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SUBJECT: Daily Digest 1/14: ECONOMIC TURMOIL IN INDONESIA

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TEXT:
The eyes of Asia watchers overseas were fixed on Indonesia following President Clinton's decision last weekend to dispatch an emergency team to Jakarta to undertake a series of consultations with the Indonesian government on steps needed to overcome the severe financial crisis affecting that country. In early assessments of the talks held yesterday and Monday between the U.S. team, led by Deputy Treasury Secretary Lawrence Summers, high-level IMF officials and Indonesia's President Soeharto, a number of analysts reacted positively to signs that the Indonesian government appeared ready to adopt measures to stabilize its economy. The optimism of such writers, however, was tempered by fears that, in the words of the moderately conservative Bangkok Post, "no one knows how long Asia's monetary nightmare will last (or) how much more scary it might become." Editors also worried about possible political unrest in Indonesia in the run-up to elections in March, when Mr. Soeharto--who has not publicly declared his candidacy--is expected to return to office for a seventh five-year term. Opinion-makers also questioned the effectiveness of the IMF's "medicine" for the region, fretting that it might cause undue suffering at the lower economic levels of society or trigger what Tokyo's liberal Asahi termed "radical nationalism and anti-American sentiment dormant in the region." Following are salient points made in the commentary:

THE VIEW FROM INDONESIA: Although dailies in Jakarta stressed the need for their government to work with U.S. and IMF officials to find a way out of the economic crisis, a fairly strong current of opinion underscored Indonesia's need for "sovereignty," expressing the conviction that Indonesia "must avoid any steps that make (it) dependent on other nations." "Indonesians understand best the heart of the Indonesian economy," insisted pro-government, Islamic-oriented Harian Pelita. Significantly, the normally reticent Indonesian press complained about its government's failure to inform the legislature and the public about the results of its talks with Mr. Summers and IMF officials. Other leading papers complained about their government's "lack of political will in combatting corruption," and called for a more open political process. The leading, independent Jakarta Post welcomed the "moral step" of Ms. Megawati Sukarnoputri, daughter of Indonesia's first president, Sukarno, in offering herself as a candidate for president.

'SIMMERING VOLCANOES': In comparative analyses of Indonesia, Thailand and South Korea, a number of pundits concluded that the democratic process was the key to the successful alleviation of the pressures unleashed by the Asian economic crisis. These observers had high hopes that, following the recent elections in Thailand and South Korea, those countries are now in a good position to institute the necessary reforms. In Indonesia's case, editors in Europe and Asia stressed that there were no mechanisms in place "whereby power can be transferred peacefully from government to opposition." Many analysts agreed with Brussels's conservative Catholic La Libre Belgique in concluding that Indonesia's economic woes, coupled with popular disaffection with the regime, signaled "sunset for the last great

Asian 'monarch.'"

This survey is based on 75 reports from 25 countries, January 10 - 14.

EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC

INDONESIA: "Transparency And The Monetary Crisis"

Independent afternoon daily Suara Pembaruan pointed out (1/13): "Members of Parliament must take the initiative to work with the government to overcome the crisis. If the executive branch is slow in informing the legislative body about steps to deal with the crisis, the parliament should then take the initiative to ask for clarification on the IMF deal as well as what sorts of reforms have been undertaken. The unusual attention of international leaders toward the president over the severe crisis should prompt the House of Representatives and we, the people, to seek details about the agreement between the government and the IMF.... For, after a series of state visits--the IMF delegation, Deputy Secretary Summers, and Defense Secretary Cohen--the public has not yet been informed about the content of the agreement."

"Admiring Reforms"

Independent Media Indonesia asserted (1/14): "The core of the nation's problem is a political will to combat corruption by enforcing the laws indiscriminately. So long as the laws only serve those in power, deregulation, debureaucratization and even reforms would only be empty words. We believe that the current economic crisis would not have been so serious had we been committed to good governance."

"Economic Reforms And Sovereignty"

Business-oriented Bisnis Indonesia commented (1/14): "The high-ranking visiting U.S. officials should not give the impression that they have come to tell us what to do...or that they have brought bargaining power that could cause disaster to the 200 million Indonesian people. We can go to a negotiating table with them as long as they understand the current situation and that the results will be a mutually beneficial, win-win outcome. Indonesia is a sovereign country."

"Indonesia Will Continue To Be Consistent"

Ruling Golkar party's Suara Karya said (1/14): "The confusion concerning the 1998/99 State Budget seems to have cleared following the visits of IMF Executive Director Fischer and U.S. Deputy Treasury Secretary Summers.... We do not know yet what caused the confusion that prompted President Clinton and the IMF to send envoys to Indonesia. But, regardless of the reasons, in a more prudent observance, it would be irrational for Indonesia to be inconsistent in implementing reforms and economic restructuring to overcome the monetary crisis.... If some points in the State Budget sound contradictory, such as the 4,000 rupiah rate...it was simply that that was the rate we assumed would apply by the time the draft budget was submitted to the House of Representatives. The same holds true for growth and inflation rates."

"IMF Cannot Work Magic"

Pro-government, Islamic-leaning Berita Buana asserted (1/13): "Indonesia should make public what it will do with the aid and precisely what the IMF deal says.... There are two kinds of attitudes Indonesia can follow. First, to be cooperative like South Korea and Thailand, or to follow the action of Malaysia which had the courage to do without IMF assistance.... We must remember that the IMF is not a magician like David Copperfield. Our entire society's determination is essential if we are to remove the disease."

"Megawati's Moral Step"

The leading, independent, English-language Jakarta Post held (1/14): "With the national crisis which is engulfing economic and political domains...people expect shocking announcements....

"However, until last weekend nobody had expected any such element from ousted opposition leader Megawati Soekarnoputri, the eldest daughter of Indonesia's first president.... But the cool-headed politician had a concept for solving the precarious national crisis: Elect her as president of the nation.... Many believe that Megawati's move, although only a moral step, has potential enough to stir the established system and will help the push for more transparency and political openness."

"Reforms Are A Must"

Muslim intellectual Republika commented (1/13): "It is obvious that the current crisis is turning into a political crisis.... In terms of leadership reform, we need honesty and the perspective that public interest is a top priority. We need a leader whose leadership spirit is inclined to use power for all of the people. We will be able to find such a figure if we recruit leaders using broader social bases.... We also need to revamp the recruitment mechanism, that is, the way we select leaders. The current covert, exclusive and oligarchic mechanism has to be changed for one that is populist and transparent."

"IMF Comes, [But It Is] We Who Make The Decisions"

Pro-government, Islamic-oriented Harian Pelita held (1/13): "Not only the (IMF's Stanley) Fischer delegation has come to Jakarta, but also that of (IMF DIrector Michel) Camdessus and (Deputy U.S. Treasury Secretary Lawrence) Summers.... Using Summers' rhetoric (these visits were made) to pressure Indonesia to comply with the IMF requirements and continue economic reforms.... The important thing is how to work hand-in-hand with the IMF in an appropriate way; to determine the extent to which the requirements will further our economic development without crushing our creativity in managing our grassroots-oriented national economy. No matter how excellent the IMF framework may be, it is Indonesians who understand best the heart of the Indonesian economy.... We have to avoid any steps that will make us dependent upon other nations."

"IMF Demands Fulfillment Of Its Requirements"

Muslim intellectual Republika asserted (1/12): "To understand how complicated the IMF requirements are, we might consider Malaysia's reasons for not in taking an IMF deal.... For Indonesia, 'tightening the belt' will risk the wrath of grassroots people...concerned with the cost of meeting basic needs. IMF policies will only work if they are fine tuned in such a way as to focus on...sectors that no longer need government subsidies. We are relieved that, prior to review by the IMF team and Deputy Secretary Lawrence Summers, President Soeharto ordered a review of eight development projects due to start next year and postponed seven other projects in anticipation of difficulty in financing."

"Public Won't Fall For Official Rhetoric Anymore"

Pro-government, Islamic-oriented Harian Pelita made this point (1/12): "The public won't believe that government officials are not keeping any dollars. The 'Love (the Indonesian) Rupiah Movement' is likely to make the public learn who really has dollar or other foreign currency accounts. Becoming more critical and smarter, our society is not be easily fooled by officials whose words are different from their actions."

SOUTH KOREA: "Conglomerates' Reform"

Conservative Chosun Ilbo told its readers (1/14): "President-elect Kim Dae-jung and the chairmen of the country's four largest business groups have met and agreed on five points on conglomerate reform which they feel will be the start of revitalizing the economy....

"Nobody can confidently predict what will happen in the near future, especially with the second Southeast Asian currency crisis still under way.... The adoption of the five-point agreement is a significant starting point in a serious effort to find solutions.... We believe that the agreement has the potential to achieve what Mr. Kim and the business leaders hope it will. What is important now is how soon...and in what way the implementation will be done."

"Conglomerate Reforms Should Not Slow Down"

Moderate Hankook Ilbo's editorial maintained (1/13): "Can't we see what is happening in Indonesia?... Our case is every bit as urgent; a little hesitation on our part could easily lead to catastrophe. Conglomerates, which are the main culprits in the current crisis, should cut their own flesh first."

"Second Financial Crisis In Southeast Asia"

Conservative Chosun Ilbo maintained in its editorial (1/11): "A Japan, which has invested and loaned more than $100 billion to Indonesia and Thailand, cannot sit idly by as it did last time. It must aggressively take the lead with Europe. It should not rely on the United States and the IMF to sort out the mess."

