that all of you here know all too well -- and it was a good thing to be preoccupied with. Today the low and stable inflation we enjoy has been critical to our economic health, and low inflation has also contributed to that of many other nations as well. But clearly the balance of risks has now shifted, with a full quarter of the world's population living in countries with declining economic growth or negative economic growth.

Therefore, I believe the industrial world's chief priority today, plainly, is to spur growth. It seems to me there are six immediate steps we should take to help contain the current financial turmoil around the world, and then two longer-term projects in which we must be involved.

To take the immediate first, we must work with Japan, Europe, and other nations to spur growth. Second, we will expand our efforts to enable viable businesses in Asia to emerge from crippling debt burdens so they can once again contribute to growth and job creation. Third, we've asked the World Bank to double its support for the social safety net in Asia to help people who are innocent victims of financial turmoil. Fourth, we'll urge the major industrial economies to stand ready to use the $15 billion in IMF emergency funds to help stop the financial contagion from spreading to Latin America and elsewhere. Fifth, our Ex-Im Bank, under the leadership of Jim Harmon, will intensify its efforts to generate economic activity in the developing world immediately, in the next three months. And sixth, Congress must live up to its responsibility for continued prosperity by meeting our obligations to the International Monetary Fund.

Secretary Rubin has been working with his counterparts in the G-7 to get cooperative support for several of these measures. I understand Chairman Greenspan is also consulting with his counterparts on these items as well.

As we take these immediate steps, we also must intensify our efforts to reform our trade and financial institutions so that they can respond better to the challenges we now face and those we are likely to face in the future. We must build a stronger and more accountable global trading system, pressing forward with market-opening initiatives, but also advancing the protection of labor and environmental interests, and doing more to ensure that trade helps the lives of ordinary citizens across the globe.

Above all, we must accelerate our efforts to reform the international financial system. Today I have asked Secretary Rubin and Federal Reserve Board Chairman Greenspan to convene a major meeting of their counterparts within the next 30 days to recommend ways to adapt the international financial architecture to the 21st century.

Over the past six years, our strategy at home of fiscal discipline, investment in the skills of our people, and open trade has worked for all Americans. Unemployment at a 28-year low, inflation a 32-year low, wages rising at twice the rate of inflation after decades of stagnation. And on October 1st we'll have the first balanced budget in 29 years.

But the global economy brought a lot of that prosperity to us, and now fast-moving currents have brought or aggravated problems in Russia and Asia. They threaten emerging economies from Latin America to South Africa. With a quarter of the world's population in declining growth, we must recognize what Chairman Greenspan said the other day: we cannot forever be

an oasis of prosperity. Growth at home depends upon growth abroad. A full 30 percent of our growth, just since I became President, has been due to our expanding positive involvement in the global economy.

That's why ordinary Americans should care if Asia or Russia or South America is on solid economic footing. These people are our customers. With one-third of the growth of our economy coming from exports, much of it from emerging markets, we know that those markets will falter as their economies flatten. When the problem is widespread and perceived to be moving in the wrong direction, we have seen that our stock market can react, having a direct and immediate impact on the wealth of the American people.

These nations are also our competitors. And under conditions of decent equilibrium that is a very good thing, indeed. But when their currencies drop precipitously, the prices of their goods fall, they could undercut the sales of our own goods here at home that are otherwise profitable, dramatically increasing our trade deficit under circumstances that could cause the American people to turn away from open trade toward protectionism in a way that has terrific negative consequences long-term for our global growth objectives.

Finally, these nations are our friends, our allies and our security partners. Where economic turmoil plunges millions into sudden poverty and disrupts and disorients the lives of ordinary people, the risks of political and social instability and of a turn from democracy clearly rise. Just look at Russia. Russia is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just seven years, building a new society from the ground up. The ruble and the stock market have plummeted, banks are weak, tax collections have slowed, the government has trouble paying its debts and its salaries.

Some Russians have become wealthy, but many, many more are struggling to provide for their families. I talked to some of them when I was in Russia just a few days ago.

Amid such political uncertainty and economic difficulty, some now talk of abandoning the path of reform and returning to policies of the past, even policies that have already failed. At worst, adversity in Russia could affect not only the Russian economy and prospects for our economic cooperation -- at worst, it could have an impact on our cooperation with Russia on nuclear disarmament, on fighting terrorism and the spread of weapons of mass destruction, on standing together for peace, from the Balkans to the Middle East.

Now Russia has a new Prime Minister, Mr. Primakov, who's been in office a grand total of four days. He and President Yeltsin face one of the great challenges of their time. Never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets, and to take decisive steps to stabilize the economy and restore investor confidence.

But if Russia is willing to take these steps, we must do everything we can to provide support to them. Because again I say, as long as ordinary people don't feel any benefits from this, in the end it's going to be difficult to sustain the direction we think the world should take.

On the other hand, we need to be honest with Russia and everyone else. No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape its discipline. No nation can avoid its responsibility to do its part.

But since all economies are increasingly interdependent, fear and uncertainty about the economy of one country can prompt investors to pull money out of other countries thousands of miles away. Markets work best when they are driven neither by excessive inflows or outflows of capital based on indiscriminate optimism or pessimism.

Regardless of what changes in policies or institutions may be warranted, we have to say we'll only be able to help those countries who are willing to help themselves. If a nation chooses to print money indiscriminately, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors, foreign and domestic, sooner or later, will withdraw their investments, with consequences both swift and severe.

That is why we support the fundamental approach of the International Monetary Fund to extend assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, awarding credit on merit instead of connections.

Still, what has been done is clearly not enough to reverse the decline in particular countries, to douse the flames of the international financial crisis, to support steady and sustainable growth in the future. In the face of this new challenge, America can and must continue to act and to lead to take the urgent steps needed today to calm the financial crisis, restart the engine of growth in Asia, and minimize the impact of financial turmoil on other nations, and to make certain that for tomorrow the institutions and rules of international finance and international trade are prepared to support steady and sustainable growth over the long term.

First and foremost, the leading economic nations must act together to spur global growth. Our strong and growing economy here has made a major contribution to global growth, just as our weak economy was holding the world back six years ago when I attended my first G-7 meeting in Tokyo and every other country said, the first thing they needed was for America to put its economic house in order. We did that.

Now I believe strongly we must maintain our fiscal discipline. It has led to lower interest rates and a huge investment and job growth. Maintaining economic growth is the best thing we can do right now, not only for the United States but for the global economy.

I would also remember that back in 1993 we had a general agreement that what was needed was America should get rid of its deficit, Europe should lower its interest rates, and Japan should open its markets. There was this general agreement that if we did all those things, we would have a remarkable resumption of growth.

Europe did moderate its interest rates and the then prime minister -- now the finance minister -- Mr. Miyazawa, oversaw a significant market opening trade agreement between the United States and Japan, which also benefited others, not just us. And of course we got rid of our deficit. The results were quite satisfactory for several years for us.

Now Europe has to continue to pursue policies that will spur growth and keep their markets open because they, too, must be able to provide markets for Asian goods as those nations seek to find their footing. But the key here is Japan, for the second largest economy in the world, by far the biggest economy in Asia, has now gone several years without any economic growth. Thank goodness, a lot of their ordinary citizens have been able to maintain a decent life because of the wealth of their country and probably because of the enormous personal savings rate they have enjoyed for many, many years now.

But it is difficult to see how any actions of the world community can be successful in restoring growth in Asia in the absence of the restoration of growth in Japan, which would enable Japan to lead the region out of its present condition. Therefore, we must support Japan and do everything we can to help create the conditions in which, together, we can all lead again, just as we did in 1993.

Their challenges are quite formidable. They have to spur domestic demand, revive a banking system, restore confidence, deregulate the economy, and open markets. And we all know all the forces that seem to be working against these developments in Japan. But I would remind you that this is a very strong, sophisticated nation full of people of knowledge and enormous achievement. It is fully capable of playing its world leadership role. I believe its business leaders right now know what needs to be done and would support it.

Next week I'm going to meet with Prime Minister Obuchi here in New York to discuss how America can support Japan's efforts to restore economic growth and investor confidence. And I will do everything I can to try to make sure that as we go forward, we have America, Europe, and Japan all doing our part to get beyond this present moment, just as we did back in 1993.

The second step we should take is to intensify our efforts to speed economic recovery in Asia. When countries like South Korea and Thailand have taken strong and responsible steps, the freefall has ended, progress is being made. But the human cost of Asia's collapse is only now being fully felt. Recent press reports have described an entire generation working its way into the middle class over 25 years, then being plummeted into poverty within a matter of months. The stories are heartbreaking -- doctors and nurses forced to live in the lobby of a closed hospital; middle class families who own their own homes, sent their children to college, traveled abroad, now living by selling their possessions.

It is in our interest to help these nations and these people recover. They will become once again our great markets and our great partners. It is also the right thing to do. We've worked with international lenders, like the IMF, to help these nations to adopt pro-growth budget, tax, and monetary policies, but clearly we're going to have to do more to restore Asian growth. We must work to lift the weight of private sector debt that has frozen the Asian economies.

Today, I'm asking Secretary Rubin to work with other financial authorities and international economic institutions to enhance efforts to explore comprehensive plans to help Asian corporations emerge from massive debt where individual firms have been swept under by systemic, national economic problems, rather than their own errors. We need to get credit flowing again. We need to get business back to making products, producing services, creating jobs.

Third, Asian businesses need assistance, but so do millions of Asian families. We must do more to establish an adequate social safety net in recovering nations. Wrenching economic transition without an adequate social safety net can sacrifice lives in the name of economic theory, and, I might add, can generate thereby so much resistance that reform grinds to a halt. If we want these countries to do tough things, we have to protect the most defenseless people in the society and we have to protect people who get hurt when they didn't do anything wrong. I think that is terribly important.

With our support, the World Bank and the Asian

Development Bank have started to deal with these challenges, but they have to expand their efforts. There is simply not enough being done. I asked them to double their aid through an expanded social compact initiative focusing on job assistance, basic needs and economic transition, on children and the elderly, on groups most vulnerable to economic change. And I want to commend Jim Wolfensohn for his efforts and his willingness to lead this expanded initiative. We have to be ready to respond immediately with financial force if necessary, to the currency crisis, if it spreads, especially if it threatens the economies of Latin America, where nations have struggled to make progress to do the right thing, only to find themselves buffeted by economic storms outside their control.

Therefore, the major economies should stand ready to activate the $15 billion now in the emergency funds of the IMF, the general agreement to borrow, to ensure that the IMF continues to support reform and fight economic contagion.

Fifth, our Export-Import Bank will increase its commitments to specific economic development projects over the next three years -- three months -- projects which will have concrete benefits for ordinary citizens in other countries, projects which will increase our own exports and thereby help our economy, and ones which can help to restore confidence in countries that they are not alone and that actual, specific, positive developments can occur.

Sixth, for the effort of the international community to succeed, America simply must meet its own obligations to the International Monetary Fund. After a year of financial firefighting, the IMF's resources are badly strained. Every day we don't act, we undermine the confidence the world badly needs that we are trying to restore. Congress simply must assume its responsibility for our leadership in the economy.

In my State of the Union address, I said it was better to prepare for a storm when the skies were clear than when the clouds were overhead. Well, eight months later, the clouds are closer, and you can nearly hear the thunder. Now, the Senate, by an overwhelming bipartisan majority, has, thankfully, approved our obligation to fund our part of the International Monetary Fund. But with only five weeks left in this congressional session, there is still no action from the House of Representatives.

Let me put this as plainly as I can: failure by this Congress to pay our dues to the IMF will put our own prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, our lawmakers were unwilling to protect our workers, our businesses, our farmers from the risks of global economic change, and unwilling to maintain our leadership in building a global economy system that has benefited us more than any other nation.

Concerted action to spur growth, helping Asia through private sector debt restructuring, and a strengthened social safety net, helping to protect the rest of the world through the use of the IMF's emergency fund, increasing the activity of the Ex-Im Bank, and meeting our own obligations to the IMF -- these are the six immediate steps we want to take.

But we must also be willing to take action for the long run -- to modify the financial and trading institutions of the world to match the realities of the new economy they serve. By creating the WTO, the World Trading Organization, in 1994, we began to build a modern trading system. We must redouble our efforts to tear down barriers around the world. But as I said in Geneva last May, we must do more to ensure that spirited economic competition among nations never becomes a race to the bottom -- in environmental protection, consumer protection, or labor

standards.

We are working to open the procedures of the WTO to participation by the public and the full range of affected interests, so that people will know and see and be able to do for themselves things which will ensure that the trading system makes the world better for all the people in all the countries.

We've already completed 260 trade agreements, opening markets in areas from autos to telecommunications. Next year we will host the meeting of the world's trade ministers to set the agenda for expanded trade in the first decade in the new century.

History teaches us that at a time of worldwide difficulty, it would be folly to retreat into a protectionist shell. We must keep trade flowing among nations, but I will say again, if we want to do that, we have got to give ordinary citizens and the groups that represent them in countries all over the world the sense that it is going to be done in a fair way, consistent with nations' obligations to advance the interests of their working people and protect not only their national, but the global environment.

This November, when I meet with the leaders of the Asian economies at the APEC meeting, we will move forward to further open markets in Asia. And when Congress returns next year, I will work to pass legislation to open markets further --from trade negotiating powers to the African Trade Initiative. I will do so in a way that I believe will win broad support from a majority of both parties.

From the G-7 meeting in Halifax in 1995 in the wake of the Mexican financial crisis, to the Birmingham meeting this year, we have been working, also, with our major economic partners to plan for new financial architecture for the 21st century.

For the first time, this year we included key emerging markets in the process in a new Group of 22, recognizing their important stake in the global economy. This group has been working together for nearly a year now to improve the global financial assistance with a special focus on improving financial sectors, on transparency, and on private sector burden sharing.

I just want to emphasize again that even as we respond to the urgent alarms of the moment, we must speed the pace of this systemic work as well. That is why I have asked Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the G-7 and key emerging economies in Washington within 30 days to develop a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system.

We must develop policies so that countries can reap the benefits of free-flowing capital in a way that is safe and sustainable. We must adapt the IMF so that it can more effectively confront the new types of financial crises, minimizing their frequency, severity, and human cost. We need to consider ways to extend emergency financing when countries are battling crises of confidence due to world financial distress as distinct from their own errors in policy. We must find ways to tap the energy of global markets without sentencing the world to a cycle of continued extreme crises.

For half a century now in our national economy, we have learned not to eliminate but to tame and limit the swings of boom and bust. In the 21st century, we have to find a way to do that in the global economy as well.

I've discussed this in recent days with Prime

Minister Blair of Great Britain, who is now the Chair of the G-7. He shares my belief that this is an urgent task. It is critical to the mission that he and I and Prime Minister Prodi of Italy will be discussing next week at the New York University Law School in a very interesting meeting that the First Lady and others in our administration helped to organize on how to extend

the benefits of the world economy to all and how to strengthen democracy in a time of such sweeping economic change.

Now, let me just say it all again very briefly: in short, we must improve our ability to address the current financial emergency, and we must build a system to prevent such future emergencies, whenever possible, and to blunt their impact when they do occur. There is no mission more critical to our own strength and security.

And let me say this again, what is at stake is more than the spread of free markets and their integration into the global economy. The forces behind the global economy are also those that deepen democratic liberties: the free flow of ideas and information, open borders and easy travel, the rule of law, fair and even-handed enforcement, protection for consumers, a skilled and educated work force.

Each of these things matters not only to the wealth of nations but to the health of freedom. If citizens tire of waiting for democracy and free markets to deliver a better life for them, there is a real risk that democracy and free markets, instead of continuing to thrive together, will begin to shrivel together. This would pose great risks not only for our economic interests but for our security.

We see around the world the international aggressors, the harborers of terrorists, the drug lords. Who are these countries? They're authoritarian nations without democracy and without open markets. Nations that give their people freedom are good neighbors; when nations turn away from freedom, they turn inward toward tension, hatred, and hostility.

We now have a chance to create opportunity on a worldwide scale. The difficulties of the moment should not obscure us to the advances of the last several years. We clearly have it within our means, if we do the right things, to lift billions and billions of people around the world into a global middle class and into participation in global democracy and genuine efforts toward peace and reconciliation. That is a possibility, but recent events show it is not a certainty.

At this moment, therefore, the United States is called upon once again to lead -- to organize the forces of a committed world; to channel the unruly energies of the global economy into positive avenues; to advance our interests, reinforce our values, enhance our security.

In this room, I think it is not too simple to say we know what to do. The World War II generation did it for us 50 years ago. Now, it is time for us to rise to our responsibility, as America has called upon to do so often so many times in the past. We can, if we do that, redeem the promise of the global economy and strengthen our own nation for a new century.

Thank you very much. (Applause.)

END 12:34 P.M. EDT

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

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CREATION DATE/TIME:14-SEP-1998 20:45:29.00

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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;

smiller@ceednet.org; Laura.Spining@kdgroup.com; Jherzog@acca.org;

andy_blocker@amrcorp.com; sgoodin@arrowinv.com; jzlu@maristb.marist.edu;

ahall@bharbert.com; 72663.70@compuserve.com; sswirsky@dol.gov;

dtatejr@cassidy.com; todonnell@pattonboggs.com; bcarr@idt.net;

sam_adcock@daimlerwash.com; stephen.marlo@stoneweb.com;

Kvarney@psw-inc.com; kda1@erols.com; 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; fplesser@sia.com;

bill.sweeney@oga.eds.com; glh@conx.com; ann.costello@gs.com;

lcramer@uswest.com; hannasga@eei.org; jonesr@nab.com;

christopher.w.hansen@boeing.com; CCAINE@US1.IBM.COM;

frank.kelly@schwab.com; johnlga@eei.org; kmcgee@us.oracle.com;

PLATTR@gtlaw.com; greg_farmer@nt.com; mnelson@ahma.com;

hoover.jf@pg.com; kmason@lanlaw.com; mgreen@psa.com; JMULLIN5@ford.com;

email@sblc.org; DVoight@USchamber.com; liiblt@aol.com; rcavaney@api.org;

hmessner@acec.org; motleyj@nrf.com; DAN.DANNER@NFIB.org;

DDonofrio@nsbu.org; okearl@worldnet.att.net; lhay@chevron.com;

michael_hatcher@shawpittman.com; jsorlando@cbs.com; aeder@tda.gov;

mandrews@sbi.com; banthony@winston.com; dbarr@ms.com;

cbennett@pfizer.com; lbickwit@milchev.com; ccia@aol.com;

blagmand@gtlaw.com; timothy.boggs@twi.com; albondurant@verner.com;

betty.bowers@fluordaniel.com; bc@timmonsandco.com;

michele_L_cahn@co.xerox.com; pcassidy@businesscouncil.com;

ptca@chevron.com; lchambers@chambersinc.com; ken.cole@alliedsignal.com;

mcd-dc@cais.com; betty@tsbbs02.tnet.com; jhd@dco1101.com;

dennistj@sce.com; english.pepper@bsc.bls.com; pequale@iiaa.com;

eric_eve@smtp.nynex.com; mike_ferrell@mbaa.org; fonthei@IBM.net;

mdfranks@cbs.com; richard.goodstein@bfi.com; ggould@dcoffice.gte.com;

fgraefe@baker-hostetler.com; pgriffin@jsdks.com;

jeffrey.hirschberg@ey.com; thoog@hillandknowlton.com; wmh@dc2.hhlaw.com;

phudson@apca.org; jjankowsky@akingump.com; tjolly@jollyrissler.com;

pknight@wkltflaw.com; abkcr@aol.com; dlambert@nacds.org;

weldon_latham@shawpittman.com; wbryan@wkltflaw.com;

lelevinson@verner.com; rg11@chrysler.com; aj12@chrysler.com;

marcassoc@pipeline.com; cmanatt@manatt.com; bob_mcgee@oxy.com;

mclaughlinf@ada.org; michael.mcshane@trw.com; frank_moore@wmx.com;

vtmorse@erols.com; dutkogroup@aol.com; rneel@usta.org;

national@nawbo.org; pnelson@obriencalio.com; croneill@vais.net;

noffen@dsa.org; pnc@clark.net; jplebani@arterhadden.com;

tpodesta@podesta.com; pollack@aha.org; 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; tdstraub@uss.com; bruce.b.talley@usabb.mail.abb.com;

jteske@amgen.com; thompson_c@A1.EOP.GOV; jlturner95@aol.com;

jvalenti@mpaa.org; vineh@gtlaw.com; dorothy.walsh@ameritech.com;

rweinberger@compuserve.com; wells@necafis.com; alw@conx.com;

cawood@wms-jen.com; pmb@conx.com; cwilner@lga.att.com;

scott.yohe@delta-air.com; hecassoc@mindspring.com; Jclarke@asaenet.org;

simon@simoninc.com; 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; gthomas@dc.textron.com; tmccracken@nsbu.org

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From: Jackson_T._Dunn@who.eop.gov

Subject: Full Text of the President's 9/14 Economic Address

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, smiller@ceednet.org, Laura.Spining@kdgroup.com, Jherzog@acca.org, andy_blocker@amrcorp.com, sgoodin@arrowinv.com, jzlu@maristb.marist.edu, ahall@bharbert.com, 72663.70@compuserve.com, sswirsky@dol.gov, dtatejr@cassidy.com, todonnell@pattonboggs.com, bcarr@idt.net, sam_adcock@daimlerwash.com, stephen.marlo@stoneweb.com, Kvarney@psw-inc.com, kda1@erols.com, 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, fplesser@sia.com, bill.sweeney@oga.eds.com, glh@conx.com, ann.costello@gs.com, lcramer@uswest.com, hannasga@eei.org, jonesr@nab.com, christopher.w.hansen@boeing.com, CCAINE@US1.IBM.COM, frank.kelly@schwab.com, johnlga@eei.org, kmcgee@us.oracle.com, PLATTR@gtlaw.com, greg_farmer@nt.com, mnelson@ahma.com, hoover.jf@pg.com, kmason@lanlaw.com, mgreen@psa.com, JMULLIN5@ford.com, email@sblc.org, DVoight@USchamber.com, liiblt@aol.com, rcavaney@api.org, hmessner@acec.org, motleyj@nrf.com, DAN.DANNER@NFIB.org, DDonofrio@nsbu.org, okearl@worldnet.att.net, lhay@chevron.com, michael_hatcher@shawpittman.com, jsorlando@cbs.com, aeder@tda.gov, mandrews@sbi.com, banthony@winston.com, dbarr@ms.com, cbennett@pfizer.com,

lbickwit@milchev.com, ccia@aol.com, blagmand@gtlaw.com,

timothy.boggs@twi.com, albondurant@verner.com,

betty.bowers@fluordaniel.com, bc@timmonsandco.com,

michele_L_cahn@co.xerox.com, pcassidy@businesscouncil.com,

ptca@chevron.com, lchambers@chambersinc.com, ken.cole@alliedsignal.com,

mcd-dc@cais.com, betty@tsbbs02.tnet.com, jhd@dco1101.com,

dennistj@sce.com, english.pepper@bsc.bls.com, pequale@iiaa.com,

eric_eve@smtp.nynex.com, mike_ferrell@mbaa.org, fonthei@IBM.net,

mdfranks@cbs.com, richard.goodstein@bfi.com, ggould@dcoffice.gte.com,

fgraefe@baker-hostetler.com, pgriffin@jsdks.com,

jeffrey.hirschberg@ey.com, thoog@hillandknowlton.com, wmh@dc2.hhlaw.com,

phudson@apca.org, jjankowsky@akingump.com, tjolly@jollyrissler.com,

pknight@wkltflaw.com, abkcr@aol.com, dlambert@nacds.org,

weldon_latham@shawpittman.com, wbryan@wkltflaw.com, lelevinson@verner.com,

rg11@chrysler.com, aj12@chrysler.com, marcassoc@pipeline.com,

cmanatt@manatt.com, bob_mcgee@oxy.com, mclaughlinf@ada.org,

michael.mcshane@trw.com, frank_moore@wmx.com, vtmorse@erols.com,

dutkogroup@aol.com, rneel@usta.org, national@nawbo.org,

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

jplebani@arterhadden.com, tpodesta@podesta.com, pollack@aha.org,

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@a

mrcorp.com, robertw@corpdc.utc.com, americanbc@aol.com, tdstraub@uss.com,

bruce.b.talley@usabb.mail.abb.com, jteske@amgen.com,

thompson_c@A1.EOP.GOV, jlturner95@aol.com, jvalenti@mpaa.org, vineh@gtlaw.com, dorothy.walsh@ameritech.com, rweinberger@compuserve.com, wells@necafis.com, alw@conx.com, cawood@wms-jen.com, pmb@conx.com, cwilner@lga.att.com, scott.yohe@delta-air.com, hecassoc@mindspring.com, Jclarke@asaenet.org, simon@simoninc.com, hriley@teamcr.com, noffen@dsa.org, sspielmann@ibgc.com, Njdonohoe@aol.com, jslev ine@mindspring.com, jsorlando@cbs.com, vmorse@beneficial.com, HECASSOC@MINDSPRING.COM, simon@simoninc.com, gthomas@dc.textron.com, tmccracken@nsbu.org

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For your review, the full text of the President's remarks earlier today.

THE WHITE HOUSE

Office of the Press Secretary

(New York, New York)

For Immediate Release September 14, 1998

REMARKS BY THE PRESIDENT

TO THE COUNCIL ON FOREIGN RELATIONS

Council on Foreign Relations Building

New York, New York

12:00 P.M. EDT

THE PRESIDENT: Thank you very much, Pete. Hillary and I are delighted to be here with you and Joan, and I'm glad to be joined by Secretary Rubin and Jim Harmon, Gene Sperling, other members of our team. I'm glad to see Dick Holbrooke over here. I hope, if we can overcome the inertia of Congress, he will soon be a member of the team again. (Applause.) And I thank David Rockefeller and Les Gelb and others who welcomed us here today.

The subject that I want to discuss -- let me just say one thing in advance -- I'm going to give you my best thoughts. We have been working on this for three years at some level of intensity or another,

going
back to the Naples G-7 meeting in the aftermath of the Mexican financial
crisis. I have done everything I could do personally to reach out
across
the
country, and indeed across the world, for any new ideas from any source.
I'm
going to give you my best thinking today about what we can do, but I
want
you
to know that I'm here, and if I had my druthers, this would be about a
three-hour session where I'd give this talk and then I would listen for
the

rest of the time.

So I want to encourage you, if you think we're right, to
support us. But if you have any ideas, for goodness sake, share them,
because
I agree with what Pete said: this is the biggest financial challenge
facing

the world in a half-century. And the United States has an absolutely
inescapable obligation to lead, and to lead in a way that's consistent
with

our values and our obligation to see that what we're doing helps lift the

lives of ordinary people here at home and all around the world.

The Council on Foreign Relations has always stood for political and economic freedom, since right after World War I. And I think

one of the things that has impacted all of us, and it was implicit in what

Pete said, is that for the last decade the growth of freedom around the world,

with more than half the people in the world living under governments of their

own choosing, more than half the villages, the one million villages in China

now, even electing their own governments, and this sweeping replacement of

command and control economies by market economies. I think it seems to have

happened so easily, so effortlessly, so inexorably, that I think we think the

trend is inevitable and irreversible.

But if you consider today's economic difficulties, disruptions, and the plain old, deep, personal disappointments of now tens of

millions of people around the world, it is clear to me that there is now

a

stark challenge not only to economic freedom, but, if unaddressed, a

challenge

that could stem the rising tide of political liberty as well.

Obviously we have profound interests here. It is a great irony that we are at a moment of unsurpassed economic strength at a time of such turmoil in the world economy. We, I think all of us in this room, know that our future prosperity depends upon whether we can work with others to restore

confidence, manage change, stabilize the financial system, and spur robust global growth.

For most of the last 30 years, the United States and the rest of the world has been preoccupied by inflation, for reasons that all of you here know all too well -- and it was a good thing to be preoccupied with. Today the low and stable inflation we enjoy has been critical to our economic health, and low inflation has also contributed to that of many other nations as well. But clearly the balance of risks has now shifted, with a full quarter of the world's population living in countries with declining economic growth or negative economic growth.

Therefore, I believe the industrial world's chief priority today, plainly, is to spur growth. It seems to me there are six immediate steps we should take to help contain the current financial turmoil around the world, and then two longer-term projects in which we must be involved.

To take the immediate first, we must work with Japan, Europe, and other nations to spur growth. Second, we will expand our efforts to enable viable businesses in Asia to emerge from crippling debt burdens so they can once again contribute to growth and job creation. Third, we've asked the World Bank to double its support for the social safety net in Asia to help people who are innocent victims of financial turmoil. Fourth, we'll urge the major industrial economies to stand ready to use the $15 billion in IMF emergency funds to help stop the financial contagion from spreading to Latin America and elsewhere. Fifth, our Ex-Im Bank, under the leadership of Jim Harmon, will intensify its efforts to generate economic activity in the developing world immediately, in the next three months. And sixth, Congress must live up to its responsibility for continued prosperity by meeting our obligations to the International Monetary Fund.

Secretary Rubin has been working with his counterparts in the G-7 to get cooperative support for several of these measures. I understand Chairman Greenspan is also consulting with his counterparts on these items as well.

As we take these immediate steps, we also must intensify our efforts to reform our trade and financial institutions so that they can respond better to the challenges we now face and those we are likely to face in the future. We must build a stronger and more accountable global trading system, pressing forward with market-opening initiatives, but also advancing the protection of labor and environmental interests, and doing more to ensure that trade helps the lives of ordinary citizens across the globe.

Above all, we must accelerate our efforts to reform the international financial system. Today I have asked Secretary Rubin and Federal Reserve Board Chairman Greenspan to convene a major meeting of their counterparts within the next 30 days to recommend ways to adapt the international financial architecture to the 21st century.

Over the past six years, our strategy at home of fiscal discipline, investment in the skills of our people, and open trade has worked for all Americans. Unemployment at a 28-year low, inflation a 32-year low, wages rising at twice the rate of inflation after decades of stagnation. And on October 1st we'll have the first balanced budget in 29 years.

But the global economy brought a lot of that prosperity to us, and now fast-moving currents have brought or aggravated problems in Russia and Asia. They threaten emerging economies from Latin America to South Africa. With a quarter of the world's population in declining growth, we must recognize what Chairman Greenspan said the other day: we cannot forever be an oasis of prosperity. Growth at home depends upon growth abroad. A full 30 percent of our growth, just since I became President, has been due to our expanding positive involvement in the global economy.