"Second Crisis In Southeast Asia"

In the view of moderate Hankook Ilbo (1/11): "Indonesia and Thailand...remain 'inactive volcanoes'--we do not know when they will erupt. These two cases remind us once again how easily we could be swept into a second foreign exchange crisis."

THAILAND: "Time To Turn Talk Into Hard Currency"

The lead editorial of largest circulation, moderately conservative Bangkok Post commented (1/11), "Bill Clinton's half-hour telephone chat with Indonesia's Soeharto on Friday may have steadied some government nerves in our achingly cash-frozen region, but hardly represented the reassurances needed--and expected--from America and Europe. The U.S. president just called to say he loved us. His vow to sustain Washington's aid program in the wake of the rupiah's virtual collapse on Thursday was no doubt sincere,
but neither he nor anyone else can predict how long Asia's monetary nightmare will last and how much more scary it will become.... If the United States and the European Union cannot quickly find an escape valve, the pressure building up in Asia could vent with worldwide consequences. Words from on high are a fine thing, but they remain merely words until an interpretation is found soon."

"U.S. Shows Concern Over Asia Crisis"

The lead editorial of the top-circulation, moderately conservative Bangkok Post commented (1/12): "There has been a noticeable sigh of relief over the urgent trip to Asia by Lawrence Summers, the deputy U.S. treasury secretary.... Mr. Summers will convey a tough message. He is a personal believer in IMF remedies. He has made believers out of others in the Clinton Administration that the IMF prescription must be followed--and with no painkillers.... The United States, as the world's largest economy and strongest nation, can help build confidence in nations undergoing the worst of the current economic problems.... (As) America's oldest friend and ally in Asia, we hope to welcome Mr. Summers this week."

"Signs From Indonesia"

Jaroon Seri commented in largest circulation Thai Rath (1/12): "President Clinton has done the right thing in joining hands with the IMF to help Indonesia.... With U.S. assistance, things should get better."

AUSTRALIA: "Soeharto Faces His Greatest Crisis"

In the judgment of the liberal Canberra Times (1/13): "The real test is whether Indonesian President Soeharto has the wherewithal to deal with the crisis. For to deal with it successfully he will have to change his whole way of thinking. Hitherto, Mr. Soeharto, like other despots in the region, has cited the need for developed nations to understand the Asian way to development. Typically this has meant no effective dissent against the ruling regime and certainly no development of mechanisms whereby power could be peacefully transferred from government to opposition.... The Asian way is falling apart. The only question for Indonesia is whether Mr. Soeharto has the strength to acknowledge it and do something about it."

"IMF Walks Diplomatic Tightrope"

The national conservative Australian made this point (1/13): "The Indonesian rescue, while rightly concentrating on cleaning out the banking sector, has been questioned because of the IMF's demand for a budget surplus. The real issue is whether the IMF conditions protect lenders at the expense of ordinary Indonesians.... Yet the IMF must deal with debilitating effects of cronyism if international credibility for some Asian economies is to be restored. It is a complex situation, a diplomatic and financial tightrope.... In Indonesia, towing the IMF line is overlaid by the critical questions of whether President Soeharto will stand for another term and if he will anoint a successor. Unless these questions are answered to the satisfaction of the Indonesian people, the IMF's requirements will be seen as secondary."

"Megawati's Challenge"

According to an editorial in the liberal Sydney Morning Herald (1/13): "It is unclear whether Ms. Megawati's call for President Soeharto to stand down is intended as the curtain-raiser to a serious leadership challenge or merely an attempt to garner further popular support from the current disaffection for her longer-term political ambitions. What is clear is that Ms. Megawati's statements will deepen the uncertainty about Indonesia's immediate political future and that this uncertainty will make it more difficult to restore confidence in the country's economic prospects.... If (President Soeharto) cannot convince the United States and the IMF that they should support his reform efforts, Mr. Soeharto will be in a very weak position trying to win the argument with Ms. Megawati's supporters in the streets."

"Dark Days Far From Finished"

The national conservative Australian's Jakarta correspondent Patrick Walters commented (1/10-11): "Soeharto's real predicament is that the confidence of ordinary Indonesians in his government has collapsed.... The central pillar of Soeharto's rule, the robust performance of the economy, is tottering. For the first time, the Indonesian press is freely running stories quoting political figures calling for a change of leadership."

"Crunch Time For Soeharto"

The Jakarta correspondent Greg Earl argued in the national business-oriented Australian Financial Review (1/10-11): "Until the past week President Soeharto appeared to have time on his side in the run-up to the March electoral assembly.... But...as the middle class puts its loyalty into hard asset this week, the rival wings of Indonesian politics may have been moving to encircle the country's 76-year-old president with far greater finality than any currency trader could ever imagine."

CHINA: "Soeharto Emphasizes Confidence"

Hong Bingming wrote for Xinhua in official Communist Party People's Daily (Renmin Ribao, 1/14): "In Jakarta President Soeharto had a meeting with Deputy U.S. Treasury Secretary Lawrence Summers. Soeharto emphasized that the Indonesian people need confidence to overcome the financial crisis. President Soeharto recognized that Indonesia needs to work closely with the IMF to create confidence to help the Indonesian people."

"Korean President Requires Speed-Up In Structural Adjustment"

Wang Linchang said this in official Communist Party People's Daily (Renmin Ribao, 1/14): "In order to carry out the agreement with the IMF, Korean President Kim requires large enterprises to increase transparency and accelerate structural adjustment."

"Asian Financial Situation Worsens"

Official Communist Party People's Daily Overseas Edition (Renmin Ribao Haiwaiban, 1/12) had this comment by Zhang Lianghua: "(Southeast Asian) governments involved should adopt positive and effective measures...otherwise, more enterprises and financial markets will go bankrupt, thus affecting the Asian and possibly the world economy."

HONG KONG: "Soeharto Sees Need For Strong Steps"

The independent, English-language Hong Kong Standard remarked (1/14): "Indonesia yesterday outlined plans to pull the nation back from the brink of financial disaster with reforms for the beleaguered economy following meetings with senior U.S. and International Monetary Fund (IMF) officials.... Indonesia's meetings with senior U.S. and IMF officials helped breathe fresh life into its share and currency markets."

"International Cooperation Needed To Settle Crisis"

Independent Sing Tao Daily News made these observations (1/13): "During the 'October Crisis,' President Clinton referred to the Asian financial crisis as 'a small bump on the road.' However, the IMF rescue plan...still hasn't produced any results. Even worse, the situation is deteriorating.... Some experts--such as the chief economist for the IMF--have remarked that the IMF's plan might do more harm than good to the countries suffering from the crisis.... IMF and U.S. government officials...should realize how critical the crisis is and draw up an effective plan as soon as possible. Resolving the Asian financial crisis would, after all, be good news to all. Economic depression will only lead to social instability and political upheaval in the [Asian] countries, which would certainly spoil the harmony of the world."

"Western Intervention Crucial"

The independent Hong Kong Economic Times maintained (1/12): "Western countries, led by the United States, discern that the threat of the Asian financial crisis may sweep the world. Whether or not they exert themselves to stop the crisis is crucial to whether or not the turmoil will subside."

"Rising To The Challenges That Face Us"

An editorial in the independent, English-language South China Morning Post pointed out (1/11): "The role of over-extended private sector companies in the crisis means that the classic IMF medicine, designed for profligate governments, is not an altogether appropriate cure. Nobody has any idea as to when the unraveling of dollar debts, with its remorseless downward pressure on currencies, will end.

"Because of the interlocking nature of the region, economies whose fundamentals are strong cannot escape the woes of others."

"Indonesian Powder Keg"

According to an editorial in the independent, English-language South China Morning Post (1/10): "It is far from desirable to see Indonesia get away with ignoring promises of financial reform which it made only a few months ago. It would certainly have been far preferable if the IMF had set more appropriate terms that Jakarta could have been realistically expected to meet. Now the only alternative is to allow such a huge nation go bankrupt, with all the dire consequences this would bring. So the world has no choice but to continue to prop up Indonesia while trying to nudge it back toward the path of fiscal prudence."

JAPAN: "Asian Financial Crisis And Democratization"

Liberal Asahi's Asian bureau chief Shimada observed (1/14): "The economic crisis in Asia, which began with the currency crisis in Thailand, has left the region bogged down in the mire. In return for the emergency loans from the IMF (needed to overcome present difficulties) Thailand, Indonesia and South Korea have promised to fully reform their administrative and economic systems. Should these reforms not be successful, however, they might cause the resurgence of radical nationalism and anti-American sentiment dormant in the region. The measures these nations undertake to overcome the financial and monetary crisis will indicate how mature democratization has become in each country. The present Asian financial unrest is an occasion for the United States and Japan to reflect on what new security system should be maintained in the region."

"Soeharto Responsible For Putting End To Indonesia's Financial Crisis"

According to conservative Sankei (1/13): "It used to be taboo in Indonesia to call for the Indonesian president (Soeharto) to step down. People are now publicly calling for his resignation, and rumors of his ill health have spread quickly since he missed the ASEAN summit late last year. The present political unrest occurs at a delicate time--only months before presidential elections in March. Soeharto is now called on to demonstrate strong leadership in tackling the present crisis. Fortunately, Jakarta has decided to submit economic reform plans in line with IMF conditions for extending the bailout package."