That's why ordinary Americans should care if Asia or Russia or South America is on solid economic footing. These people are our customers. With one-third of the growth of our economy coming from exports, much of it from emerging markets, we know that those markets will falter as their economies flatten. When the problem is widespread and perceived to be moving in the wrong direction, we have seen that our stock market can react, having a direct and immediate impact on the wealth of the American people.

These nations are also our competitors. And under conditions of decent equilibrium that is a very good thing, indeed. But when their currencies drop precipitously, the prices of their goods fall, they could undercut the sales of our own goods here at home that are otherwise profitable, dramatically increasing our trade deficit under circumstances that could cause the American people to turn away from open trade toward protectionism in a way that has terrific negative consequences long-term for our global growth objectives.

Finally, these nations are our friends, our allies and our security partners. Where economic turmoil plunges millions into sudden poverty and disrupts and disorients the lives of ordinary people, the risks of political and social instability and of a turn from democracy clearly rise. Just look at Russia. Russia is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just seven years, building a new society from the ground up. The ruble and the stock market have plummeted, banks are weak, tax collections have slowed, the government has trouble paying its debts and its salaries.

Some Russians have become wealthy, but many, many more are struggling to provide for their families. I talked to some of them when I was in Russia just a few days ago.

Amid such political uncertainty and economic difficulty, some now talk of abandoning the path of reform and returning to policies of the past, even policies that have already failed. At worst, adversity in Russia could affect not only the Russian economy and prospects for our economic cooperation -- at worst, it could have an impact on our cooperation with Russia on nuclear disarmament, on fighting terrorism and the spread of weapons of mass destruction, on standing together for peace, from the Balkans to the Middle East.

Now Russia has a new Prime Minister, Mr. Primakov, who's been in office a grand total of four days. He and President Yeltsin face one of the great challenges of their time. Never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets, and to take decisive steps to stabilize the economy and restore investor confidence.

But if Russia is willing to take these steps, we must do everything we can to provide support to them. Because again I say, as long as ordinary people don't feel any benefits from this, in the end it's going to be difficult to sustain the direction we think the world should take.

On the other hand, we need to be honest with Russia and everyone else. No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape its discipline. No nation can avoid its responsibility to do its part.

But since all economies are increasingly interdependent, fear and uncertainty about the economy of one country can prompt investors to pull money out of other countries thousands of miles away. Markets work best when they are driven neither by excessive inflows or outflows of capital based on indiscriminate optimism or pessimism.

Regardless of what changes in policies or institutions may be warranted, we have to say we'll only be able to help those countries who are willing to help themselves. If a nation chooses to print money indiscriminately, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors, foreign and domestic, sooner or later, will withdraw their investments, with consequences both swift and severe.

That is why we support the fundamental approach of the International Monetary Fund to extend assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, awarding credit on merit instead of connections.

Still, what has been done is clearly not enough to reverse the decline in particular countries, to douse the flames of the international financial crisis, to support steady and sustainable growth in the future. In the face of this new challenge, America can and must continue to act and to lead to take the urgent steps needed today to calm the financial crisis, restart the engine of growth in Asia, and minimize the impact of financial turmoil on other nations, and to make certain that for tomorrow the institutions and rules of international finance and international trade are prepared to support steady and sustainable growth over the long term.

First and foremost, the leading economic nations must act together to spur global growth. Our strong and growing economy here has made a major contribution to global growth, just as our weak economy was holding the world back six years ago when I attended my first G-7 meeting in Tokyo and every other country said, the first thing they needed was for America to put its economic house in order. We did that.

Now I believe strongly we must maintain our fiscal discipline. It has led to lower interest rates and a huge investment and job growth. Maintaining economic growth is the best thing we can do right now, not only for the United States but for the global economy.

I would also remember that back in 1993 we had a general agreement that what was needed was America should get rid of its deficit, Europe should lower its interest rates, and Japan should open its markets. There was this general agreement that if we did all those things, we would have a remarkable resumption of growth.

Europe did moderate its interest rates and the then prime minister -- now the finance minister -- Mr. Miyazawa, oversaw a significant market opening trade agreement between the United States and Japan, which also benefited others, not just us. And of course we got rid of our deficit. The results were quite satisfactory for several years for us.

Now Europe has to continue to pursue policies that will spur growth and keep their markets open because they, too, must be able to provide markets for Asian goods as those nations seek to find their footing. But the key here is Japan, for the second largest economy in the world, by far the biggest economy in Asia, has now gone several years without any economic growth. Thank goodness, a lot of their ordinary citizens have been able to maintain a decent life because of the wealth of their country and probably because of the enormous personal savings rate they

have enjoyed for many, many years now.

But it is difficult to see how any actions of the world community can be successful in restoring growth in Asia inthe absence of the restoration of growth in Japan, which would enable Japan to lead the region out of its present condition. Therefore, we must support Japan and do everything we can to help create the conditions in which, together, we can all lead again, just as we did in 1993.

Their challenges are quite formidable. They have to spur domestic demand, revive a banking system, restore confidence, deregulate the economy, and open markets. And we all know all the forces that seem to be working against these developments in Japan. But I would remind you that this is a very strong, sophisticated nation full of people of knowledge and enormous achievement. It is fully capable of playing its world leadership role. I believe its business leaders right now know what needs to be done and would support it.

Next week I'm going to meet with Prime Minister Obuchi here in New York to discuss how America can support Japan's efforts to restore economic growth and investor confidence. And I will do everything I can to try to make sure that as we go forward, we have America, Europe, and Japan all doing our part to get beyond this present moment, just as we did back in 1993.

The second step we should take is to intensify our efforts to speed economic recovery in Asia. When countries like South Korea and Thailand have taken strong and responsible steps, the freefall has ended, progress is being made. But the human cost of Asia's collapse is only now being fully felt. Recent press reports have described an entire generation working its way into the middle class over 25 years, then being plummeted into poverty within a matter of months. The stories are heartbreaking

-- doctors and nurses forced to live in the lobby of a closed hospital; middle class families who own their own homes, sent their children to college, traveled abroad, now living by selling their possessions.

It is in our interest to help these nations and these people recover. They will become once again our great markets and our great partners. It is also the right thing to do. We've worked with international lenders, like the IMF, to help these nations to adopt pro-growth budget, tax, and monetary policies, but clearly we're going to have to do more to restore Asian growth. We must work to lift the weight of private sector debt that has frozen the Asian economies.

Today, I'm asking Secretary Rubin to work with other financial authorities and international economic institutions to enhance efforts to explore comprehensive plans to help Asian corporations emerge from massive debt where individual firms have been swept under by systemic, national economic problems, rather than their own errors. We need to get credit flowing again. We need to get business back to making products, producing services, creating jobs.

Third, Asian businesses need assistance, but so do millions of Asian families. We must do more to establish an adequate social safety net in recovering nations. Wrenching economic transition without an adequate social safety net can sacrifice lives in the name of economic theory, and, I might add, can generate thereby so much resistance that reform grinds to a halt. If we want these countries to do tough things, we have to protect the most defenseless people in the society and we have to protect people who get hurt when they didn't do anything wrong. I think that is terribly important.

With our support, the World Bank and the Asian

Development Bank have started to deal with these challenges, but they have to expand their efforts. There is simply not enough being done. I asked them to double their aid through an expanded social compact initiative focusing on job assistance, basic needs and economic transition, on children and the elderly, on groups most vulnerable to economic change. And I want to commend Jim Wolfensohn for his efforts and his willingness to lead this expanded initiative. We have to be ready to respond immediately with financial force if necessary, to the currency crisis, if it spreads, especially if it threatens the economies of Latin America, where nations have struggled to make progress to do the right thing, only to find themselves buffeted by economic storms outside their control.

Therefore, the major economies should stand ready to activate the $15 billion now in the emergency funds of the IMF, the general agreement to borrow, to ensure that the IMF continues to support reform and fight economic contagion.

Fifth, our Export-Import Bank will increase its commitments to specific economic development projects over the next three years -- three months -- projects which will have concrete benefits for ordinary citizens in other countries, projects which will increase our own exports and thereby help our economy, and ones which can help to restore confidence in countries that they are not alone and that actual, specific, positive developments can occur.

Sixth, for the effort of the international community to succeed, America simply must meet its own obligations to the International Monetary Fund. After a year of financial firefighting, the IMF's resources are badly strained. Every day we don't act, we undermine the confidence the world badly needs that we are trying to restore. Congress simply must assume its responsibility for our leadership in the economy.

In my State of the Union address, I said it was better to prepare for a storm when the skies were clear than when the clouds were overhead. Well, eight months later, the clouds are closer, and you can nearly hear the thunder. Now, the Senate, by an overwhelming bipartisan majority, has, thankfully, approved our obligation to fund our part of the International Monetary Fund. But with only five weeks left in this congressional session, there is still no action from the House of

Representatives.

Let me put this as plainly as I can: failure by this Congress to pay our dues to the IMF will put our own prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, our lawmakers were unwilling to protect our workers, our businesses, our farmers from the risks of global economic change, and unwilling to maintain our leadership in building a global economy system that has benefited us more than any other nation.

Concerted action to spur growth, helping Asia through private sector debt restructuring, and a strengthened social safety net, helping to protect the rest of the world through the use of the IMF's emergency fund, increasing the activity of the Ex-Im Bank, and meeting our own obligations to the IMF -- these are the six immediate steps we want to take.

But we must also be willing to take action for the long run -- to modify the financial and trading institutions of the world to match the realities of the new economy they serve. By creating the WTO, the World Trading Organization, in 1994, we began to build a modern trading system. We must redouble our efforts to tear down barriers around the world. But as I said in Geneva last May, we must do more to ensure that spirited economic competition among nations never becomes a race to the bottom -- in environmental protection, consumer protection, or labor standards.

We are working to open the procedures of the WTO to participation by the public and the full range of affected interests, so that people will know and see and be able to do for themselves things which will ensure that the trading system makes the world better for all the people in all the countries.

We've already completed 260 trade agreements, opening markets in areas from autos to telecommunications. Next year we will host the meeting of the world's trade ministers to set the agenda for expanded trade in the first decade in the new century.

History teaches us that at a time of worldwide difficulty, it would be folly to retreat into a protectionist shell. We must keep trade flowing among nations, but I will say again, if we want to do that, we have got to give ordinary citizens and the groups that represent them in countries all over the world the sense that it is going to be done in a fair way, consistent with nations' obligations to advance the interests of their working people and protect not only their national, but the global environment.

This November, when I meet with the leaders of the

Asian economies at the APEC meeting, we will move forward to further open markets in Asia. And when Congress returns next year, I will work to pass legislation to open markets further --from trade negotiating powers to the African Trade Initiative. I will do so in a way that I believe will win broad support from a majority of both parties.

From the G-7 meeting in Halifax in 1995 in the wake of the Mexican financial crisis, to the Birmingham meeting this year, we have been working, also, with our major economic partners to plan for new financial architecture for the 21st century.

For the first time, this year we included key emerging markets in the process in a new Group of 22, recognizing their important stake in the global economy. This group has been working together for nearly a year now to improve the global financial assistance with a special focus on improving financial sectors, on transparency, and on private sector burden sharing.

I just want to emphasize again that even as we respond to the urgent alarms of the moment, we must speed the pace of this systemic work as well. That is why I have asked Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the G-7 and key emerging economies in Washington within 30 days to develop a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system.

We must develop policies so that countries can reap the benefits of free-flowing capital in a way that is safe and sustainable. We must adapt the IMF so that it can more effectively confront the new types of financial crises, minimizing their frequency, severity, and human cost. We need to consider ways to extend emergency financing when countries are battling crises of confidence due to world financial distress as distinct from their own errors in policy. We must find ways to tap the energy of global markets without sentencing the world to a cycle of continued extreme crises.

For half a century now in our national economy, we have learned not to eliminate but to tame and limit the swings of boom and bust. In the 21st century, we have to find a way to do that in the global economy as well.

I've discussed this in recent days with Prime

Minister Blair of Great Britain, who is now the Chair of the G-7. He shares my belief that this is an urgent task. It is critical to the mission that he and I and Prime Minister Prodi of Italy will be discussing next week at the New York University Law School in a very interesting meeting that the First Lady and others in our administration helped to organize on how to extend

the benefits of the world economy to all and how to strengthen democracy in a time of such sweeping economic change.

Now, let me just say it all again very briefly: in short, we must improve our ability to address the current financial emergency, and we must build a system to prevent such future emergencies, whenever possible, and to blunt their impact when they do occur. There is no mission more critical to our own strength and security.

And let me say this again, what is at stake is more than the spread of free markets and their integration into the global economy. The forces behind the global economy are also those that deepen democratic liberties: the free flow of ideas and information, open borders and easy travel, the rule of law, fair and even-handed enforcement, protection for consumers, a skilled and educated work force.

Each of these things matters not only to the wealth of nations but to the health of freedom. If citizens tire of waiting for democracy and free markets to deliver a better life for them, there is a real risk that democracy and free markets, instead of continuing to thrive together, will begin to shrivel together. This would pose great risks not only for our economic interests but for our security.

We see around the world the international aggressors, the harborers of terrorists, the drug lords. Who are these countries? They're authoritarian nations without democracy and without open markets. Nations that give their people freedom are good neighbors; when nations turn away from freedom, they turn inward toward tension, hatred, and hostility.

We now have a chance to create opportunity on a worldwide scale. The difficulties of the moment should not obscure us to the advances of the last several years. We clearly have it within our means, if we do the right things, to lift billions and billions of people around the world into a global middle class and into participation in global democracy and genuine efforts toward peace and reconciliation. That is a possibility, but recent events show it is not a certainty.

At this moment, therefore, the United States is called upon once again to lead -- to organize the forces of a committed world; to channel the unruly energies of the global economy into positive avenues; to advance our interests, reinforce our values, enhance our security.

In this room, I think it is not too simple to say we know what to do. The World War II generation did it for us 50 years ago. Now, it is time for us to rise to our responsibility, as America has called upon to do so often so many times in the past. We can, if we do that, redeem the promise of the global economy and strengthen our own nation for a new century.

Thank you very much. (Applause.)

END 12:34 P.M. EDT

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

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

TO: Elizabeth A. Castellani ("Elizabeth A. Castellani"@lngate3.eop.gov [UNKNOWN])
READ:UNKNOWN

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: Peter D. Greenberger ("Peter D. Greenberger"@lngate3.eop.gov [UNKNOWN])
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])
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TO: BUDIG_N (BUDIG_N@a1.eop.gov [UNKNOWN])
READ:UNKNOWN

TO: cmbeach (cmbeach@msn.com [UNKNOWN])
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TO: Adam W. Goldberg (CN=Adam W. Goldberg/OU=WHO/O=EOP [WHO])
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TO: Rahm I. Emanuel (CN=Rahm I. Emanuel/OU=WHO/O=EOP [WHO])
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TO: Rajiv Y. Mody (CN=Rajiv Y. Mody/OU=WHO/O=EOP [WHO])
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TO: Renee C. Riley (CN=Renee C. Riley/OU=OA/O=EOP [OA])
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TO: Richard Socarides (CN=Richard Socarides/OU=WHO/O=EOP [WHO])
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TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

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TO: Robert S. Weiner (CN=Robert S. Weiner/OU=ONDCP/O=EOP [ONDCP])
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TO: Robin J. Bachman (CN=Robin J. Bachman/OU=WHO/O=EOP [WHO])
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TO: Sean P. Maloney (CN=Sean P. Maloney/OU=WHO/O=EOP [WHO])
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TO: Serena C. Torrey (CN=Serena C. Torrey/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Sheyda Jahanbani (CN=Sheyda Jahanbani/OU=NSC/O=EOP [NSC])
READ:UNKNOWN

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

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Tanya E. Martin (CN=Tanya E. Martin/OU=OPD/O=EOP [OPD])
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TO: Thomas D. Janenda (CN=Thomas D. Janenda/OU=WHO/O=EOP [WHO])
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TO: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP [WHO])
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TO: Tracy F. Sisser (CN=Tracy F. Sisser/OU=WHO/O=EOP [WHO])

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TO: William C. Haymes (CN=William C. Haymes/OU=OA/O=EOP [OA])
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TO: William H. White Jr. (CN=William H. White Jr./OU=WHO/O=EOP [WHO])
READ:UNKNOWN

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

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

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

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

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

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

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

TO: julie_green (julie_green@ed.gov [UNKNOWN])
READ:UNKNOWN

TO: klasky_helaine (klasky_helaine@ustr.gov [UNKNOWN])
READ:UNKNOWN

TO: KTORPEY (KTORPEY@AOL.COM [UNKNOWN])
READ:UNKNOWN

TO: meglynn (meglynn@usia.gov [UNKNOWN])
READ:UNKNOWN

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

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

READ:UNKNOWN

TO: newsdesk (newsdesk@usnewswire.com [UNKNOWN])
READ:UNKNOWN

TO: Pub_Arch (Pub_Arch [UNKNOWN])
READ:UNKNOWN

TO: Releases (Releases@pub.pub.whitehouse.gov [UNKNOWN])
READ:UNKNOWN

TO: releases (Releases@www3.whitehouse.gov [UNKNOWN])
READ:UNKNOWN

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

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

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

TO: TCSmith (TCSmith@dol.gov [UNKNOWN])
READ:UNKNOWN

TO: tingen-terri (tingen-terri@dol.gov [UNKNOWN])
READ:UNKNOWN

TO: tingen-terrie (tingen-terrie@dol.gov [UNKNOWN])
READ:UNKNOWN

TO: usia01 (usia01@access.digex.com [UNKNOWN])
READ:UNKNOWN

TO: usnwire (usnwire@access.digex.com [UNKNOWN])
READ:UNKNOWN

TO: wh-outbox-distr (wh-outbox-distr@pub.pub.whitehouse.gov [UNKNOWN])
READ:UNKNOWN

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

TEXT:

THE WHITE HOUSE

Office of the Press Secretary

(New York, New York)

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1998

REMARKS BY THE PRESIDENT

TO THE COUNCIL ON FOREIGN RELATIONS

Council on Foreign Relations Building

New York, New York

12:00 P.M. EDT

THE PRESIDENT: Thank you very much, Pete. Hillary and I are delighted to be here with you and Joan, and I'm glad to be joined by Secretary Rubin and Jim Harmon, Gene Sperling, other members of our team. I'm glad to see Dick Holbrooke over here. I hope, if we can overcome the inertia of Congress, he will soon be a member of the team again. (Applause.) And I thank David Rockefeller and Les Gelb and others who welcomed us here today.

The subject that I want to discuss -- let me just say one thing in advance -- I'm going to give you my best thoughts. We have been working on this for three years at some level of intensity or another,

going
back to the Naples G-7 meeting in the aftermath of the Mexican financial crisis. I have done everything I could do personally to reach out across
the
country, and indeed across the world, for any new ideas from any source.
I'm
going to give you my best thinking today about what we can do, but I want
you
to know that I'm here, and if I had my druthers, this would be about a three-hour session where I'd give this talk and then I would listen for the rest of the time.

So I want to encourage you, if you think we're right, to support us. But if you have any ideas, for goodness sake, share them,
because
I agree with what Pete said: this is the biggest financial challenge facing the world in a half-century. And the United States has an absolutely inescapable obligation to lead, and to lead in a way that's consistent with our values and our obligation to see that what we're doing helps lift the lives of ordinary people here at home and all around the world.

The Council on Foreign Relations has always stood for political and economic freedom, since right after World War I. And I think one of the things that has impacted all of us, and it was implicit in what Pete said, is that for the last decade the growth of freedom around the
world,
with more than half the people in the world living under governments of

their own choosing, more than half the villages, the one million villages in China now, even electing their own governments, and this sweeping replacement of command and control economies by market economies. I think it seems to have happened so easily, so effortlessly, so inexorably, that I think we think the trend is inevitable and irreversible.

But if you consider today's economic difficulties, disruptions, and the plain old, deep, personal disappointments of now tens of millions of people around the world, it is clear to me that there is now a stark challenge not only to economic freedom, but, if unaddressed, a challenge that could stem the rising tide of political liberty as well.

Obviously we have profound interests here. It is a great irony that we are at a moment of unsurpassed economic strength at a time of such turmoil in the world economy. We, I think all of us in this room, know that our future prosperity depends upon whether we can work with others to restore confidence, manage change, stabilize the financial system, and spur robust global growth.

For most of the last 30 years, the United States and the rest of the world has been preoccupied by inflation, for reasons that all of you here know all too well -- and it was a good thing to be preoccupied with. Today the low and stable inflation we enjoy has been critical to our economic health, and low inflation has also contributed to that of many other nations as well. But clearly the balance of risks has now shifted, with a full quarter of the world's population living in countries with declining economic growth or negative economic growth.

Therefore, I believe the industrial world's chief priority today, plainly, is to spur growth. It seems to me there are six immediate steps we should take to help contain the current financial turmoil around the world, and then two longer-term projects in which we must be involved.

To take the immediate first, we must work with Japan, Europe, and other nations to spur growth. Second, we will expand our efforts to enable viable businesses in Asia to emerge from crippling debt burdens so they can once again contribute to growth and job creation. Third, we've asked the World Bank to double its support for the social safety net in Asia to help people who are innocent victims of financial turmoil. Fourth, we'll urge the major industrial economies to stand ready to use the $15 billion in IMF emergency funds to help stop the financial contagion from spreading to Latin America and elsewhere. Fifth, our Ex-Im Bank, under the leadership of Jim Harmon, will intensify its efforts to generate economic activity in the developing world immediately, in the next three months. And sixth, Congress must live up to its responsibility for continued prosperity by meeting our obligations to the International Monetary Fund.

Secretary Rubin has been working with his counterparts in the G-7 to get cooperative support for several of these measures. I understand Chairman Greenspan is also consulting with his counterparts on these items as well.

As we take these immediate steps, we also must intensify our efforts to reform our trade and financial institutions so that they can respond better to the challenges we now face and those we are likely to face in the future. We must build a stronger and more accountable global trading system, pressing forward with market-opening initiatives, but also advancing the protection of labor and environmental interests, and doing more to ensure that trade helps the lives of ordinary citizens across the globe.

Above all, we must accelerate our efforts to reform the international financial system. Today I have asked Secretary Rubin and Federal Reserve Board Chairman Greenspan to convene a major meeting of their counterparts within the next 30 days to recommend ways to adapt the international financial architecture to the 21st century.

Over the past six years, our strategy at home of fiscal discipline, investment in the skills of our people, and open trade has worked for all Americans. Unemployment at a 28-year low, inflation a 32-year low, wages rising at twice the rate of inflation after decades of stagnation. And on October 1st we'll have the first balanced budget in 29 years.

But the global economy brought a lot of that prosperity to us, and now fast-moving currents have brought or aggravated problems in Russia and Asia. They threaten emerging economies from Latin America to South Africa. With a quarter of the world's population in declining growth, we must recognize what Chairman Greenspan said the other day: we cannot forever be an oasis of prosperity. Growth at home depends upon growth abroad. A full 30 percent of our growth, just since I became President, has been due to our expanding positive involvement in the global economy.

That's why ordinary Americans should care if Asia or Russia or South America is on solid economic footing. These people are our customers. With one-third of the growth of our economy coming from exports, much of it from emerging markets, we know that those markets will falter as their economies flatten. When the problem is widespread and perceived to be moving in the wrong direction, we have seen that our stock market can react, having a direct and immediate impact on the wealth of the American people.

These nations are also our competitors. And under conditions of decent equilibrium that is a very good thing, indeed. But when their currencies drop precipitously, the prices of their goods fall, they could undercut the sales of our own goods here at home that are otherwise profitable, dramatically increasing our trade deficit under circumstances that could cause the American people to turn away from open trade toward protectionism in a way that has terrific negative consequences long-term for our global growth objectives.

Finally, these nations are our friends, our allies and our security partners. Where economic turmoil plunges millions into sudden poverty and disrupts and disorients the lives of ordinary people, the risks of political and social instability and of a turn from democracy clearly rise. Just look at Russia. Russia is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just seven years, building a new society from the ground up. The ruble and the stock market have plummeted, banks are weak, tax collections have slowed, the government has trouble paying its debts and its salaries.

Some Russians have become wealthy, but many, many more are struggling to provide for their families. I talked to some of them when I was in Russia just a few days ago.

Amid such political uncertainty and economic difficulty, some now talk of abandoning the path of reform and returning to policies of the past, even policies that have already failed. At worst, adversity in Russia could affect not only the Russian economy and prospects for our economic cooperation -- at worst, it could have an impact on our cooperation with Russia on nuclear disarmament, on fighting terrorism and the spread of weapons of mass destruction, on standing together for peace, from the Balkans to the Middle East.

Now Russia has a new Prime Minister, Mr. Primakov, who's been in office a grand total of four days. He and President Yeltsin face one of the great challenges of their time. Never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets, and to take decisive steps to stabilize the economy and restore investor confidence.

But if Russia is willing to take these steps, we must do everything we can to provide support to them. Because again I say, as long as ordinary people don't feel any benefits from this, in the end it's going to be difficult to sustain the direction we think the world should take.

On the other hand, we need to be honest with Russia and everyone else. No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape its discipline. No nation can avoid its responsibility to do its part.

But since all economies are increasingly interdependent, fear and uncertainty about the economy of one country can prompt investors to pull money out of other countries thousands of miles away. Markets work best when they are driven neither by excessive inflows or outflows of capital based on indiscriminate optimism or pessimism.

Regardless of what changes in policies or institutions may be warranted, we have to say we'll only be able to help those countries who are willing to help themselves. If a nation chooses to print money indiscriminately, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors, foreign and domestic, sooner or later, will withdraw their investments, with consequences both swift and severe.

That is why we support the fundamental approach of the International Monetary Fund to extend assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, awarding credit on merit instead of connections.

Still, what has been done is clearly not enough to reverse the decline in particular countries, to douse the flames of the international financial crisis, to support steady and sustainable growth in the future. In the face of this new challenge, America can and must continue to act and to lead to take the urgent steps needed today to calm the financial crisis, restart the engine of growth in Asia, and minimize the impact of financial turmoil on other nations, and to make certain that for tomorrow the institutions and rules of international finance and international trade are prepared to support steady and sustainable growth over the long term.

First and foremost, the leading economic nations must act together to spur global growth. Our strong and growing economy here has made a major contribution to global growth, just as our weak economy was holding the world back six years ago when I attended my first G-7 meeting in Tokyo and every other country said, the first thing they needed was for America to put its economic house in order. We did that.

Now I believe strongly we must maintain our fiscal discipline. It has led to lower interest rates and a huge investment and job growth. Maintaining economic growth is the best thing we can do right now, not only for the United States but for the global economy.

I would also remember that back in 1993 we had a general agreement that what was needed was America should get rid of its deficit, Europe should lower its interest rates, and Japan should open its markets. There was this general agreement that if we did all those things, we would have a remarkable resumption of growth.

Europe did moderate its interest rates and the then prime minister -- now the finance minister -- Mr. Miyazawa, oversaw a significant market opening trade agreement between the United States and Japan, which also benefited others, not just us. And of course we got rid of our deficit. The results were quite satisfactory for several years for us.

Now Europe has to continue to pursue policies that will spur growth and keep their markets open because they, too, must be able to provide markets for Asian goods as those nations seek to find their footing. But the key here is Japan, for the second largest economy in the world, by far the biggest economy in Asia, has now gone several years without any economic growth. Thank goodness, a lot of their ordinary citizens have been able to maintain a decent life because of the wealth of their country and probably because of the enormous personal savings rate they have enjoyed for many, many years now.

But it is difficult to see how any actions of the world community can be successful in restoring growth in Asia in the absence of the restoration of growth in Japan, which would enable Japan to lead the region out of its present condition. Therefore, we must support Japan and do everything we can to help create the conditions in which, together, we can all lead again, just as we did in 1993.

Their challenges are quite formidable. They have to spur domestic demand, revive a banking system, restore confidence, deregulate the economy, and open markets. And we all know all the forces that seem to be working against these developments in Japan. But I would remind you that this is a very strong, sophisticated nation full of people of knowledge and enormous achievement. It is fully capable of playing its world leadership role. I believe its business leaders right now know what needs to be done and would support it.

Next week I'm going to meet with Prime Minister Obuchi here in New York to discuss how America can support Japan's efforts to restore economic growth and investor confidence. And I will do everything I can to try to make sure that as we go forward, we have America, Europe, and Japan all doing our part to get beyond this present moment, just as we did back in 1993.

The second step we should take is to intensify our efforts to speed economic recovery in Asia. When countries like South Korea and Thailand have taken strong and responsible steps, the freefall has ended, progress is being made. But the human cost of Asia's collapse is only now being fully felt. Recent press reports have described an entire generation working its way into the middle class over 25 years, then being plummeted into poverty within a matter of months. The stories are heartbreaking -- doctors and nurses forced to live in the lobby of a closed hospital; middle class families who own their own homes, sent their children to college, traveled abroad, now living by selling their possessions.

It is in our interest to help these nations and these people recover. They will become once again our great markets and our great partners. It is also the right thing to do. We've worked with international lenders, like the IMF, to help these nations to adopt pro-growth budget, tax, and monetary policies, but clearly we're going to have to do more to restore Asian growth. We must work to lift the weight of private sector debt that has frozen the Asian economies.

Today, I'm asking Secretary Rubin to work with other financial authorities and international economic institutions to enhance efforts to explore comprehensive plans to help Asian corporations emerge from massive debt where individual firms have been swept under by systemic, national economic problems, rather than their own errors. We need to get credit flowing again. We need to get business back to making products, producing services, creating jobs.

Third, Asian businesses need assistance, but so do millions of Asian families. We must do more to establish an adequate social safety net in recovering nations. Wrenching economic transition without an adequate social safety net can sacrifice lives in the name of economic theory, and, I might add, can generate thereby so much resistance that reform grinds to a halt. If we want these countries to do tough things, we have to protect the most defenseless people in the society and we have to protect people who get hurt when they didn't do anything wrong. I think that is terribly important.

With our support, the World Bank and the Asian Development Bank have started to deal with these challenges, but they have to expand their efforts. There is simply not enough being done. I asked them to double their aid through an expanded social compact initiative focusing on job assistance, basic needs and economic transition, on children and the elderly, on groups most vulnerable to economic change. And I want to commend Jim Wolfensohn for his efforts and his willingness to lead this expanded initiative. We have to be ready to respond immediately with financial force if necessary, to the currency crisis, if it spreads, especially if it threatens the economies of Latin America, where nations have struggled to make progress to do the right thing, only to find themselves buffeted by economic storms outside their control.

Therefore, the major economies should stand ready to activate the $15 billion now in the emergency funds of the IMF, the general agreement to borrow, to ensure that the IMF continues to support reform and fight economic contagion.