"Structural Economic Reforms Face Obstacles"

Business-oriented Nihon Keizai Shimbun's diplomatic reporter Matsuno wrote

(1/12): "The IMF is asking (Thailand, Indonesia and South Korea) to adopt a 'shock therapy' of budgetary and financial austerity, knowing that such measures will surely slow down economic activity. It is not easy to obtain domestic support for such painful policies; each country has been unable to take the bold actions necessary for overhauling their economic systems. Questions are being raised about the appropriateness of the IMF method. It appears as if each nation's economic reforms will not proceed as had been originally planned."

MALAYSIA: "Global Prescription Needed"

The government-influenced daily Business Times held (1/14): "With the...potential savior--the IMF--making little headway in quelling the storm, the search for the correct prescription [for the East Asian financial crisis] has to be stepped up. The IMF's very approach has been called into question in recent days as the problems in Thailand, Indonesia and South Korea threaten to overwhelm even Singapore and Hong Kong--the two pillars of the East Asian economic miracle. The road to recovery can be expected to be long and rough, and the first step will have to be containment, but the impression is that those who are in a position to help resolve the difficulties are interested in only that and little more....

"The presence of IMF and U.S. officials in the region this week is a positive sign, though-- one that has not escaped the stock markets which rallied strongly across the region yesterday. Perhaps, it is an indication that after six months of turmoil, the major powers are now recognizing that measures aimed at containing the epidemic are not only ineffective, but could well also be counterproductive in the face of a globalized world."

"Time For IMF To Explain"

The government-influenced daily Business Times insisted (1/10): "The IMF ought to be brought in immediately for questioning over the battering of the Indonesian rupiah and share market this week. And also for falling to bring any sign of improvement to Thailand, the first economy in the region that it extended a bailout package to, and former Asian 'tiger,' South Korea. There is a growing number of people and institutions demanding an explanation about what the IMF is doing for, or to, Asia's roiled markets to make things so much worse than they had been before the Fund was called in.... Several...countries have demanded for more transparency on the part of the IMF and its bailout packages. Certainly, the Fund owes it to member countries to explain why the billions it has pumped into Indonesia, Thailand and South Korea have managed only to push these economies deeper into the mud. It owes it to members also to defend its credibility and tell the World Bank and the other institutions and individuals that the IMF is, indeed, doing the right thing. And if it is the right thing, then the situation in the affected countries will become right soon."

PHILIPPINES: "Soeharto And The Masters Of The Universe"

Under the above headline, Nelson Navarro wrote in the independent Manila Standard (1/14): "As everyone is well aware, the United States and the

IMF want all those 'zaibatzus,' 'chaebols,'...and crony firms under tight control, if not neutered for good.... Yet going after these giant concentrations of power in Asia virtually means chopping down established national elites.... But in whose behalf? The local bourgeoisie and aspiring middle classes or simply those Western conglomerates whose claims to being global are hindered only by Asian cartels and monopolies?... The United States and IMF cannot really pass (themselves) off as disinterested and neutral. To follow their advice to the letter translates into disarming the same guys and partners they have been doing business with. Perhaps this can be done in Indonesia because Soeharto is ultimately expendable. But with Japan and China, the masters of the universe will have to be a little more patient and forgiving."

"Rooseveltian Cure For Asia's Crisis"

Columnist Herman Tiu Laurel wrote in the liberal Today (1/13): "The ultimate blame for the Asian economic collapse is not what the international finance establishment wants us to believe. The mouthpieces of these private financial institutions harp on alleged ASEAN and Asian government profligacy, but the real culprits are private-sector loans abetted by these international banks and 'hot money' investors in conspiracy with local finance brokers.... We should not play roulette with our economy and financial system but introduce sane, rational, determined intervention and regulation to control irrational market forces.... (Some leaders) are asking for more intervention and regulation. But they are fearful to admitting it and saying it outright because of the IMF punishment that would be forthcoming. The IMF is pure evil, and don't

let the institutional press and the local brown globalist fool you, dear reader.... There are solutions to avert the profound catastrophe facing us. There are historical precedents, like the Rooseveltian solution to the
Great Depression. These solutions are staring us in the face, waiting to be programmed and implemented."

SINGAPORE: "Help Indonesia Help Itself"

The pro-government Straits Times maintained (1/14): "It does not take a genius to figure out that Indonesia is the key to regional stability.

"The fourth-largest nation in the world cannot possibly be allowed to slip out of the orbit of viable states. An unstable Indonesia would not only unravel the tremendous gains of the past 32 years of President Suharto's rule, but would also have serious, perhaps disastrous, effects on the rest of the world. Thus the swiftness with which the Americans and the Japanese responded to the present crisis. The Indonesian authorities, though, should be careful not to take for granted the world's concern for their country's welfare. The international community cannot possibly do anything to help them if they are not prepared to help themselves."

"Return To Pegged Rates?"

The pro-government Business Times told its readers (1/13): "Regional authorities should perhaps consider re-establishing some sort of pegged rate at which local currencies can be exchanged for U.S. dollars, if the danger of a full-blown currency panic is to be avoided. This suggestion is not as perverse as may appear, given that it was effective adherence to fixed rates that caused Asian currencies to become over-valued in the first place, thereby encouraging an orgy of foreign borrowing and causing an eventual currency collapse. It is a question now of force-majeure and the need to re-establish some credibility for the region's currencies, even if at significantly depreciated rates from those prevailing six months ago. Until Asian currencies show tangible signs of bottoming out, they will continue to be sold by nationals of the countries concerned and by foreign holders. This will lead to further weakness and the chances of attracting much-needed foreign loans and investment will evaporate."

SOUTH ASIA

INDIA: "U.S. Bailout Plans May Run Into Trouble"

Sridhar Krishnaswami, Washington correspondent for the centrist Hindu, opined (1/14): "Even as the Clinton administration seems keen on giving the impression that it is on top of the Asian crisis and that Washington is taking every step to get the region out of the financial and economic turbulence, the big question is if words will be matched with 'funds.'... Influential Republicans are asking the question if the involvement in the bailouts in Asia was in the best interests of the United States.... Conservative Republicans are also asking if the United States has to be involved in everyone of the sinking states in the Asia-Pacific. Although no names are being mentioned, it is quite obvious that some lawmakers have reservations about getting on board to help nations like Indonesia, with whom there is always a running battle over issues of human rights and democracy."

"Crisis Unabated"

According to the nationalist Hindustan Times (!/14): "The crash in the Hong Kong stock market on Monday following the liquidation proposal of Peregrine Investment Holdings Ltd...has accentuated the crisis in the Asian markets taking little cognizance of the bailout efforts being made by the...IMF and the U.S. government.... What is significant about the ASEAN crisis is that this has been caused primarily by the failure of the corporate houses and the banking sector, and not so much by the governments, yet the IMF package is meant to help not so much the struggling governments, as the Western banks, especially from the United States, which have contributed most to the aggravation of the crisis."

BANGLADESH: "What If IMF Remedy Fails?"

The centrist, English-language Independent raised these issues (1/11):

"The pertinent question is, what if the IMF's remedy fails? Critics argue that the IMF's application of the same austerity politics in Asia...that it did in Latin America in the past, without differentiating between the patterns of the economies in the two regions, has 'turned a dangerous situation into a calamitous situation.' More severe critics, plainly skeptical of the need for the IMF altogether, say that too much market liberalization too soon wrecked the South Korean economy.

"This is not the answer. Perhaps Malaysia's self-reliant bids to find an alternative way out of the mess will shed new light on the matter."

EUROPE

GERMANY: "The Firm Hold Of The Dictator Is Loosening"

Stefan Klein had this to say in an editorial in centrist Sueddeutsche Zeitung of Munich (1/13): "Stanley Fischer...the 'fire department' official from Washington, had only one purpose: to reassure the highly-nervous Indonesian financial market and to stop the devaluation of the rupiah. Last week showed that the embattled rupiah reacts to such maneuvers and evidence of this was a telephone conversation between President Clinton and President Soeharto which revived the rupiah after it had lost almost 80 percent of its value to the dollar....

"The exchange rate of Indonesia's currency obviously depends on things that are being done or said in far away Washington.... The monetary and economic crisis has long since gained a highly political dimension. President Soeharto...is today no longer part of the solution but part of the problem.... He is helpless, incapable of leading, and without a clear concept--thus Soeharto is presiding over the growing economic chaos and the erosion of his own power.... And in March, he wants to be re-elected despite his embattled health. The re-election has so far been only a formality...but this time, there could be a showdown. Never before in the preparatory stage of the presidential elections have so many critics left their cover and openly demanded an end to the Soeharto rule.... It may be possible that the Americans will be able to prompt Soeharto to embark on a course of reforms, but no one should expect him to show great zeal in destroying the business empires of his clan.... But this crisis will turn into a disaster if hesitance continues. And the consequences would go far beyond the island itself. Cholera or plague--are the...alternatives Soeharto faces at the end of his career."

"Crisis Of Globalization"

Herbert Kremp noted in right-of-center Die Welt of Berlin (1/14): "Since the summer of last year, the world has faced the first great crisis of globalization which is jeopardizing...not only the financial markets and jobs, but also calling into question the political order, creating an unusual phenomenon: Reforms, something all people turning to the IMF have demanded, may end up in a revolution.... The current political situation in Southeast Asia is very serious. The political elite...is helpless in view of the current crisis."