Fifth, our Export-Import Bank will increase its commitments to specific economic development projects over the next three years -- three months -- projects which will have concrete benefits for ordinary citizens in other countries, projects which will increase our own exports and thereby help our economy, and ones which can help to restore confidence in countries that they are not alone and that actual, specific, positive developments can occur.

Sixth, for the effort of the international community to succeed, America simply must meet its own obligations to the International Monetary Fund. After a year of financial firefighting, the IMF's resources are badly strained. Every day we don't act, we undermine the confidence the world badly needs that we are trying to restore. Congress simply must assume its responsibility for our leadership in the economy.

In my State of the Union address, I said it was better to prepare for a storm when the skies were clear than when the clouds were overhead. Well, eight months later, the clouds are closer, and you can nearly hear the thunder. Now, the Senate, by an overwhelming bipartisan majority, has, thankfully, approved our obligation to fund our part of the International Monetary Fund. But with only five weeks left in this congressional session, there is still no action from the House of Representatives.

Let me put this as plainly as I can: failure by this Congress to pay our dues to the IMF will put our own prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, our lawmakers were unwilling to protect our workers, our businesses, our farmers from the risks of global economic change, and unwilling to maintain our leadership in building a global economy system that has benefited us more than any other nation.

Concerted action to spur growth, helping Asia through private sector debt restructuring, and a strengthened social safety net, helping to protect the rest of the world through the use of the IMF's emergency fund, increasing the activity of the Ex-Im Bank, and meeting our own obligations to the IMF -- these are the six immediate steps we want to take.

But we must also be willing to take action for the long run -- to modify the financial and trading institutions of the world to match the realities of the new economy they serve.

By creating the WTO, the World Trading Organization, in 1994, we began to build a modern trading system. We must redouble our efforts to tear down barriers around the world. But as I said in Geneva last May, we must do more to ensure that spirited economic competition among nations never becomes a race to the bottom -- in environmental protection, consumer protection, or labor standards.

We are working to open the procedures of the WTO to participation by the public and the full range of affected interests, so that people will know and see and be able to do for themselves things which will ensure that the trading system makes the world better for all the people in all the countries.

We've already completed 260 trade agreements, opening markets in areas from autos to telecommunications. Next year we will host the meeting of the world's trade ministers to set the agenda for expanded trade in the first decade in the new century.

History teaches us that at a time of worldwide difficulty, it would be folly to retreat into a protectionist shell. We must keep trade flowing among nations, but I will say again, if we want to do that, we have got to give ordinary citizens and the groups that represent them in countries all over the world the sense that it is going to be done in a fair way, consistent with nations' obligations to advance the interests of their working people and protect not only their national, but the global environment.

This November, when I meet with the leaders of the Asian economies at the APEC meeting, we will move forward to further open markets in Asia. And when Congress returns next year, I will work to pass legislation to open markets further --from trade negotiating powers to the African Trade Initiative. I will do so in a way that I believe will win broad support from a majority of both parties.

From the G-7 meeting in Halifax in 1995 in the wake of the Mexican financial crisis, to the Birmingham meeting this year, we have been working, also, with our major economic partners to plan for new financial architecture for the 21st century.

For the first time, this year we included key emerging markets in the process in a new Group of 22, recognizing their important stake in the global economy. This group has been working together for nearly a year now to improve the global financial assistance with a special focus on improving financial sectors, on transparency, and on private sector burden sharing.

I just want to emphasize again that even as we respond to the urgent alarms of the moment, we must speed the pace of this systemic work as well. That is why I have asked Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the G-7 and key emerging economies in Washington within 30 days to develop a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system.

We must develop policies so that countries can reap the benefits of free-flowing capital in a way that is safe and sustainable. We must adapt the IMF so that it can more effectively confront the new types of financial crises, minimizing their frequency, severity, and human cost. We need to consider ways to extend emergency financing when countries are battling crises of confidence due to world financial distress as distinct from their own errors in policy. We must find ways to tap the energy of global markets without sentencing the world to a cycle of continued extreme crises.

For half a century now in our national economy, we have learned not to eliminate but to tame and limit the swings of boom and bust. In the 21st century, we have to find a way to do that in the global economy as well.

I've discussed this in recent days with Prime Minister Blair of Great Britain, who is now the Chair of the G-7. He shares my belief that this is an urgent task. It is critical to the mission that he and I and Prime Minister Prodi of Italy will be discussing next week at the New York University Law School in a very interesting meeting that the First Lady and others in our administration helped to organize on how to extend the benefits of the world economy to all and how to strengthen democracy in a time of such sweeping economic change.

Now, let me just say it all again very briefly: in short, we must improve our ability to address the current financial emergency, and we must build a system to prevent such future emergencies, whenever possible, and to blunt their impact when they do occur. There is no mission more critical to our own strength and security.

And let me say this again, what is at stake is more than the spread of free markets and their integration into the global economy. The forces behind the global economy are also those that deepen democratic liberties: the free flow of ideas and information, open borders and easy travel, the rule of law, fair and even-handed enforcement, protection for consumers, a skilled and educated work force.

Each of these things matters not only to the wealth of nations but to the health of freedom. If citizens tire of waiting for democracy and free markets to deliver a better life for them, there is a real risk that democracy and free markets, instead of continuing to thrive together, will begin to shrivel together. This would pose great risks not only for our economic interests but for our security.

We see around the world the international aggressors, the harborers of terrorists, the drug lords. Who are these countries? They're authoritarian nations without democracy and without open markets. Nations that give their people freedom are good neighbors; when nations turn away from freedom, they turn inward toward tension, hatred, and hostility.

We now have a chance to create opportunity on a worldwide scale. The difficulties of the moment should not obscure us to the advances of the last several years. We clearly have it within our means, if we do the right things, to lift billions and billions of people around the world into a global middle class and into participation in global democracy and genuine efforts toward peace and reconciliation. That is a possibility, but recent events show it is not a certainty.

At this moment, therefore, the United States is called upon once again to lead -- to organize the forces of a committed world; to channel the unruly energies of the global economy into positive avenues; to advance our interests, reinforce our values, enhance our security.

In this room, I think it is not too simple to say we know what to do. The World War II generation did it for us 50 years ago. Now, it is time for us to rise to our responsibility, as America has called upon to do so often so many times in the past. We can, if we do that, redeem the promise of the global economy and strengthen our own nation for a new century.

Thank you very much. (Applause.)

END 12:34 P.M. EDT

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: System Administrator (System Administrator [UNKNOWN])

CREATION DATE/TIME:14-SEP-1998 21:14:13.00

SUBJECT: Undeliverable: Full Text of the President's 9/14 Economic Address

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

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Your message

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;

smiller@ceednet.org; Laura.Spining@kdgroup.com; Jherzog@acca.org;

andy_blocker@amrcorp.com; sgoodin@arrowinv.com; jzlu@maristb.marist.edu;

ahall@bharbert.com; 72663.70@compuserve.com; sswirsky@dol.gov;

dtatejr@cassidy.com; todonnell@pattonboggs.com; bcarr@idt.net;

sam_adcock@daimlerwash.com; stephen.marlo@stoneweb.com;

Kvarney@psw-inc.com; kda1@erols.com; 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; fplesser@sia.com;

bill.sweeney@oga.eds.com; glh@conx.com; ann.costello@gs.com;

lcramer@uswest.com; hannasga@eei.org; jonesr@nab.com;

christopher.w.hansen@boeing.com; CCAINE@US1.IBM.COM;

frank.kelly@schwab.com; johnlga@eei.org; kmcgee@us.oracle.com;

PLATTR@gtlaw.com; greg_farmer@nt.com; mnelson@ahma.com;

hoover.jf@pg.com; kmason@lanlaw.com; mgreen@psa.com; JMULLIN5@ford.com;

email@sblc.org; DVoight@USchamber.com; liiblt@aol.com; rcavaney@api.org;

hmessner@acec.org; motleyj@nrf.com; DAN.DANNER@NFIB.org;

DDonofrio@nsbu.org; okearl@worldnet.att.net; lhay@chevron.com;

michael_hatcher@shawpittman.com; jsorlando@cbs.com; aeder@tda.gov;

mandrews@sbi.com; banthony@winston.com; dbarr@ms.com;

cbennett@pfizer.com; lbickwit@milchev.com; ccia@aol.com;

blagmand@gtlaw.com; timothy.boggs@twi.com; albondurant@verner.com;

betty.bowers@fluordaniel.com; bc@timmonsandco.com;

michele_L_cahn@co.xerox.com; pcassidy@businesscouncil.com;

ptca@chevron.com; lchambers@chambersinc.com; ken.cole@alliedsignal.com;

mcd-dc@cais.com; betty@tsbbs02.tnet.com; jhd@dco1101.com;

dennistj@sce.com; english.pepper@bsc.bls.com; pequale@iiaa.com;

eric_eve@smtp.nynex.com; mike_ferrell@mbaa.org; fonthei@IBM.net;

mdfranks@cbs.com; richard.goodstein@bfi.com; ggould@dcoffice.gte.com;

fgraefe@baker-hostetler.com; pgriffin@jsdks.com;

jeffrey.hirschberg@ey.com; thoog@hillandknowlton.com; wmh@dc2.hhlaw.com;

phudson@apca.org; jjankowsky@akingump.com; tjolly@jollyrissler.com;

pknight@wkltflaw.com; abkcr@aol.com; dlambert@nacds.org;

weldon_latham@shawpittman.com; wbryan@wkltflaw.com;

lelevinson@verner.com; rg11@chrysler.com; aj12@chrysler.com;

marcassoc@pipeline.com; cmanatt@manatt.com; bob_mcgee@oxy.com;

mclaughlinf@ada.org; michael.mcshane@trw.com; frank_moore@wmx.com;

vtmorse@erols.com; dutkogroup@aol.com; rneel@usta.org;

national@nawbo.org; pnelson@obriencalio.com; croneill@vais.net;

noffen@dsa.org; pnc@clark.net; jplebani@arterhadden.com;

tpodesta@podesta.com; pollack@aha.org; 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; tdstraub@uss.com; bruce.b.talley@usabb.mail.abb.com;

jteske@amgen.com; thompson_c@A1.EOP.GOV; jlturner95@aol.com;

jvalenti@mpaa.org; vineh@gtlaw.com; dorothy.walsh@ameritech.com;

rweinberger@compuserve.com; wells@necafis.com; alw@conx.com;

cawood@wms-jen.com; pmb@conx.com; cwilner@lga.att.com;

scott.yohe@delta-air.com; hecassoc@mindspring.com; Jclarke@asaenet.org;

simon@simoninc.com; 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; gthomas@dc.textron.com; tmccracken@nsbu.org

Subject: Full Text of the President's 9/14 Economic Address

Sent: Mon, 14 Sep 1998 13:13:46 -0700

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Valenti, Jack on Mon, 14 Sep 1998 07:14:11 -0700

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Date: Mon, 14 Sep 1998 13:13:46 -0700

From: Jackson_T._Dunn@who.eop.gov

Subject: Full Text of the President's 9/14 Economic Address

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,

smiller@ceednet.org, Laura.Spining@kdgroup.com, Jherzog@acca.org,

andy_blocker@amrcorp.com, sgoodin@arrowinv.com, jzlu@maristb.marist.edu,

ahall@bharbert.com, 72663.70@compuserve.com, sswirsky@dol.gov,

dtatejr@cassidy.com, todonnell@pattonboggs.com, bcarr@idt.net,

sam_adcock@daimlerwash.com, stephen.marlo@stoneweb.com,

Kvarney@psw-inc.com, kda1@erols.com, 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, fplesser@sia.com,

bill.sweeney@oga.eds.com, glh@conx.com, ann.costello@gs.com,

lcramer@uswest.com, hannasga@eei.org, jonesr@nab.com,

christopher.w.hansen@boeing.com, CCAINE@US1.IBM.COM,

frank.kelly@schwab.com, johnlga@eei.org, kmcgee@us.oracle.com,

PLATTR@gtlaw.com, greg_farmer@nt.com, mnelson@ahma.com, hoover.jf@pg.com,

kmason@lanlaw.com, mgreen@psa.com, JMULLIN5@ford.com, email@sblc.org,

DVoight@USchamber.com, liiblt@aol.com, rcavaney@api.org,

hmessner@acec.org, motleyj@nrf.com, DAN.DANNER@NFIB.org,

DDonofrio@nsbu.org, okearl@worldnet.att.net, lhay@chevron.com,

michael_hatcher@shawpittman.com, jsorlando@cbs.com, aeder@tda.gov, mandrews@sbi.com, banthony@winston.com, dbarr@ms.com, cbennett@pfizer.com,

lbickwit@milchev.com, ccia@aol.com, blagmand@gtlaw.com,

timothy.boggs@twi.com, albondurant@verner.com,

betty.bowers@fluordaniel.com, bc@timmonsandco.com,

michele_L_cahn@co.xerox.com, pcassidy@businesscouncil.com,

ptca@chevron.com, lchambers@chambersinc.com, ken.cole@alliedsignal.com,

mcd-dc@cais.com, betty@tsbbs02.tnet.com, jhd@dco1101.com,

dennistj@sce.com, english.pepper@bsc.bls.com, pequale@iiaa.com,

eric_eve@smtp.nynex.com, mike_ferrell@mbaa.org, fonthei@IBM.net,

mdfranks@cbs.com, richard.goodstein@bfi.com, ggould@dcoffice.gte.com,

fgraefe@baker-hostetler.com, pgriffin@jsdks.com,

jeffrey.hirschberg@ey.com, thoog@hillandknowlton.com, wmh@dc2.hhlaw.com,

phudson@apca.org, jjankowsky@akingump.com, tjolly@jollyrissler.com,

pknight@wkltflaw.com, abkcr@aol.com, dlambert@nacds.org,

weldon_latham@shawpittman.com, wbryan@wkltflaw.com, lelevinson@verner.com,

rg11@chrysler.com, aj12@chrysler.com, marcassoc@pipeline.com,

cmanatt@manatt.com, bob_mcgee@oxy.com, mclaughlinf@ada.org,

michael.mcshane@trw.com, frank_moore@wmx.com, vtmorse@erols.com,

dutkogroup@aol.com, rneel@usta.org, national@nawbo.org,

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

jplebani@arterhadden.com, tpodesta@podesta.com, pollack@aha.org,

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@a

mrcorp.com, robertw@corpdc.utc.com, americanbc@aol.com, tdstraub@uss.com,

bruce.b.talley@usabb.mail.abb.com, jteske@amgen.com,

thompson_c@A1.EOP.GOV, jlturner95@aol.com, jvalenti@mpaa.org, vineh@gtlaw.com, dorothy.walsh@ameritech.com, rweinberger@compuserve.com,

wells@necafis.com, alw@conx.com, cawood@wms-jen.com, pmb@conx.com,

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

Jclarke@asaenet.org, simon@simoninc.com, hriley@teamcr.com,

noffen@dsa.org, sspielmann@ibgc.com, Njdonohoe@aol.com, jslev

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

HECASSOC@mindspring.com, simon@simoninc.com, gthomas@dc.textron.com,

tmccracken@nsbu.org

Message-id: <8525667F.006EE9B9.00@LNGATE2.EOP.GOV>

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For your review, the full text of the President's remarks earlier today.