"Replacing The Dinosaurs Of Confucian Capitalism"

National radio Deutschlandfunk of Berlin (1/13) broadcast the following commentary by T. Gaertner: "President Soeharto in Indonesia (and) sharp-tongued Premier Mahathir in Malaysia are dinosaurs of this era. But with the end of Confucian capitalism, the autocrats of this busted economic boom are no longer necessary. It is only a question of time until they are replaced."

"Japan: Co-Responsible For Disaster"

Right-of-center Esslinger Zeitung (1/13) concluded, "Economics Minister Rexrodt is undoubtedly right with his assessment that the developments in the region can be got under control only if the situation in Japan can be stabilized. Japan's political leadership must draw the conclusion that it is co-responsible for the disaster, because it did not want to recognize the bank crisis for fear of losing face."

"Without Soeharto"

Christoph Rabe editorialized in business Handelsblatt of Duesseldorf (1/12): "Unlike in Seoul, where the change in the presidential office paved the way for a new beginning, the old guard in Jakarta is clinging to power. It is true that Indonesia does not have the economic power of South Korea, but it is a strategically and economically important country in Southeast Asia. It is the biggest Muslim country in the world and, with its more than 200 million people, it is the fourth most populous country...in the world. A country which is so rich in natural resources and has such an economic potential should no longer remain the plaything of an elite group of people who have distinguished themselves by egotism rather than by zeal for reforms. Confidence in Indonesia's policy can be restored only in nepotism in the country disappears once and for all."

BRITAIN: "Bruised But Not Broken"

The centrist Herald of Glasgow had this editorial view (1/13): "Asia's economic crisis, which has engulfed the so-called tiger economies one by one in classic domino style, is a compelling illustration of the grave risks involved in pursuing rapid economic growth without regard to the principles of sound finance.... So far, Western markets have been bruised but not broken by Asia's crisis.... It is difficult to quantify the impact of Asia's woes on the advanced countries of the West. To the extent that it reduces world economic growth, the effect will be counter-inflationary. World trade will suffer, but it is not a time for panic."

"Americans Fear Uprising Over Indonesia Crisis"

According to the conservative Daily Telegraph from Washington (1/13): "Washington has made clear that its support for Mr. Soeharto is not open-ended. And a spokesman for the National Security Council hinted that Washington was already looking to an era in which Mr. Soeharto was no longer the dominant figure."

FRANCE: "No Signs Of Ending..."

Jean-Louis Gombaud told his audience on privately run Europe One radio (1/13): "Financially and geographically, Asia affects Europe. European exchanges experienced yesterday a major fall they will not soon forget.... And concern is growing that the Asian crisis is not ending. The longer it lasts, the more it will lead to deflationary measures...and stunted growth."

ITALY: "Oxygen For Asian Tigers"

Left-leaning, influential La Repubblica noted (1/14): "Asia is sighing with relief, Wall Street is recovering and the Milan stock exchange continues to gallop. International financial markets enjoyed considerable gains yesterday due to the slight improvement in the feelings of investors in the Far East, encouraged by the reassuring statements made by U.S. Deputy Treasury Secretary Summers. But the overall atmosphere remains delicate and the emergency is certainly not yet over."

"Asian Flu"

New York correspondent Stefano Trincia assessed the situation in Indonesia for Rome's centrist Il Messaggero (1/12): "It looked like a simple Asian flu, serious but transitory, curable with a substantial injection of dollars and with the intrinsic strength of the U.S. economy. But it now risks turning into a viral pneumonia, fatal for the Asian tigers both from an economic and political point of view. And extremely contagious for international productivity, mainly in the United States.... Aspirin is no longer sufficient in Asia, there is need for strong antibiotics.

"A U.S. and international emergency team has hastened to the sickbed of the Asian patient. Specifically, Soeharto's Indonesia, which is the most serious patient at the present time."

AUSTRIA: "American Lesson"

A front-page commentary by Karl-Peter Schwarz in conservative Die Presse advised (1/14): "The American crisis management in Asia is going full blast. Jakarta is currently at the center of the attention.... This political offensive is aimed at backing up the International Monetary Fund, because it was the hesitating attitude of the Indonesian regime vis-s-vis its proposals which caused the recent severe monetary crisis in Asia. What can be done in the case of a monetary crisis, is illustrated by the successful example of Argentina, where the peso obtained full convertibility, was tightly linked to the dollar and covered by dollar reserves. In the case of Indonesia...the prestige projects of Soeharto and his corrupt clique have to be suspended, protectionist measures have to be eliminated; competition must be introduced where political and family ties have ruled. In other words: The 'Asian model' must be replaced by the American, the economically liberal one. This is not only true for Indonesia, but also for South Korea, Thailand, Japan, etc. Not long ago, ' mega' trend researchers of Naisbitt's stamp wanted to fool the world into believing that an ' Asian century' would follow the American one. Two years before the beginning of this 'mythical Asian' century, Asia is getting down to learning the American lesson."

BELGIUM: "Potential 1930s-Style World Financial Crisis"

Robert Falony observed (1/13) in socialist La Wallonie, "The crisis of capitalism in Asia is not contained. If it spreads to China and Japan, it will threaten the entire planet. This crisis isn't temporary either: Those who were thinking at the end of 1997 that everything would be promptly stabilized must already acknowledge their serious misjudgment.... One thing is clear: The course of events in Asia will cause serious social unrest there.... The IMF austerity recipes risk causing all the traditional deflationary consequences. At the same time, one 'must' intervene: Confronted with the risk of a world-wide 1930s-type crisis, governments cannot let the Asian banks go under. They hesitate between bankrupted liberal principles and necessary interventionism which they dislike."

"Sunset For Soeharto Regime?"

Conservative Catholic La Libre Belgique's Philippe Paquet warned (1/10): "Alarming signals are multiplying for the Soeharto clan which, in 30 years of absolute power, has turned Indonesia into a giant family business run by corruption and nepotism.... Agitation has taken an even more alarming turn with...big enterprises (having become) exasperated by the interference of the Soeharto children, who have infiltrated in all sectors of activities...generally by investing only their 'calling cards'...(and)
also
by the stubbornness of a government which insists on presenting a budget that does not meet the conditions set by the IMF for granting $33 (sic) billion in assistance.

"Of course, the regime decided on Friday to make concessions by announcing the postponement of military orders--including Russian aircraft--and Bill

Clinton himself extended a helping hand to President Soeharto by giving some good advice over the phone. But much more will be needed to prevent the sunset of the last great Asian 'monarch' from becoming the sunset of a country that people used to see as an eldorado."

CANADA: "IMF May Be Hurting, Not Helping Asia"

The liberal Toronto Star made these observations (1/12): "In hindsight, it is easy to see what caused the crisis that has brought the seemingly invincible Southeast Asian economies to their knees. But the people charged with rescuing these economies appear to have very little foresight in charting a course to extricate the 350 million Asians suffering through this mess....

"Respected Harvard economist Jeffry Sachs says, 'There is no fundamental reason for Asia's financial calamity except financial panic itself. Asia's need for significant financial sector reform is...not a justification for harsh macroeconomic policy adjustments.' Yet that's precisely what the IMF is demanding from these countries--a severe macroeconomic tightening that is sure to push them into recession.... Not only is such an approach unfair, Sachs makes a strong case that it's counterproductive.... The IMF is supposed to put out economic fires, not fan the flames."

HUNGARY: "Everything Is Uncertain"

Influential Magyar H?rlap carried this comment (1/13): "For the time being, analysts are not united in their views on the causes of the Asian crisis.... The most common view experts seem to share is that 'the small tigers' were granting loans without limits. The result was a quite impressive growth index but, at the same time, their currencies had become overvalued. Then the whole process of correction brought anomalies of political and economic decision-making to the surface and showed that various interest circles could influence market mechanisms a great deal. This might be the case, but it does not necessarily mean that the treatment is quite simple.... It is not a certainty that the countries in question...(will) accept the diagnosis and they are the least certain to accept the costs of suggested treatments.... The question is whether they will manage to tackle the risks of the political and social conflicts of such treatments at all."

POLAND: "Indonesia's Economic Bomb Still Threatening To Explode"

Economic daily Prawo i Gospodarka observed (1/14): "At the very outset of the crisis...Soeharto has come under unprecedented pressure from various forces calling for him to retire. But concessions have never befitted the general, who bloodily suppressed the Communist coup in 1965.... Americans fear--and they are not alone--that the recent developments might lead to the worst-case scenario: political destabilization and riots as Indonesians grow bitter over lowered living standard, rising unemployment, shortages of food and other basics. The recent decision by Golkar--practically the only party in Indonesia that counts--to officially nominate Soeharto as a candidate for the March presidential election, will not eliminate these fears."

"The Old Man And The Crisis"

Centrist Rzeczpospolita's Ryszard Malik opined (1/12): "The [Indonesian] government has frozen government wages, closed down 16 private banks, and merged four state-owned banks out of the seven in operation. Will these moves prove sufficient? People are disappointed--instead of rises in salaries, new factories and new jobs, they might have to be faced with a crisis. How will the army respond when the people go out into the street to manifest their fears about jobs...and the future?... Although contested by many communities, the 76-year-old [Indonesian] head of state is convinced that...he will run for his seventh term in office. The army wants its strongman, General Faisal Tanjung, to become vice president. The constitution stipulates that when the head of state becomes incapable in his functions as the highest executive, the vice president takes over his duties. The military expects that sooner or later this is certain to happen."

RUSSIA: "Crisis Blamed On IMF"

Pyotr Rushailo said in reformist, business-oriented Kommersant Daily (1/13): "Many experts, including representatives of Europe's central banks, have blamed the IMF's ill-considered policy for the crisis in Indonesia. The crisis, they claim, could easily have been averted had the IMF intervened. The IMF failed to realize the gravity of what was coming."

"New Wave Of Bankruptcies Expected"

Vladimir Tzypin noted in reformist, business-oriented Russkiy Telegraf (1/13): "Foreign analysts agree that, as the crisis spreads, Peregrine 's fall may start a new wave of major bankruptcies in Asia."

SPAIN: "Soeharto Under Scrutiny"

Liberal El Pais emphasized (1/13): "The financial crises in Asia have revealed a void in Indonesian political leadership. More voices are beginning to be heard among the opposition and even the military that President Soeharto--who has remained all but invisible during the crisis--bring his 32 years in power to an end.... In contrast to what is transpiring in South Korea--where President Kim Dae Jung is attempting to re-establish confidence in his country--the lack of leadership in Indonesia is disquieting...given that Indonesia's fortunes could affect many of its neighbors in the region, such as Singapore, which has up to now remained unaffected by the speculative tsunami.... The Asian crisis has now demonstrated itself to be not just financial in nature, but also political, and could lead to a demand for greater democracy. In the view of Kim Dae Jung, the crisis arose because the region's leaders had placed top priority on economic growth and neglected democratic development. Could this crisis abruptly demystify the 'Asian model' so dear to its capitalist advocates?"

"Dangerous Short Cuts"

Conservative ABC told its readers (1/10): "Asian currencies avoided another free-fall yesterday, apparently thanks to a phone call by Bill Clinton to the region's leaders in which the U.S. president may have held out the hope of more active involvement by his country in resolving their problems. It would seem obvious, however, that this, in and of itself, will be unable to slow the deterioration of the financial systems in the affected countries.... [Short cuts to riches as represented by] the blooming of futures and options markets...that more nearly resemble casino betting than investing in productive enterprises have led to a crisis of confidence among international investors. Under these circumstances, the exhortations of American and European leaders are of little value."

LATIN AMERICA AND CARIBBEAN:

ARGENTINA: "Terrifying Statistics"

An editorial in the liberal, English-language Buenos Aires Herald exclaimed (1/13): "Some of the figures for Asian stock exchanges are little short of terrifying. Indonesia's index, down 63 percent in all of 1997, has fallen a further 45 percent already this year; Malaysia is down 70 percent for 1997 and now another 33 percent; Thailand 75 and 23 percent; Singapore 38 and 29 percent, etc. Just when South Korea seems to be bottoming out, Indonesia erupts--these bushfires followed by chain reactions are hard to stop. And here in Argentina the Stock Exchange has already fallen nearly 17 percent so far this year.... Even this region's star pupil, Chile--the most dynamic economy but also the most Asia-dependent--has been badly shaken.... The reasons for Asia's crisis...can be summed up as an inability to handle easy money wisely--corrupt bureaucrats and the Korean chaebol cartels deluded themselves that they could set the financial rules rather than be bound by them. The sheer volume of short-term debt means that the Pacific Rim's version of Latin America's 'lost decade' may be just beginning now, despite its huge advantages in cheap manpower. Yet rather than gloat, Latin America should be respectfully fearful of the ability of one-half of humanity to take the other half down with it."

BRAZIL: "The Crisis Of Asian Dictatorships"

Under the above headline, an editorial in center-right O Estado de Sao Paulo stressed (1/13): "South Korean President-elect Kim Dae Jung knows what he is talking about when he states that the root of the current Asian crisis is in the lack of democracy. In fact what is going on in Asian stock markets is just a consequence of prolonged and brutal dictatorships, or 'Asian-style democracies,' which are forms of government in which a thin veneer resembling democracy hides the absence of respect for individual rights and complete disdain for human rights, particularly those of the opposition."

"Decisive Week For Asia"

Liberal Folha de Sao Paulo's editorial judged (1/13): "Indicators reveal increasing fragilities in China. The number of those who believe in the hypothesis that China is immune to the collapse in Asia has been reduced.... China is now the major source of doubt in the Asian crisis... A collapse similar to the one that destroyed the Soviet Union would obviously have worldwide consequences."

"Asian Crisis, Phase 2"

Liberal Folha de Sao Paulo's lead editorial concluded (1/11): "The first week of 1998 ends with the clear perception that a...second phase of the Asian crisis has begun. The fact that U.S. President Bill Clinton has spent almost half an hour on the phone with his Indonesian colleague, Soeharto, is a clear evidence that the prospect of a disaster, even involving a less qualified 'tiger' as Indonesia, concerns the entire world.... The problem is that it is likely that there will be insufficient means to cover all the holes being opened up in Asia.... But there is also the political issue, which is represented by the lack of popular confidence in the [Asian] governments, a situation that paves the way for social conflicts of unpredictable outcomes."

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 14 Jan 1998 12:47:58 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
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#XP\ P6QyP#Bill Richey, Branch Chief Media Reaction (R/MR), #:x2PkCXP# #XP\
P6QyP#Richey@usia.gov, (202) 6196511 Ann Pincus,
Director, (2
02) 6196511

X` hp x (##Xn\ P6Qy&P#Wednesday, January 14, 1998
X` hp x (#%
ECONOMIC TURMOIL IN INDONESIA: 'SUNSET FOR THE SOEHARTO REGIME'?

X` hp x (#The eyes of Asia watchers overseas were fixed on Indonesia following

President Clinton's decision last weekend to dispatch an emergency team to
Jak
arta to undertake a series of consultations with the Indonesian government
on s
teps needed to overcome the severe financial crisis affecting that
country. In
early assessments of the talks held yesterday and Monday between
the U.S. team
, led by Deputy Treasury Secretary Lawrence Summers, highlevel
IMF officials an
d Indonesia's President Soeharto, a number of analysts
reacted positively to si
gns that the Indonesian government appeared ready to
adopt measures to stabiliz
e its economy. The optimism of such writers,
however, was tempered by fears th
at, in the words of the moderately
conservative Bangkok Post, "no one knows how
long Asia's monetary nightmare

will last (or) how much more scary it might bec
ome." Editors also worried
about possible political unrest in Indonesia in the
runup to elections in
March, when Mr. Soehartowho has not publicly declared hi
s candidacyis
expected to return to office for a seventh fiveyear term. Opinio
nmakers
also questioned the effectiveness of the IMF's "medicine" for the regio
n,
fretting that it might cause undue suffering at the lower economic levels of

society or trigger what Tokyo's liberal Asahi termed "radical nationalism and
antiAmerican sentiment dormant in the region." Following are salient points
ma
de in the commentary:
THE VIEW FROM INDONESIA: Although dailies in Jakarta stressed the need for
the
ir government to work with U.S. and IMF officials to find a way out of the
econ
omic crisis, a fairly strong current of opinion underscored Indonesia's
need fo
r "sovereignty," expressing the conviction that Indonesia "must avoid
any steps
that make (it) dependent on other nations." "Indonesians
understand best the
heart of the Indonesian economy," insisted
progovernment, Islamicoriented Haria
n Pelita. Significantly, the normally
reticent Indonesian press complained ab
out its government's failure to inform
the legislature and the public about the
results of its talks with Mr.
Summers and IMF officials. Other leading papers
complained about their
government's "lack of political will in combatting corr
uption," and called
for a more open political process. The leading, independen
t Jakarta Post
welcomed the "moral step" of Ms. Megawati Sukarnoputri, daughter
of
Indonesia's first president, Sukarno, in offering herself as a candidate fo
r
president.

'SIMMERING VOLCANOES': In comparative analyses of Indonesia, Thailand and
South
Korea, a number of pundits concluded that the democratic process was
the key t
o the successful alleviation of the pressures unleashed by the Asian
economic c
risis. These observers had high hopes that, following the recent
elections in
Thailand and South Korea, those countries are now in a good

position to institu
te the necessary reforms. In Indonesia's case, editors in
Europe and Asia stre
ssed that there were no mechanisms in place "whereby
power can be transferred p
eacefully from government to opposition." Many
analysts agreed with Brussels's
conservative Catholic La Libre Belgique in
concluding that Indonesia's economi
c woes, coupled with popular disaffection
with the regime, signaled "sunset for
the last great Asian 'monarch.'"
This survey is based on 75 reports from 25 countries, January 10 14.
EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC
X` hp x (#
INDONESIA: "Transparency And The Monetary Crisis"
X` hp x (#
Independent afternoon daily Suara Pembaruan pointed out (1/13): "Members of
P
arliament must take the initiative to work with the government to overcome
the
crisis. If the executive branch is slow in informing the legislative
body abou
t steps to deal with the crisis, the parliament should then take the
initiative
to ask for clarification on the IMF deal as well as what sorts of
reforms have
been undertaken. The unusual attention of international leaders
toward the pr
esident over the severe crisis should prompt the House of
Representatives and w
e, the people, to seek details about the agreement
between the government and
the IMF.... For, after a series of state
visitsthe IMF delegation, Deputy Secr
etary Summers, and Defense Secretary
Cohenthe public has not yet been informed
about the content of the
agreement."