THE WHITE HOUSE

Office of the Press Secretary

(New York, New York)

For Immediate Release September 14,

1998

REMARKS BY THE PRESIDENT

TO THE COUNCIL ON FOREIGN RELATIONS

Council on Foreign Relations Building

New York, New York

12:00 P.M. EDT

THE PRESIDENT: Thank you very much, Pete. Hillary and I are delighted to be here with you and Joan, and I'm glad to be joined by Secretary Rubin and Jim Harmon, Gene Sperling, other members of our team. I'm glad to see Dick Holbrooke over here. I hope, if we can overcome the inertia of Congress, he will soon be a member of the team again. (Applause.) And I thank David Rockefeller and Les Gelb and others who welcomed us here today.

The subject that I want to discuss -- let me just say one thing in advance -- I'm going to give you my best thoughts. We have been working on this for three years at some level of intensity or another,

going back to the Naples G-7 meeting in the aftermath of the Mexican financial crisis. I have done everything I could do personally to reach out across the country, and indeed across the world, for any new ideas from any source. I'm going to give you my best thinking today about what we can do, but I want you to know that I'm here, and if I had my druthers, this would be about a three-hour session where I'd give this talk and then I would listen for the rest of the time.

So I want to encourage you, if you think we're right, to support us. But if you have any ideas, for goodness sake, share them, because I agree with what Pete said: this is the biggest financial challenge facing the world in a half-century. And the United States has an absolutely inescapable obligation to lead, and to lead in a way that's consistent with our values and our obligation to see that what we're doing helps lift the lives of ordinary people here at home and all around the world.

The Council on Foreign Relations has always stood for political and economic freedom, since right after World War I. And I think one of the things that has impacted all of us, and it was implicit in what Pete said, is that for the last decade the growth of freedom around the world, with more than half the people in the world living under governments of their own choosing, more than half the villages, the one million villages in China now, even electing their own governments, and this sweeping replacement of command and control economies by market economies. I think it seems to have happened so easily, so effortlessly, so inexorably, that I think we think the trend is inevitable and irreversible.

But if you consider today's economic difficulties, disruptions, and the plain old, deep, personal disappointments of now tens of

millions of people around the world, it is clear to me that there is now

a

stark challenge not only to economic freedom, but, if unaddressed, a

challenge

that could stem the rising tide of political liberty as well.

Obviously we have profound interests here. It is a great irony that we are at a moment of unsurpassed economic strength at a time of such turmoil in the world economy. We, I think all of us in this room, know that our future prosperity depends upon whether we can work with others to restore

confidence, manage change, stabilize the financial system, and spur robust global growth.

For most of the last 30 years, the United States and the rest of the world has been preoccupied by inflation, for reasons that all of you here know all too well -- and it was a good thing to be preoccupied with. Today the low and stable inflation we enjoy has been critical to our economic health, and low inflation has also contributed to that of many other nations as well. But clearly the balance of risks has now shifted, with a full quarter of the world's population living in countries with declining economic growth or negative economic growth.

Therefore, I believe the industrial world's chief priority today, plainly, is to spur growth. It seems to me there are six immediate steps we should take to help contain the current financial turmoil around the world, and then two longer-term projects in which we must be involved.

To take the immediate first, we must work with Japan, Europe, and other nations to spur growth. Second, we will expand our efforts to enable viable businesses in Asia to emerge from crippling debt burdens so they can once again contribute to growth and job creation. Third, we've asked the World Bank to double its support for the social safety net in Asia to help people who are innocent victims of financial turmoil. Fourth, we'll urge the major industrial economies to stand ready to use the $15 billion in IMF emergency funds to help stop the financial contagion from spreading to Latin America and elsewhere. Fifth, our Ex-Im Bank, under the leadership of Jim Harmon, will intensify its efforts to generate economic activity in the developing world immediately, in the next three months. And sixth, Congress must live up to its responsibility for continued prosperity by meeting our obligations to the International Monetary Fund.

Secretary Rubin has been working with his counterparts in the G-7 to get cooperative support for several of these measures. I understand Chairman Greenspan is also consulting with his counterparts on these items as well.

As we take these immediate steps, we also must intensify our efforts to reform our trade and financial institutions so that they can respond better to the challenges we now face and those we are likely to face in the future. We must build a stronger and more accountable global trading system, pressing forward with market-opening initiatives, but also advancing the protection of labor and environmental interests, and doing more to ensure that trade helps the lives of ordinary citizens across the globe.

Above all, we must accelerate our efforts to reform the international financial system. Today I have asked Secretary Rubin and Federal Reserve Board Chairman Greenspan to convene a major meeting of their counterparts within the next 30 days to recommend ways to adapt the international financial architecture to the 21st century.

Over the past six years, our strategy at home of fiscal discipline, investment in the skills of our people, and open trade has worked for all Americans. Unemployment at a 28-year low, inflation a 32-year low, wages rising at twice the rate of inflation after decades of stagnation. And on October 1st we'll have the first balanced budget in 29 years.

But the global economy brought a lot of that prosperity to us, and now fast-moving currents have brought or aggravated problems in Russia and Asia. They threaten emerging economies from Latin America to South Africa. With a quarter of the world's population in declining growth, we must recognize what Chairman Greenspan said the other day: we cannot forever be

an oasis of prosperity. Growth at home depends upon growth abroad. A full 30 percent of our growth, just since I became President, has been due to our expanding positive involvement in the global economy.

That's why ordinary Americans should care if Asia or Russia or South America is on solid economic footing. These people are our customers. With one-third of the growth of our economy coming from exports, much of it from emerging markets, we know that those markets will falter as their economies flatten. When the problem is widespread and perceived to be moving in the wrong direction, we have seen that our stock market can react, having a direct and immediate impact on the wealth of the American people.

These nations are also our competitors. And under conditions of decent equilibrium that is a very good thing, indeed. But when their currencies drop precipitously, the prices of their goods fall, they could undercut the sales of our own goods here at home that are otherwise profitable, dramatically increasing our trade deficit under circumstances that could cause the American people to turn away from open trade toward protectionism in a way that has terrific negative consequences long-term for our global growth objectives.

Finally, these nations are our friends, our allies and our security partners. Where economic turmoil plunges millions into sudden poverty and disrupts and disorients the lives of ordinary people, the risks of political and social instability and of a turn from democracy clearly rise. Just look at Russia. Russia is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just seven years, building a new society from the ground up. The ruble and the stock market have plummeted, banks are weak, tax collections have slowed, the government has trouble paying its debts and its salaries.

Some Russians have become wealthy, but many, many more are struggling to provide for their families. I talked to some of them when I was in Russia just a few days ago.

Amid such political uncertainty and economic difficulty, some now talk of abandoning the path of reform and returning to policies of the past, even policies that have already failed. At worst, adversity in Russia could affect not only the Russian economy and prospects for our economic cooperation -- at worst, it could have an impact on our cooperation with Russia on nuclear disarmament, on fighting terrorism and the spread of weapons of mass destruction, on standing together for peace, from the Balkans to the Middle East.

Now Russia has a new Prime Minister, Mr. Primakov, who's been in office a grand total of four days. He and President Yeltsin face one of the great challenges of their time. Never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets, and to take decisive steps to stabilize the economy and restore investor confidence.

But if Russia is willing to take these steps, we must do everything we can to provide support to them. Because again I say, as long as ordinary people don't feel any benefits from this, in the end it's going to be difficult to sustain the direction we think the world should take.

On the other hand, we need to be honest with Russia and everyone else. No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape its discipline. No nation can avoid its responsibility to do its part.

But since all economies are increasingly interdependent, fear and uncertainty about the economy of one country can prompt investors to pull money out of other countries thousands of miles away. Markets work best when they are driven neither by excessive inflows or outflows of capital based on indiscriminate optimism or pessimism.

Regardless of what changes in policies or institutions may be warranted, we have to say we'll only be able to help those countries who are willing to help themselves. If a nation chooses to print money indiscriminately, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors, foreign and domestic, sooner or later, will withdraw their investments, with consequences both swift and severe.

That is why we support the fundamental approach of the International Monetary Fund to extend assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, awarding credit on merit instead of connections.

Still, what has been done is clearly not enough to reverse the decline in particular countries, to douse the flames of the international financial crisis, to support steady and sustainable growth in the future. In the face of this new challenge, America can and must continue to act and to lead to take the urgent steps needed today to calm the financial crisis, restart the engine of growth in Asia, and minimize the impact of financial turmoil on other nations, and to make certain that for tomorrow the institutions and rules of international finance and international trade are prepared to support steady and sustainable growth over the long term.

First and foremost, the leading economic nations must act together to spur global growth. Our strong and growing economy here has made a major contribution to global growth, just as our weak economy was holding the world back six years ago when I attended my first G-7 meeting in Tokyo and every other country said, the first thing they needed was for America to put its economic house in order. We did that.

Now I believe strongly we must maintain our fiscal discipline. It has led to lower interest rates and a huge investment and job growth. Maintaining economic growth is the best thing we can do right now, not only for the United States but for the global economy.

I would also remember that back in 1993 we had a general agreement that what was needed was America should get rid of its deficit, Europe should lower its interest rates, and Japan should open its markets. There was this general agreement that if we did all those things, we would have a remarkable resumption of growth.

Europe did moderate its interest rates and the then prime minister -- now the finance minister -- Mr. Miyazawa, oversaw a significant market opening trade agreement between the United States and Japan, which also benefited others, not just us. And of course we got rid of our deficit. The results were quite satisfactory for several years for us.

Now Europe has to continue to pursue policies that will spur growth and keep their markets open because they, too, must be able to provide markets for Asian goods as those nations seek to find their footing. But the key here is Japan, for the second largest economy in the world, by far the biggest economy in Asia, has now gone several years without any economic growth. Thank goodness, a lot of their ordinary citizens have been able to maintain a decent life because of the wealth of their country and probably because of the enormous personal savings rate they

have enjoyed for many, many years now.

But it is difficult to see how any actions of the world community can be successful in restoring growth in Asia inthe absence of the restoration of growth in Japan, which would enable Japan to lead the region out of its present condition. Therefore, we must support Japan and do everything we can to help create the conditions in which, together, we can all lead again, just as we did in 1993.

Their challenges are quite formidable. They have to spur domestic demand, revive a banking system, restore confidence, deregulate the economy, and open markets. And we all know all the forces that seem to be working against these developments in Japan. But I would remind you that this is a very strong, sophisticated nation full of people of knowledge and enormous achievement. It is fully capable of playing its world leadership role. I believe its business leaders right now know what needs to be done and would support it.

Next week I'm going to meet with Prime Minister Obuchi here in New York to discuss how America can support Japan's efforts to restore economic growth and investor confidence. And I will do everything I can to try to make sure that as we go forward, we have America, Europe, and Japan all doing our part to get beyond this present moment, just as we did back in 1993.

The second step we should take is to intensify our efforts to speed economic recovery in Asia. When countries like South Korea and Thailand have taken strong and responsible steps, the freefall has ended, progress is being made. But the human cost of Asia's collapse is only now being fully felt. Recent press reports have described an entire generation working its way into the middle class over 25 years, then being plummeted into poverty within a matter of months. The stories are heartbreaking

-- doctors and nurses forced to live in the lobby of a closed hospital; middle class families who own their own homes, sent their children to college, traveled abroad, now living by selling their possessions.

It is in our interest to help these nations and these people recover. They will become once again our great markets and our great partners. It is also the right thing to do. We've worked with international lenders, like the IMF, to help these nations to adopt pro-growth budget, tax, and monetary policies, but clearly we're going to have to do more to restore Asian growth. We must work to lift the weight of private sector debt that has frozen the Asian economies.

Today, I'm asking Secretary Rubin to work with other financial authorities and international economic institutions to enhance efforts to explore comprehensive plans to help Asian corporations emerge from massive debt where individual firms have been swept under by systemic, national economic problems, rather than their own errors. We need to get credit flowing again. We need to get business back to making products, producing services, creating jobs.

Third, Asian businesses need assistance, but so do millions of Asian families. We must do more to establish an adequate social safety net in recovering nations. Wrenching economic transition without an adequate social safety net can sacrifice lives in the name of economic theory, and, I might add, can generate thereby so much resistance that reform grinds to a halt. If we want these countries to do tough things, we have to protect the most defenseless people in the society and we have to protect people who get hurt when they didn't do anything wrong. I think that is terribly important.

With our support, the World Bank and the Asian Development Bank have started to deal with these challenges, but they have to expand their efforts. There is simply not enough being done. I asked them to double their aid through an expanded social compact initiative focusing on job assistance, basic needs and economic transition, on children and the elderly, on groups most vulnerable to economic change. And I want to commend Jim Wolfensohn for his efforts and his willingness to lead this expanded initiative. We have to be ready to respond immediately with financial force if necessary, to the currency crisis, if it spreads, especially if it threatens the economies of Latin America, where nations have struggled to make progress to do the right thing, only to find themselves buffeted by economic storms outside their control.

Therefore, the major economies should stand ready to activate the $15 billion now in the emergency funds of the IMF, the general agreement to borrow, to ensure that the IMF continues to support reform and fight economic contagion.

Fifth, our Export-Import Bank will increase its commitments to specific economic development projects over the next three years -- three months -- projects which will have concrete benefits for ordinary citizens in other countries, projects which will increase our own exports and thereby help our economy, and ones which can help to restore confidence in countries that they are not alone and that actual, specific, positive developments can occur.

Sixth, for the effort of the international community to succeed, America simply must meet its own obligations to the International Monetary Fund. After a year of financial firefighting, the IMF's resources are badly strained. Every day we don't act, we undermine the confidence the world badly needs that we are trying to restore. Congress simply must assume its responsibility for our leadership in the economy.

In my State of the Union address, I said it was better to prepare for a storm when the skies were clear than when the clouds were overhead. Well, eight months later, the clouds are closer, and you can nearly hear the thunder. Now, the Senate, by an overwhelming bipartisan majority, has, thankfully, approved our obligation to fund our part of the International Monetary Fund. But with only five weeks left in this congressional session, there is still no action from the House of

Representatives.

Let me put this as plainly as I can: failure by this Congress to pay our dues to the IMF will put our own prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, our lawmakers were unwilling to protect our workers, our businesses, our farmers from the risks of global economic change, and unwilling to maintain our leadership in building a global economy system that has benefited us more than any other nation.

Concerted action to spur growth, helping Asia through private sector debt restructuring, and a strengthened social safety net, helping to protect the rest of the world through the use of the IMF's emergency fund, increasing the activity of the Ex-Im Bank, and meeting our own obligations to the IMF -- these are the six immediate steps we want to take.

But we must also be willing to take action for the long run -- to modify the financial and trading institutions of the world to match the realities of the new economy they serve. By creating the WTO, the World Trading Organization, in 1994, we began to build a modern trading system. We must redouble our efforts to tear down barriers around the world. But as I said in Geneva last May, we must do more to ensure that spirited economic competition among nations never becomes a race to the bottom -- in environmental protection, consumer protection, or labor standards.

We are working to open the procedures of the WTO to participation by the public and the full range of affected interests, so that people will know and see and be able to do for themselves things which will ensure that the trading system makes the world better for all the people in all the countries.

We've already completed 260 trade agreements, opening markets in areas from autos to telecommunications. Next year we will host the meeting of the world's trade ministers to set the agenda for expanded trade in the first decade in the new century.

History teaches us that at a time of worldwide difficulty, it would be folly to retreat into a protectionist shell. We must keep trade flowing among nations, but I will say again, if we want to do that, we have got to give ordinary citizens and the groups that represent them in countries all over the world the sense that it is going to be done in a fair way, consistent with nations' obligations to advance the interests of their working people and protect not only their national, but the global environment.