"Admiring Reforms"

Independent Media Indonesia asserted (1/14): "The core of the nation's
proble
m is a political will to combat corruption by enforcing the laws
indiscriminate
ly. So long as the laws only serve those in power,
deregulation, debureaucrati
zation and even reforms would only be empty words.
We believe that the current
economic crisis would not have been so serious
had we been committed to good g

overnance."

"Economic Reforms And Sovereignty"

Businessoriented Bisnis Indonesia commented (1/14): "The highranking visitin g U.S. officials should not give the impression that they have come to tell us what to do...or that they have brought bargaining power that could cause disa ster to the 200 million Indonesian people. We can go to a negotiating table w ith them as long as they understand the current situation and that the results will be a mutually beneficial, winwin outcome. Indonesia is a sovereign countr y."

"Indonesia Will Continue To Be Consistent"

Ruling Golkar party's Suara Karya said (1/14): "The confusion concerning the 1998/99 State Budget seems to have cleared following the visits of IMF Executi ve Director Fischer and U.S. Deputy Treasury Secretary Summers.... We do not know yet what caused the confusion that prompted President Clinton and the IMF to send envoys to Indonesia. But, regardless of the reasons, in a more pruden t observance, it would be irrational for Indonesia to be inconsistent in implem enting reforms and economic restructuring to overcome the monetary crisis.... If some points in the State Budget sound contradictory, such as the 4,000 rupi ah rate...it was simply that that was the rate we assumed would apply by the ti me the draft budget was submitted to the House of Representatives. The same ho lds true for growth and inflation rates."

"IMF Cannot Work Magic"

Progovernment, Islamicleaning Berita Buana asserted (1/13): "Indonesia should make public what it will do with the aid and precisely what the IMF deal says .... There are two kinds of attitudes Indonesia can follow. First, to be coop erative like South Korea and Thailand, or to follow the action of Malaysia whi ch had the courage to do without IMF assistance.... We must

remember that th
e IMF is not a magician like David Copperfield. Our entire
society's determina
tion is essential if we are to remove the disease."

"Megawati's Moral Step"

The leading, independent, Englishlanguage Jakarta Post held (1/14): "With
the
national crisis which is engulfing economic and political
domains...people exp
ect shocking announcements....

"However, until last weekend nobody had expected any such element from ousted
o
pposition leader Megawati Soekarnoputri, the eldest daughter of Indonesia's
fir
st president.... But the coolheaded politician had a concept for solving
the p
recarious national crisis: Elect her as president of the nation....
Many bel
ieve that Megawati's move, although only a moral step, has potential
enough to
stir the established system and will help the push for more
transparency and po
litical openness."

"Reforms Are A Must"

Muslim intellectual Republika commented (1/13): "It is obvious that the
curre
nt crisis is turning into a political crisis.... In terms of leadership
reform
, we need honesty and the perspective that public interest is a top
priority.
We need a leader whose leadership spirit is inclined to use power
for all of th
e people. We will be able to find such a figure if we recruit
leaders using b
roader social bases.... We also need to revamp the
recruitment mechanism, tha
t is, the way we select leaders. The current
covert, exclusive and oligarchic
mechanism has to be changed for one that is
populist and transparent."

"IMF Comes, [But It Is] We Who Make The Decisions"

Progovernment, Islamicoriented Harian Pelita held (1/13): "Not only the
(IMF'
s Stanley) Fischer delegation has come to Jakarta, but also that of (IMF
DIrect
or Michel) Camdessus and (Deputy U.S. Treasury Secretary Lawrence)
Summers....

Using Summers' rhetoric (these visits were made) to pressure Indonesia to comp
ly with the IMF requirements and continue economic reforms.... The important t
hing is how to work handinhand with the IMF in an appropriate way; to determine the extent to which the requirements will further our economic development wit
hout crushing our creativity in managing our grassrootsoriented national econo
my. No matter how excellent the IMF framework may be, it is Indonesians who un
derstand best the heart of the Indonesian economy.... We have to avoid any ste
ps that will make us dependent upon other nations."

"IMF Demands Fulfillment Of Its Requirements"

Muslim intellectual Republika asserted (1/12): "To understand how complicate
d the IMF requirements are, we might consider Malaysia's reasons for not in tak
ing an IMF deal.... For Indonesia, 'tightening the belt' will risk the wrath o
f grassroots people...concerned with the cost of meeting basic needs. IMF poli
cies will only work if they are fine tuned in such a way as to focus on...secto
rs that no longer need government subsidies. We are relieved that, prior to re
view by the IMF team and Deputy Secretary Lawrence Summers, President Soeharto ordered a review of eight development projects due to start next year and post
poned seven other projects in anticipation of difficulty in financing."

"Public Won't Fall For Official Rhetoric Anymore"

Progovernment, Islamicoriented Harian Pelita made this point (1/12): "The pub
lic won't believe that government officials are not keeping any dollars. The '
Love (the Indonesian) Rupiah Movement' is likely to make the public learn who r
eally has dollar or other foreign currency accounts. Becoming more critical an
d smarter, our society is not be easily fooled by officials whose words are dif
ferent from their actions."

SOUTH KOREA: "Conglomerates' Reform"
X` hp x (#

Conservative Chosun Ilbo told its readers (1/14): "Presidentelect Kim Daejung
and the chairmen of the country's four largest business groups have met and ag
reed on five points on conglomerate reform which they feel will be the start of
revitalizing the economy....

"Nobody can confidently predict what will happen in the near future, especially
with the second Southeast Asian currency crisis still under way.... The adopt
ion of the fivepoint agreement is a significant starting point in a serious eff
ort to find solutions.... We believe that the agreement has the potential to
achieve what Mr. Kim and the business leaders hope it will. What is important
now is how soon...and in what way the implementation will be done."

"Conglomerate Reforms Should Not Slow Down"
X` hp x (#
Moderate Hankook Ilbo's editorial maintained (1/13): "Can't we see what is ha
ppening in Indonesia?... Our case is every bit as urgent; a little hesitation
on our part could easily lead to catastrophe. Conglomerates, which are the mai
n culprits in the current crisis, should cut their own flesh first."

"Second Financial Crisis In Southeast Asia"

Conservative Chosun Ilbo maintained in its editorial (1/11): "A Japan, which has invested and loaned more than $100 billion to Indonesia and Thailand, canno
t sit idly by as it did last time. It must aggressively take the lead with Eur
ope. It should not rely on the United States and the IMF to sort out the mess.
"

"Second Crisis In Southeast Asia"

In the view of moderate Hankook Ilbo (1/11): "Indonesia and Thailand...remain
'inactive volcanoes'we do not know when they will erupt. These two cases remi
nd us once again how easily we could be swept into a second foreign exchange cr
isis."

X` hp x (# THAILAND: "Time To Turn Talk Into Hard Currency"
X` hp x (#
The lead editorial of largest circulation, moderately conservative Bangkok
Pos
t commented (1/11), "Bill Clinton's halfhour telephone chat with
Indonesia's So
eharto on Friday may have steadied some government nerves in
our achingly cashf
rozen region, but hardly represented the reassurances
neededand expectedfrom A
merica and Europe. The U.S. president just
called to say he loved us. His v
ow to sustain Washington's aid program in
the wake of the rupiah's virtual coll
apse on Thursday was no doubt sincere,
but neither he nor anyone else can predi
ct how long Asia's monetary nightmare
will last and how much more scary it wil
l become.... If the United States
and the European Union cannot quickly find a
n escape valve, the pressure
building up in Asia could vent with worldwide cons
equences. Words from on
high are a fine thing, but they remain merely words un
til an interpretation
is found soon."

"U.S. Shows Concern Over Asia Crisis"

The lead editorial of the topcirculation, moderately conservative Bangkok
Post
commented (1/12): "There has been a noticeable sigh of relief over the
urgent
trip to Asia by Lawrence Summers, the deputy U.S. treasury
secretary.... Mr.
Summers will convey a tough message. He is a personal
believer in IMF remedies
. He has made believers out of others in the Clinton
Administration that the I
MF prescription must be followedand with no
painkillers.... The United States,
as the world's largest economy and
strongest nation, can help build confidence
in nations undergoing the worst
of the current economic problems.... (As) Ame
rica's oldest friend and ally
in Asia, we hope to welcome Mr. Summers this week
."

"Signs From Indonesia"

Jaroon Seri commented in largest circulation Thai Rath (1/12): "President
Cli
nton has done the right thing in joining hands with the IMF to help

Indonesia..
.. With U.S. assistance, things should get better."

AUSTRALIA: "Soeharto Faces His Greatest Crisis"

In the judgment of the liberal Canberra Times (1/13): "The real test is
wheth
er Indonesian President Soeharto has the wherewithal to deal with the
crisis.
For to deal with it successfully he will have to change his whole
way of thinki
ng. Hitherto, Mr. Soeharto, like other despots in the region,
has cited the ne
ed for developed nations to understand the Asian way to
development. Typically
this has meant no effective dissent against the
ruling regime and certainly n
o development of mechanisms whereby power could
be peacefully transferred from
government to opposition.... The Asian way
is falling apart. The only quest
ion for Indonesia is whether Mr. Soeharto
has the strength to acknowledge it an
d do something about it."