This November, when I meet with the leaders of the

Asian economies at the APEC meeting, we will move forward to further open markets in Asia. And when Congress returns next year, I will work to pass legislation to open markets further --from trade negotiating powers to the African Trade Initiative. I will do so in a way that I believe will win broad support from a majority of both parties.

From the G-7 meeting in Halifax in 1995 in the wake of the Mexican financial crisis, to the Birmingham meeting this year, we have been working, also, with our major economic partners to plan for new financial architecture for the 21st century.

For the first time, this year we included key emerging markets in the process in a new Group of 22, recognizing their important stake in the global economy. This group has been working together for nearly a year now to improve the global financial assistance with a special focus on improving financial sectors, on transparency, and on private sector burden sharing.

I just want to emphasize again that even as we respond to the urgent alarms of the moment, we must speed the pace of this systemic work as well. That is why I have asked Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the G-7 and key emerging economies in Washington within 30 days to develop a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system.

We must develop policies so that countries can reap the benefits of free-flowing capital in a way that is safe and sustainable. We must adapt the IMF so that it can more effectively confront the new types of financial crises, minimizing their frequency, severity, and human cost. We need to consider ways to extend emergency financing when countries are battling crises of confidence due to world financial distress as distinct from their own errors in policy. We must find ways to tap the energy of global markets without sentencing the world to a cycle of continued extreme crises.

For half a century now in our national economy, we have learned not to eliminate but to tame and limit the swings of boom and bust. In the 21st century, we have to find a way to do that in the global economy as well.

I've discussed this in recent days with Prime

Minister Blair of Great Britain, who is now the Chair of the G-7. He shares my belief that this is an urgent task. It is critical to the mission that he and I and Prime Minister Prodi of Italy will be discussing next week at the New York University Law School in a very interesting meeting that the First Lady and others in our administration helped to organize on how to extend

the benefits of the world economy to all and how to strengthen democracy in a time of such sweeping economic change.

Now, let me just say it all again very briefly: in short, we must improve our ability to address the current financial emergency, and we must build a system to prevent such future emergencies, whenever possible, and to blunt their impact when they do occur. There is no mission more critical to our own strength and security.

And let me say this again, what is at stake is more than the spread of free markets and their integration into the global economy. The forces behind the global economy are also those that deepen democratic liberties: the free flow of ideas and information, open borders and easy travel, the rule of law, fair and even-handed enforcement, protection for consumers, a skilled and educated work force.

Each of these things matters not only to the wealth of nations but to the health of freedom. If citizens tire of waiting for democracy and free markets to deliver a better life for them, there is a real risk that democracy and free markets, instead of continuing to thrive together, will begin to shrivel together. This would pose great risks not only for our economic interests but for our security.

We see around the world the international aggressors, the harborers of terrorists, the drug lords. Who are these countries? They're authoritarian nations without democracy and without open markets. Nations that give their people freedom are good neighbors; when nations turn away from freedom, they turn inward toward tension, hatred, and hostility.

We now have a chance to create opportunity on a worldwide scale. The difficulties of the moment should not obscure us to the advances of the last several years. We clearly have it within our means, if we do the right things, to lift billions and billions of people around the world into a global middle class and into participation in global democracy and genuine efforts toward peace and reconciliation. That is a possibility, but recent events show it is not a certainty.

At this moment, therefore, the United States is called upon once again to lead -- to organize the forces of a committed world; to channel the unruly energies of the global economy into positive avenues; to advance our interests, reinforce our values, enhance our security.

In this room, I think it is not too simple to say we know what to do. The World War II generation did it for us 50 years ago. Now, it is time for us to rise to our responsibility, as America has called upon to do so often so many times in the past. We can, if we do that, redeem the promise of the global economy and strengthen our own nation for a new century.

Thank you very much. (Applause.)

END 12:34 P.M. EDT

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Mail Delivery Subsystem (Mail Delivery Subsystem [UNKNOWN])

CREATION DATE/TIME:15-SEP-1998 22:19:44.00

SUBJECT: Returned mail: Cannot send message for 4 hours

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

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

421 mail.nfu.org (smtp)... Deferred: Connection reset by peer during

result wait with mail.nfu.org

421 nrca.org (smtp)... Deferred: Connection timed out during user open

with nrca.org

While talking to mailhost1.mwe.com:

>>> DATA

<<< 421 Internal error

421 mailhost1.mwe.com (smtp)... Deferred: Connection reset by peer during

result wait with mailhost1.mwe.com

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

Received: from lngate2.eop.gov by gatekeeper.eop.gov;

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

id AA05915; Tue, 15 Sep 1998 14:28:39 -0400

Received: by LNGATE2.EOP.GOV(Lotus SMTP MTA SMTP v4.6 (462.2 9-3-1997))

id 85256680.00655B14 ; Tue, 15 Sep 1998 14:27:04 -0400

X-Lotus-Fromdomain: EOP

From: Barbara_D._Woolley@who.eop.gov

To: Lee Swenson NFU , Tom Buis NFU ,

Christine Nelson UEP ,

Nancy Danielson NFU ,

Chandler Keys NCBA , Jim Travis NCBA ,

Jay Howell NCF ,

Scott Shearer FI ,

Nick Giordano NPP ,

John Maguire NCC ,

David Senter ,

Linda Vickers ,

Dick Newpher AFBF , Kathy Ozer NFFC

,

Lorette Picciano-Hanson RC ,

Harvey Jo Sanner AAM ,

Barbara Borschow ,

Bob Cashdollar ,

Glenn English NRCA ,

Rob Fersh FRAC , Ed Graves ,

Kenneth Guenther IBAA ,

Pam Gaffain FERTILIZER INST ,

Krista Harden SOYBEANS ,

Jerry Hill , Todd Kemp NGFA ,

Gary Kushner , Larry Meyers ,

Chuck Penrey ,

Laura Phelps , Bob Rapoza ,

Bill Weber , Harvey Jo Sanner

,

Margie Williams WHEATGROWERS ,

Moises Loza HOUSING ,

Dale Marsico TRANS ,

Kathleen Merrigan ,

Jim Johnson ,

Dalton Yancey FLASUGAR ,

Shirley Bloomfield NATLTELECOOP ,

Montee Wynn - NATLRURALELEC ,

Aliceann Wohlbrook NADO ,

Charles Conrad OCRE ,

Peter Magrath NASULGC ,

John Blanchfield ABA ,

Stephanie Patrick CARGILL ,

Elin Peltz ACPA ,

Tom Rugg NATLGRANGE ,

Jim Miller NAWG ,

Carolyne Anderson AFBF ,

Rebecca Frailey CGC ,

Kirk Ferrel PORK ,

Kellye Eversote , Carolyn Cheney

,

Jim Webster , Don Wallace ,

Barbara Woolley ,

Susan_Keith_2026282001%6281933%FAX@oa.eop.gov,

Marshall_Matz_Ph._7891212%2343550%FAX@oa.eop.gov,

Steve_McCoy%6596891%FAX@oa.eop.gov,

Jim_Dupree%8707442294%FAX@oa.eop.gov

Message-Id: <85256680.006562BE.00@LNGATE2.EOP.GOV>

Date: Tue, 15 Sep 1998 14:27:46 -0400

Subject: Farm Economy Speech

Mime-Version: 1.0

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

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 15, 1998

REMARKS BY THE PRESIDENT

TO NATIONAL FARMERS UNION

THE PRESIDENT: Thank you very much. Ladies and gentlemen, good afternoon; welcome to the White House. Lee, thank you for the award. Thank you for your comments. Thank you for your strength. Thank you for your leadership for our farmers. I've known him for years -- I don't think I've ever focused on what a good speaker he was before. (Laughter.) He could have been a politician or a preacher in addition to a farmer. It was great.

I want to thank Secretary Glickman for his truly outstanding work, along with Rich Rominger, Carl Whillock and the others here from the Department of Agriculture, who really try to be your advocates every day. whillock

We have at least NFU members who work at USDA -- Mike

Dunn, Larry Mitchell, and John Stencil. And I thank them in particular. I want to thank Senator Dorgan and Congressman Pomeroy for coming and for being your vociferous advocates. I talked to Senator Harkin right before I came over here today and he has also been your great friend, along with Senator Conrad and Senator Daschle and Congressman Boswell from Iowa, who couldn't come this morning, but all these people have been up here working hard for you. And I wanted you to know that.

I also would like to say that the National Farmers Union has done a lot of good for this administration and for our efforts here in Washington, from helping to keep our food supply safe to working to expand health care to giving us the first balanced budget in 29 years in just a couple of weeks now. You have been with me every step of the way, and I am very grateful for that.

When I was a boy growing up in Arkansas I knew a lot about agriculture, but I didn't know much about the intersection of agriculture and politics. When I became a governor and served for a dozen years, many of them very, very hard years in the 1980s on the farm in my state, I came to appreciate what it was like when the national government had good policy, what it was like when it had bad policy, and what it was like when it had no policy.

I remember there were a couple of years when I was doing everything I could to be creative, and I think when you were head of the South Dakota Farmers Union, the state of South Dakota actually came to me and the governor then and asked me for a copy of the banking laws that I had changed in Arkansas -- because I changed our state banking laws to try to help the bankers keep more farmers on the farm. And when we had that terrible situation, when the price of land collapsed, all the collateral on the loans was no good, there was no way for people to finance their farms and they were losing them, and we were able to give some help to our farmers then. But through the whole thing I always felt so helpless that there wasn't an appropriate national response.

Now I feel especially bad for the farmers because it's been such a good time for the rest of the country. We've got nearly 17 million new jobs now and the lowest unemployment rate in 28 years, and the lowest inflation in 32 years, the highest home ownership in history, the lowest crime rate in 25 years, the smallest percentage of our people on welfare in 29 years. To somebody living in a city, to tell them that we have a farm crisis more extensive than we've had in decades, it's very hard for them to believe and understand.

You may note that in the local people today I was criticized for supporting a farm relief initiative in Congress. And Secretary Glickman said, don't be upset, this is good news because they have noticed that the farmers are out there. (Laughter and applause.)

Yesterday I had a chance to go to New York and speak with some of the leaders in the United States in international finance, from our nation's point of view, to talk to them about what I think we need to do to try to keep the global economy from further destabilizing, to try to help some of these countries help themselves that are in terrible trouble, to try to keep the global financial crisis from spreading to other countries, and to try to build an adequate trade and financial system for the 21st century that will benefit all Americans.

One, but -- not the only -- but one element of the farm crisis is that the farmers have felt first the crisis going on in the rest of the world. Because with roughly a quarter of the world's people in recession with declining economic growth, representing roughly a third of the world's economy, our agricultural, which depends so much on exports, have felt that quicker than the rest of the economy. But it's an important thing for Americans to be aware of what's going on on the farm today, and to be aware that since the farmers, in effect, are the foot soldiers in the front lines of America's march into the global economy of the 21st century, if we don't do something to help our farmers, eventually all other Americans will feel it as well. (Applause.)

And so I am delighted that you're here, and I thank you for coming. Let me also, once again, say I thank you for making available the opportunity for all of these young people to be here. I want them to see their country in action. I want them to learn -- much earlier than I ever did -- the relationship between the work that's done every day on the farm and the work that's done up here.

I think it's very important. It will make them more effective citizens and more effective in farming in the years ahead.

Now, what's really going on here? I wanted to give this speech today -- I realize to some extent I'm preaching to the saved today. (Laughter.) But what I hope will happen by your coming here and by this event unfolding is that, maybe, finally, we will break through the national consciousness and the consciousness of the Congress -- and our friends in the press corps -- not to panic, not to think that America's not doing well, but to say that at a time when our country is doing well, surely at a time when the rest of us are doing well, we can be more attentive to the genuine needs and the conditions on the farm in America. (Applause.)

Events in the past year have strained many family farms to the breaking point. You know what they are: flood, drought, crop disease have wiped out entire harvests. Plummeting prices at home, collapsing markets in Asia -- where our exports are down 30 percent in one year because of the economic crisis in Asia -- these have threatened the livelihood of entire communities.

Many farmers this year will see their net incomes drop by more than 40 percent below what they've earned on average for the last five years. And, of course, in some places like North Dakota, the drop is much, much steeper. If we don't do something and do it now -- I want America to hear this, this is not a false alarm -- if we don't do something, and do it now, we could literally lose thousands and thousands of family farmers this year. (Applause.)

I want to come back to this and why it's not just about who's competitive in the market. The results are plain to see and painful to watch. Foreclosures and farm auctions are the order of the day already in many communities. I met a farmer named Deb Lungren not long ago who told me that in 1957 her grandfather made $11,000 on their family farm. And in 1997, she made $10,000 on the same land. The banks are ready to foreclose on the Lungren home. They don't see how they can possibly make it another year. I'll bet everybody here could tell me somewhere between one and a dozen stories just like that.

Now, again I say, I think every American has got a stake in rural America. Our farms feed the world and us at very low real costs, at very high quality. They also feed our sense of ourselves. They reinforce our values of hard work and faith and family and devotion to community and the land.

When I signed that Farm Bill, as Secretary Glickman said, in 1996, at a time when crop prices were strong -- and I would remind you the alternative was far worse; we would have been in even worse shape if I had vetoed it and we'd gone back to that decades-old law -- I tried to make it clear that sooner or later we would have to do more to provide a safety net for hard times; that all the good things in that Farm Bill could not possibly wipe away the fact that if we have a family farm structure in America with widely varying prices because of market developments around the world, and the inevitable march of nature and disease, that sooner or later there would come a time when we see that if you really wanted a strong market, you had to do more for the family farmers. Well, that time has arrived.

I want to thank Secretary Glickman for all that he's done. And in July, we announced that 80 million bushels of wheat, worth a quarter of billion dollars, would be purchased to help hungry people around the world and to help our farmers here at home. I strongly supported Senator Dorgan and Senator Conrad's proposal to provide farmers with emergency assistance. Last month I signed into law new legislation to speed up farm program payments to help farmers who need the money now. And Secretary Glickman is doing everything else he possibly can to help.

I know him well enough to know that from his years in Congress representing Kansas, and his years as Secretary of Agriculture, if there is one, single thing buried in the laws and regulations of the Department of Agriculture that he can do that he has not yet done to try to help farm income, he will find it and do it. But with crop and livestock prices still in danger of dropping, with foreign markets still in danger of collapse, and with thousands of farms in jeopardy, we simply have to do more.

The first and most important thing to do is to help the farmers in greatest need -- those who have suffered significant losses of crop and livestock. I'll continue to press Congress to enact emergency assistance to do that; critical assistance to help thousands of farmers in keeping with the traditional budget rules that recognize the necessity of providing citizens help in times of crisis. We pass emergency bills for floods, for earthquakes, and we ought to do it for farm failure. (Applause.)

The next thing I think we ought to do -- indeed we have to do -- is to do what we talked about back in 1996. We've got to reinforce the safety net for farmers and ranchers. That's why last Thursday I announced my support for Senator Harkin and Daschle's proposal to lift the cap on marketing loan rates for a year. (Applause.)

Yesterday our proposal was defeated in the United States Senate. Today it apparently is going to be voted on in its discreteelements. Whatever happens, we must find some way to provide emergency assistance to farmers facing dire circumstances so they have the resources now to plan for next year's crops.

And finally, let me say, we have to revive the rural economy through exports. The speech that I gave in New York yesterday outlining steps we need to take to try to limit and then resolve the global financial crisis, and then plan a better financial and trade system for the 21st century over the long-term, will have more immediate impact on farmers if we can implement all these steps than any other group in America.