"IMF Walks Diplomatic Tightrope"

The national conservative Australian made this point (1/13): "The Indonesian

rescue, while rightly concentrating on cleaning out the banking sector, has
be
en questioned because of the IMF's demand for a budget surplus. The real
issu
e is whether the IMF conditions protect lenders at the expense of
ordinary Ind
onesians.... Yet the IMF must deal with debilitating effects of
cronyism if in
ternational credibility for some Asian economies is to be
restored. It is a c
omplex situation, a diplomatic and financial
tightrope.... In Indonesia, towin
g the IMF line is overlaid by the critical
questions of whether President Soeha
rto will stand for another term and if
he will anoint a successor. Unless the
se questions are answered to the
satisfaction of the Indonesian people, the IMF
's requirements will be seen as
secondary."

"Megawati's Challenge"

According to an editorial in the liberal Sydney Morning Herald (1/13): "It
is

unclear whether Ms. Megawati's call for President Soeharto to stand down is in
tended as the curtainraiser to a serious leadership challenge or merely an att
empt to garner further popular support from the current disaffection for her lo
ngerterm political ambitions. What is clear is that Ms. Megawati's statements
will deepen the uncertainty about Indonesia's immediate political future and th
at this uncertainty will make it more difficult to restore confidence in the co
untry's economic prospects.... If (President Soeharto) cannot convince the Uni
ted States and the IMF that they should support his reform efforts, Mr. Soehart
o will be in a very weak position trying to win the argument with Ms. Megawati
's supporters in the streets."

"Dark Days Far From Finished"

The national conservative Australian's Jakarta correspondent Patrick Walters commented (1/1011): "Soeharto's real predicament is that the confidence of ord
inary Indonesians in his government has collapsed.... The central pillar of So
eharto's rule, the robust performance of the economy, is tottering. For the fi
rst time, the Indonesian press is freely running stories quoting political figu
res calling for a change of leadership."

"Crunch Time For Soeharto"

The Jakarta correspondent Greg Earl argued in the national businessoriented Au
stralian Financial Review (1/1011): "Until the past week President Soeharto a
ppeared to have time on his side in the runup to the March electoral assembly..
.. But...as the middle class puts its loyalty into hard asset this week, the r
ival wings of Indonesian politics may have been moving to encircle the country
's 76yearold president with far greater finality than any currency trader could
ever imagine."
X` hp x (#

CHINA: "Soeharto Emphasizes Confidence"

Hong Bingming wrote for Xinhua in official Communist Party People's Daily (Ren
min Ribao, 1/14): "In Jakarta President Soeharto had a meeting with Deputy U.S
. Treasury Secretary Lawrence Summers. Soeharto emphasized that the Indonesian
people need confidence to overcome the financial crisis. President Soeharto
recognized that Indonesia needs to work closely with the IMF to create confide
nce to help the Indonesian people."
X` hp x (#
"Korean President Requires SpeedUp In Structural Adjustment"

Wang Linchang said this in official Communist Party People's Daily (Renmin Rib
ao, 1/14): "In order to carry out the agreement with the IMF, Korean Presiden
t Kim requires large enterprises to increase transparency and accelerate stru
ctural adjustment."

"Asian Financial Situation Worsens"

Official Communist Party People's Daily Overseas Edition (Renmin Ribao Haiwaib
an, 1/12) had this comment by Zhang Lianghua: "(Southeast Asian) governments i
nvolved should adopt positive and effective measures...otherwise, more enterpri
ses and financial markets will go bankrupt, thus affecting the Asian and possib
ly the world economy."

HONG KONG: "Soeharto Sees Need For Strong Steps"
X` hp x (#
The independent, Englishlanguage Hong Kong Standard remarked (1/14): "Indones
ia yesterday outlined plans to pull the nation back from the brink of financial
disaster with reforms for the beleaguered economy following meetings with seni
or U.S. and International Monetary Fund (IMF) officials.... Indonesia's meetin
gs with senior U.S. and IMF officials helped breathe fresh life into its share
and currency markets."

"International Cooperation Needed To Settle Crisis"
X` hp x (#
Independent Sing Tao Daily News made these observations (1/13): "During the

October Crisis,' President Clinton referred to the Asian financial crisis as
'a
small bump on the road.' However, the IMF rescue plan...still hasn't
produced
any results. Even worse, the situation is deteriorating.... Some
expertssuch
as the chief economist for the IMFhave remarked that the
IMF's plan might do m
ore harm than good to the countries suffering from the
crisis.... IMF and U.S.
government officials...should realize how critical
the crisis is and draw up a
n effective plan as soon as possible. Resolving
the Asian financial crisis wou
ld, after all, be good news to all. Economic
depression will only lead to soci
al instability and political upheaval in the
[Asian] countries, which would cer
tainly spoil the harmony of the world."

"Western Intervention Crucial"

The independent Hong Kong Economic Times maintained (1/12): "Western
countrie
s, led by the United States, discern that the threat of the Asian
financial cri
sis may sweep the world. Whether or not they exert themselves
to stop the cri
sis is crucial to whether or not the turmoil will subside."

"Rising To The Challenges That Face Us"

An editorial in the independent, Englishlanguage South China Morning Post
poin
ted out (1/11): "The role of overextended private sector companies in
the cris
is means that the classic IMF medicine, designed for profligate
governments, is
not an altogether appropriate cure. Nobody has any idea as
to when the unrave
ling of dollar debts, with its remorseless downward
pressure on currencies, wil
l end.

"Because of the interlocking nature of the region, economies whose
fundamentals
are strong cannot escape the woes of others."

"Indonesian Powder Keg"

According to an editorial in the independent, Englishlanguage South China
Morn
ing Post (1/10): "It is far from desirable to see Indonesia get away
with igno

ring promises of financial reform which it made only a few months
ago. It woul
d certainly have been far preferable if the IMF had set more
appropriate terms
that Jakarta could have been realistically expected to
meet. Now the only alte
rnative is to allow such a huge nation go bankrupt,
with all the dire consequen
ces this would bring. So the world has no choice
but to continue to prop up In
donesia while trying to nudge it back toward the
path of fiscal prudence."

X` hp x (# JAPAN: "Asian Financial Crisis And Democratization"

Liberal Asahi's Asian bureau chief Shimada observed (1/14): "The economic
cri
sis in Asia, which began with the currency crisis in Thailand, has left
the re
gion bogged down in the mire. In return for the emergency loans from
the IMF (
needed to overcome present difficulties) Thailand, Indonesia and
South Korea h
ave promised to fully reform their administrative and economic
systems. Shoul
d these reforms not be successful, however, they might cause
the resurgence of
radical nationalism and antiAmerican sentiment dormant in
the region. The meas
ures these nations undertake to overcome the financial
and monetary crisis will
indicate how mature democratization has become in
each country. The present
Asian financial unrest is an occasion for the
United States and Japan to reflec
t on what new security system should be
maintained in the region."

X` hp x (# "Soeharto Responsible For Putting End To Indonesia's Financial Crisi
s"

According to conservative Sankei (1/13): "It used to be taboo in Indonesia
to
call for the Indonesian president (Soeharto) to step down. People are now
publ
icly calling for his resignation, and rumors of his ill health have
spread quic
kly since he missed the ASEAN summit late last year. The present
political unr
est occurs at a delicate timeonly months before presidential
elections in March
. Soeharto is now called on to demonstrate strong
leadership in tackling the p
resent crisis. Fortunately, Jakarta has decided

to submit economic reform plan
s in line with IMF conditions for extending the
bailout package."

"Structural Economic Reforms Face Obstacles"

X` hp x (#Businessoriented Nihon Keizai Shimbun's diplomatic reporter Matsuno wrote
(1/12): "The IMF is asking (Thailand, Indonesia and South Korea) to ado
pt a
'shock therapy' of budgetary and financial austerity, knowing that such
me
asures will surely slow down economic activity. It is not easy to obtain
domes
tic support for such painful policies; each country has been unable to
take the
bold actions necessary for overhauling their economic systems.
Questions are
being raised about the appropriateness of the IMF method. It
appears as if eac
h nation's economic reforms will not proceed as had been
originally planned."

MALAYSIA: "Global Prescription Needed"

X` hp x (#The governmentinfluenced daily Business Times held (1/14): "With
th
e...potential saviorthe IMFmaking little headway in quelling the storm,
the sea
rch for the correct prescription [for the East Asian financial crisis]
has to b
e stepped up. The IMF's very approach has been called into question
in recent
days as the problems in Thailand, Indonesia and South Korea
threaten to overwhe
lm even Singapore and Hong Kongthe two pillars of the
East Asian economic mirac
le. The road to recovery can be expected to be
long and rough, and the first
step will have to be containment, but the
impression is that those who are in
a position to help resolve the
difficulties are interested in only that and lit
tle more....