Farm products from one of every three acres is sold abroad. We must continue to open new markets. We must continue to enforce our existing trade agreements. And we must give the International Monetary Fund the resources it needs to strengthen and reform the economies of our customers in Asia, and to try to protect the contagion from spreading to our friends in Latin America, so that others can continue to buy all of our goods and services, and especially our farm products.

For nine months now, since I called on Congress to do this in the State of the Union, there has been no action. The Senate has passed the funding for the International Monetary Fund, but with just a few weeks left the House has still not acted. Our farmers and ranchers have a bigger stake in the short-run in the passage of this than any other group in America. So I ask you to support that as well, and tell the Congress we have to do it and do it now.

Now, these are the steps that I think we have to take. I'd just like to take one step back before I close and say that there has been a debate in America for decades that underlies the skepticism of those who don't support what I propose; who say, well, farmers ought to be subject to the market like everybody else -- a guy running a dry cleaner, nobody brings the clothes into be cleaned, he goes out of business. The people who basically believe that -- in the face of all the evidence that we have the most productive agriculture in the world -- don't understand the intersection between global impacts on farm prices, the financing challenges that family farmers, as opposed to big corporate farmers, face, and what can happen to you just by getting up in the morning if it happens to be a bad day. (Applause.)

I know a lot of you feel like Job -- you know? Test my faith, Lord; I didn't mean it that seriously. (Laughter.) But we have an opportunity here -- we have an opportunity to break through a kind of euphoria that's out there about the condition of our economy and let people know what's going on on the farm. We have an opportunity to tie the global financial crisis to what's going on on the farm. We have an opportunity to convince congressmen who come from suburban and urban areas that the welfare, the health, the strength of their citizens' -- their citizens' -- economy rests in lifting the whole American economy and doing the right thing beyond our borders. And they can see it in your stories, in your lives, in your experience -- nothing more fully embodying the best of America than you do.

So let me say -- I don't know how else to say this: There is suffering on the farm. There is agony on the farm. This is a horrible affront to everything we have worked so hard to achieve to lift the economy for all Americans. And we cannot afford to walk away from this session of Congress -- I don't care if there is an election; I don't care what else is happening -- we can't afford to walk away until we do something to stave off the failure of thousands of productive family farms in America. We cannot do it. (Applause.)

Now, let me leave you with one beautiful quote. Franklin Roosevelt once said that American farmers -- and I quote -- "are the source from which the reservoirs of our nation's strength are constantly renewed." For six years I have worked to renew America. We're a lot better off in virtually every way than we were six years ago. But we cannot walk across that bridge into the 21st century -- we cannot truly renew our country if we leave our family farmers behind.

So let's go up to the Hill and tell everybody that we all want to saddle up and go together. Thank you and God bless you. (Applause.)

END 1:20 P.M. EDT

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

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

CREATION DATE/TIME:15-SEP-1998 17:40:56.00

SUBJECT: 1998-9-15 remarks to National Farmers Union

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])
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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])
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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])
READ:UNKNOWN

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

TO: Elizabeth A. Castellani ("Elizabeth A. Castellani"@lngate3.eop.gov [UNKNOWN])
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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: Peter D. Greenberger ("Peter D. Greenberger"@lngate3.eop.gov [UNKNOWN])
READ:UNKNOWN

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

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

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TO: DICKEY_L (DICKEY_L@a1.eop.gov [UNKNOWN])
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TO: dmilbank (dmilbank@tnr.com [UNKNOWN])
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TO: FORDE_R (FORDE_R@a1.eop.gov [UNKNOWN])
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TO: GRAY_W (GRAY_W@a1.eop.gov [UNKNOWN])
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TO: INFOMGT (INFOMGT@a1.eop.gov [UNKNOWN])
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TO: julie_green (julie_green@ed.gov [UNKNOWN])
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TO: klasky_helaine (klasky_helaine@ustr.gov [UNKNOWN])
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TO: KTORPEY (KTORPEY@AOL.COM [UNKNOWN])

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TO: NAPLAN_S (NAPLAN_S@a1.eop.gov [UNKNOWN])
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TO: newsdesk (newsdesk@usnewswire.com [UNKNOWN])
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TO: nreyn (nreyn%opic.gov@mr.eop.gov [UNKNOWN])
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TO: skgmd (skgmd@umich.edu [UNKNOWN])
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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 15, 1998

REMARKS BY THE PRESIDENT

TO NATIONAL FARMERS UNION

Room 450

Old Executive Office Building

1:00 P.M. EDT

THE PRESIDENT: Thank you very much. Ladies and gentlemen, good afternoon; welcome to the White House. Lee, thank you for the award. Thank you for your comments. Thank you for your strength. Thank you for your leadership for our farmers. I've known him for years -- I don't think I've ever focused on what a good speaker he was before. (Laughter.) He could have been a politician or a preacher in addition to a farmer. It was great.

I want to thank Secretary Glickman for his truly outstanding work, along with Rich Rominger, Carl Whillock and the others here from the Department of Agriculture, who really try to be your advocates every day. whillock

We have at least NFU members who work at USDA -- Mike Dunn, Larry Mitchell, and John Stencil. And I thank them in particular. I want to thank Senator Dorgan and Congressman Pomeroy for coming and for being your vociferous advocates. I talked to Senator Harkin right before I came over here today and he has also been your great friend, along with Senator Conrad and Senator Daschle and Congressman Boswell from Iowa, who couldn't come this morning, but all these people have been up here working hard for you. And I wanted you to know that.

I also would like to say that the National Farmers Union has done a lot of good for this administration and for our efforts here in Washington, from helping to keep our food supply safe to working to expand health care to giving us the first balanced budget in 29 years in just a couple of weeks now. You have been with me every step of the way, and I am very grateful for that.

When I was a boy growing up in Arkansas I knew a lot about agriculture, but I didn't know much about the intersection of agriculture and politics. When I became a governor and served for a dozen years, many of them very, very hard years in the 1980s on the farm in my state, I came to appreciate what it was like when the national government had good policy, what it was like when it had bad policy, and what it was like when it had no policy.

I remember there were a couple of years when I was doing everything I could to be creative, and I think when you were head of the South Dakota Farmers Union, the state of South Dakota actually came to me and the governor then and asked me for a copy of the banking laws that I had changed in Arkansas -- because I changed our state banking laws to try to help the bankers keep more farmers on the farm. And when we had that terrible situation, when the price of land collapsed, all the collateral on the loans was no good, there was no way for people to finance their farms and they were losing them, and we were able to give some help to our farmers then. But through the whole thing I always felt so helpless that there wasn't an appropriate national response.

Now I feel especially bad for the farmers because it's been such a good time for the rest of the country. We've got nearly 17 million new jobs now and the lowest unemployment rate in 28 years, and the lowest inflation in 32 years, the highest home ownership in history, the lowest crime rate in 25 years, the smallest percentage of our people on welfare in 29 years. To somebody living in a city, to tell them that we have a farm crisis more extensive than we've had in decades, it's very hard for them to believe and understand.

You may note that in the local people today I was criticized for supporting a farm relief initiative in Congress. And Secretary Glickman said, don't be upset, this is good news because they have noticed that the farmers are out there. (Laughter and applause.)

Yesterday I had a chance to go to New York and speak with some of the leaders in the United States in international finance, from our nation's point of view, to talk to them about what I think we need to do to try to keep the global economy from further destabilizing, to try to help some of these countries help themselves that are in terrible trouble, to try to keep the global financial crisis from spreading to other countries, and to try to build an adequate trade and financial system for the 21st century that will benefit all Americans.

One, but -- not the only -- but one element of the farm crisis is that the farmers have felt first the crisis going on in the rest of the world. Because with roughly a quarter of the world's people in recession with declining economic growth, representing roughly a third of the world's economy, our agricultural, which depends so much on exports, have felt that quicker than the rest of the economy. But it's an important thing for Americans to be aware of what's going on on the farm today, and to be aware that since the farmers, in effect, are the foot soldiers in the front lines of America's march into the global economy of the 21st century, if we don't do something to help our farmers, eventually all other Americans will feel it as well. (Applause.)

And so I am delighted that you're here, and I thank you for coming. Let me also, once again, say I thank you for making available the opportunity for all of these young people to be here. I want them to see their country in action. I want them to learn -- much earlier than I ever did -- the relationship between the work that's done every day on the farm and the work that's done up here. I think it's very important. It will make them more effective citizens and more effective in farming in the years ahead.

Now, what's really going on here? I wanted to give this speech today -- I realize to some extent I'm preaching to the saved today. (Laughter.) But what I hope will happen by your coming here and by this event unfolding is that, maybe, finally, we will break through the national consciousness and the consciousness of the Congress -- and our friends in the press corps -- not to panic, not to think that America's not doing well, but to say that at a time when our country is doing well, surely at a time when the rest of us are doing well, we can be more attentive to the genuine needs and the conditions on the farm in America. (Applause.)

Events in the past year have strained many family farms to the breaking point. You know what they are: flood, drought, crop disease have wiped out entire harvests. Plummeting prices at home, collapsing markets in Asia -- where our exports are down 30 percent in one year because of the economic crisis in Asia -- these have threatened the livelihood of entire communities.

Many farmers this year will see their net incomes drop by more than 40 percent below what they've earned on average for the last five years. And, of course, in some places like North Dakota,

the drop is much, much steeper. If we don't do something and do it now -- I want America to hear this, this is not a false alarm -- if we don't do something, and do it now, we could literally lose thousands and thousands of family farmers this year. (Applause.)

I want to come back to this and why it's not just about who's competitive in the market. The results are plain to see and painful to watch. Foreclosures and farm auctions are the order of the day already in many communities. I met a farmer named Deb Lungren not long ago who told me that in 1957 her grandfather made $11,000 on their family farm. And in 1997, she made $10,000 on the same land. The banks are ready to foreclose on the Lungren home. They don't see how they can possibly make it another year. I'll bet everybody here could tell me somewhere between one and a dozen stories just like that.

Now, again I say, I think every American has got a stake in rural America. Our farms feed the world and us at very low real costs, at very high quality. They also feed our sense of ourselves. They reinforce our values of hard work and faith and family and devotion to community and the land.

When I signed that Farm Bill, as Secretary Glickman said, in 1996, at a time when crop prices were strong -- and I would remind you the alternative was far worse; we would have been in even worse shape if I had vetoed it and we'd gone back to that decades-old law -- I tried to make it clear that sooner or later we would have to do more to provide a safety net for hard times; that all the good things in that Farm Bill could not possibly wipe away the fact that if we have a family farm structure in America with widely varying prices because of market developments around the world, and the inevitable march of nature and disease, that sooner or later there would come a time when we see that if you really wanted a strong market, you had to do more for the family farmers. Well, that time has arrived.

I want to thank Secretary Glickman for all that he's done. And in July, we announced that 80 million bushels of wheat, worth a quarter of billion dollars, would be purchased to help hungry people around the world and to help our farmers here at home. I strongly supported Senator Dorgan and Senator Conrad's proposal to provide farmers with emergency assistance. Last month I signed into law new legislation to speed up farm program payments to help farmers who need the money now. And Secretary Glickman is doing everything else he possibly can to help.

I know him well enough to know that from his years in Congress representing Kansas, and his years as Secretary of Agriculture, if there is one, single thing buried in the laws and regulations of the Department of Agriculture that he can do that he has not yet done to try to help farm income, he will find it and do it. But with crop and livestock prices still in danger of dropping, with foreign markets still in danger of collapse, and with thousands of farms in jeopardy, we simply have to do more.

The first and most important thing to do is to help the farmers in greatest need -- those who have suffered significant losses of crop and livestock. I'll continue to press Congress to enact emergency assistance to do that; critical assistance to help thousands of farmers in keeping with the traditional budget rules that recognize the necessity of providing citizens help in times of crisis. We pass emergency bills for floods, for earthquakes, and we ought to do it for farm failure. (Applause.)

The next thing I think we ought to do -- indeed we have to do -- is to do what we talked about back in 1996. We've got to reinforce the safety net for farmers and ranchers. That's why last Thursday I announced my support for Senator Harkin and Daschle's proposal to lift the cap on marketing loan rates for a year. (Applause.)

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Yesterday our proposal was defeated in the United States Senate. Today it apparently is going to be voted on in its discrete elements. Whatever happens, we must find some way to provide emergency assistance to farmers facing dire circumstances so they have the resources now to plan for next year's crops.

And finally, let me say, we have to revive the rural economy through exports. The speech that I gave in New York yesterday outlining steps we need to take to try to limit and then resolve the global financial crisis, and then plan a better financial and trade system for the 21st century over the long-term, will have more immediate impact on farmers if we can implement all these steps than any other group in America.

Farm products from one of every three acres is sold abroad. We must continue to open new markets. We must continue to enforce our existing trade agreements. And we must give the International Monetary Fund the resources it needs to strengthen and reform the economies of our customers in Asia, and to try to protect the contagion from spreading to our friends in Latin America, so that others can continue to buy all of our goods and services, and especially our farm products.

For nine months now, since I called on Congress to do this in the State of the Union, there has been no action. The Senate has passed the funding for the International Monetary Fund, but with just a few weeks left the House has still not acted. Our farmers and ranchers have a bigger stake in the short-run in the passage of this than any other group in America. So I ask you to support that as well, and tell the Congress we have to do it and do it now.

Now, these are the steps that I think we have to take. I'd just like to take one step back before I close and say that there has been a debate in America for decades that underlies the skepticism of those who don't support what I propose; who say, well, farmers ought to be subject to the market like everybody else -- a guy running a dry cleaner, nobody brings the clothes into be cleaned, he goes out of business. The people who basically believe that -- in the face of all the evidence that we have the most productive agriculture in the world -- don't understand the intersection between global impacts on farm prices, the financing challenges that family farmers, as opposed to big corporate farmers, face, and what can happen to you just by getting up in the morning if it happens to be a bad day. (Applause.)

I know a lot of you feel like Job -- you know? Test my faith, Lord; I didn't mean it that seriously. (Laughter.) But we have an opportunity here -- we have an opportunity to break through a kind of euphoria that's out there about the condition of our economy and let people know what's going on on the farm. We have an opportunity to tie the global financial crisis to what's going on on the farm. We have an opportunity to convince congressmen who come from suburban and urban areas that the welfare, the health, the strength of their citizens' -- their citizens' -- economy rests in lifting the whole American economy and doing the right thing beyond our borders. And they can see it in your stories, in your lives, in your experience -- nothing more fully embodying the best of America than you do.

So let me say -- I don't know how else to say this: There is suffering on the farm. There is agony on the farm. This is a horrible affront to everything we have worked so hard to achieve to lift the economy for all Americans. And we cannot afford to walk away from this session of Congress -- I don't care if there is an election; I don't care what else is happening -- we can't afford to walk away until we do something to stave off the failure of thousands of productive family farms in America. We cannot do it. (Applause.)

Now, let me leave you with one beautiful quote. Franklin Roosevelt once said that American farmers -- and I quote -- "are the source from which the reservoirs of our nation's strength are constantly renewed." For six years I have worked to renew America. We're a lot better off in virtually every way than we were six years ago. But we cannot walk across that bridge into the 21st century -- we cannot truly renew our country if we leave our family farmers behind.

So let's go up to the Hill and tell everybody that we all want to saddle up and go together. Thank you and God bless you. (Applause.)

END 1:20 P.M. EDT