"The presence of IMF and U.S. officials in the region this week is a
positive
sign, though one that has not escaped the stock markets which
rallied strongly
across the region yesterday. Perhaps, it is an indication
that after six mont
hs of turmoil, the major powers are now recognizing that
measures aimed at cont
aining the epidemic are not only ineffective, but

could well also be counterpr
oductive in the face of a globalized world."
X` hp x (#
"Time For IMF To Explain"

The governmentinfluenced daily Business Times insisted (1/10): "The IMF ought
to be brought in immediately for questioning over the battering of the Indones
ian rupiah and share market this week. And also for falling to bring any sign
of improvement to Thailand, the first economy in the region that it extended a
bailout package to, and former Asian 'tiger,' South Korea. There is a growing
number of people and institutions demanding an explanation about what the IMF i
s doing for, or to, Asia's roiled markets to make things so much worse than the
y had been before the Fund was called in.... Several...countries have demande
d for more transparency on the part of the IMF and its bailout packages. Cert
ainly, the Fund owes it to member countries to explain why the billions it has
pumped into Indonesia, Thailand and South Korea have managed only to push thes
e economies deeper into the mud. It owes it to members also to defend its cred
ibility and tell the World Bank and the other institutions and individuals that
the IMF is, indeed, doing the right thing. And if it is the right thing, then
the situation in the affected countries will become right soon."

X` hp x (# PHILIPPINES: "Soeharto And The Masters Of The Universe"
X` hp x (#
X` hp x (#Under the above headline, Nelson Navarro wrote in the independent Ma
nila Standard (1/14): "As everyone is well aware, the United States and the I
MF want all those 'zaibatzus,' 'chaebols,'...and crony firms under tight contro
l, if not neutered for good.... Yet going after these giant concentrations of
power in Asia virtually means chopping down established national elites.... Bu
t in whose behalf? The local bourgeoisie and aspiring middle classes or simply
those Western conglomerates whose claims to being global are hindered only by
Asian cartels and monopolies?... The United States and IMF cannot really pass

(themselves) off as disinterested and
neutral. To follow their advice to the
letter translates into disarming the
same guys and partners they have been doin
g business with. Perhaps this can
be done in Indonesia because Soeharto is ult
imately expendable. But with
Japan and China, the masters of the universe wil
l have to be a little more
patient and forgiving."

"Rooseveltian Cure For Asia's Crisis"

Columnist Herman Tiu Laurel wrote in the liberal Today (1/13): "The ultimate
blame for the Asian economic collapse is not what the international finance
est
ablishment wants us to believe. The mouthpieces of these private
financial ins
titutions harp on alleged ASEAN and Asian government profligacy,
but the real c
ulprits are privatesector loans abetted by these international
banks and 'hot
money' investors in conspiracy with local finance brokers....
We should not p
lay roulette with our economy and financial system but
introduce sane, rationa
l, determined intervention and regulation to control
irrational market forces..
.. (Some leaders) are asking for more intervention
and regulation. But they a
re fearful to admitting it and saying it outright
because of the IMF punishment
that would be forthcoming. The IMF is pure
evil, and don't let the instituti
onal press and the local brown globalist
fool you, dear reader.... There are s
olutions to avert the profound
catastrophe facing us. There are historical pre
cedents, like the
Rooseveltian solution to the Great Depression. These soluti
ons are staring
us in the face, waiting to be programmed and implemented."

SINGAPORE: "Help Indonesia Help Itself"
X` hp x (#
X` hp x (#The progovernment Straits Times maintained (1/14): "It does not tak
e a
genius to figure out that Indonesia is the key to regional stability.

"The fourthlargest nation in the world cannot possibly be allowed to slip
out o
f the orbit of viable states. An unstable Indonesia would not only
unravel the
tremendous gains of the past 32 years of President Suharto's

rule, but would a
lso have serious, perhaps disastrous, effects on the rest of
the world. Thus t
he swiftness with which the Americans and the Japanese
responded to the present
crisis. The Indonesian authorities, though, should
be careful not to take for
granted the world's concern for their country's
welfare. The international co
mmunity cannot possibly do anything to help
them if they are not prepared to he
lp themselves."
X` hp x (#
"Return To Pegged Rates?"

The progovernment Business Times told its readers (1/13): "Regional
authoritie
s should perhaps consider reestablishing some sort of pegged rate
at which loca
l currencies can be exchanged for U.S. dollars, if the danger of
a fullblown cu
rrency panic is to be avoided. This suggestion is not as
perverse as may appe
ar, given that it was effective adherence to fixed rates
that caused Asian curr
encies to become overvalued in the first place,
thereby encouraging an orgy of
foreign borrowing and causing an eventual
currency collapse. It is a question
now of forcemajeure and the need to
reestablish some credibility for the region
's currencies, even if at
significantly depreciated rates from those prevailing
six months ago. Until
Asian currencies show tangible signs of bottoming out,
they will continue to
be sold by nationals of the countries concerned and by fo
reign holders. This
will lead to further weakness and the chances of attractin
g muchneeded
foreign loans and investment will evaporate."
X` hp x (#
SOUTH ASIA

X` hp x (# INDIA: "U.S. Bailout Plans May Run Into Trouble"

Sridhar Krishnaswami, Washington correspondent for the centrist Hindu, opined
(1/14): "Even as the Clinton administration seems keen on giving the
impressio
n that it is on top of the Asian crisis and that Washington is
taking every ste
p to get the region out of the financial and economic
turbulence, the big quest
ion is if words will be matched with 'funds.'...

Influential Republicans are a
sking the question if the involvement in the
bailouts in Asia was in the best i
nterests of the United States....
Conservative Republicans are also asking if
the United States has to be
involved in everyone of the sinking states in the A
siaPacific. Although no
names are being mentioned, it is quite obvious that so
me lawmakers have
reservations about getting on board to help nations like Ind
onesia, with
whom there is always a running battle over issues of human rights
and
democracy."
X` hp x (#
"Crisis Unabated"
X` hp x (#
According to the nationalist Hindustan Times (!/14): "The crash in the Hong
K
ong stock market on Monday following the liquidation proposal of Peregrine
Inve
stment Holdings Ltd...has accentuated the crisis in the Asian markets
taking li
ttle cognizance of the bailout efforts being made by the...IMF and
the U.S. gov
ernment.... What is significant about the ASEAN crisis is that
this has been c
aused primarily by the failure of the corporate houses and the
banking sector,
and not so much by the governments, yet the IMF package is
meant to help not so
much the struggling governments, as the Western banks,
especially from the Uni
ted States, which have contributed most to the
aggravation of the crisis."

BANGLADESH: "What If IMF Remedy Fails?"

The centrist, Englishlanguage Independent raised these issues (1/11): "The
per
tinent question is, what if the IMF's remedy fails? Critics argue that
the IMF
's application of the same austerity politics in Asia...that it did in
Latin Am
erica in the past, without differentiating between the patterns of
the economie
s in the two regions, has 'turned a dangerous situation into a
calamitous situa
tion.' More severe critics, plainly skeptical of the need
for the IMF altogeth
er, say that too much market liberalization too soon
wrecked the South Korean e
conomy.

"This is not the answer. Perhaps Malaysia's selfreliant bids to find an
altern
ative way out of the mess will shed new light on the matter."

X` hp x (#EUROPE

X` hp x (# GERMANY: "The Firm Hold Of The Dictator Is Loosening"

X` hp x (#Stefan Klein had this to say in an editorial in centrist Sueddeutsche

Zeitung of Munich (1/13): "Stanley Fischer...the 'fire department' official
f
rom Washington, had only one purpose: to reassure the highlynervous
Indonesian
financial market and to stop the devaluation of the rupiah. Last
week showed
that the embattled rupiah reacts to such maneuvers and evidence
of this was a
telephone conversation between President Clinton and President
Soeharto which r
evived the rupiah after it had lost almost 80 percent of its
value to the doll
ar....

"The exchange rate of Indonesia's currency obviously depends on things that
ar
e being done or said in far away Washington.... The monetary and economic
cris
is has long since gained a highly political dimension. President
Soeharto...i
s today no longer part of the solution but part of the
problem.... He is help
less, incapable of leading, and without a clear
conceptthus Soeharto is presidi
ng over the growing economic chaos and the
erosion of his own power.... And i
n March, he wants to be reelected despite
his embattled health. The reelection
has so far been only a formality...but
this time, there could be a showdown.
Never before in the preparatory stage
of the presidential elections have so m
any critics left their cover and
openly demanded an end to the Soeharto rule..
.. It may be possible that the
Americans will be able to prompt Soeharto to e
mbark on a course of reforms,
but no one should expect him to show great zeal i
n destroying the business
empires of his clan.... But this crisis will turn int
o a disaster if
hesitance continues. And the consequences would go far beyond
the island

itself . Cholera or plagueare the...alternatives Soeharto faces at
the end
of his career."

"Crisis Of Globalization"

Herbert Kremp noted in rightofcenter Die Welt of Berlin (1/14): "Since the
su
mmer of last year, the world has faced the first great crisis of
globalization
which is jeopardizing...not only the financial markets and
jobs, but also call
ing into question the political order, creating an unusual
phenomenon: Reforms
, something all people turning to the IMF have demanded,
may end up in a revolu
tion.... The current political situation in Southeast
Asia is very serious. T
he political elite...is helpless in view of the
current crisis."

"Replacing The Dinosaurs Of Confucian Capitalism"

National radio Deutschlandfunk of Berlin (1/13) broadcast the following
comme
ntary by T. Gaertner: "President Soeharto in Indonesia (and)
sharptongued Prem
ier Mahathir in Malaysia are dinosaurs of this era. But
with the end of Confuc
ian capitalism, the autocrats of this busted economic
boom are no longer neces
sary. It is only a question of time until they are
replaced."

"Japan: CoResponsible For Disaster"

Rightofcenter Esslinger Zeitung (1/13) concluded, "Economics Minister
Rexrodt
is undoubtedly right with his assessment that the developments in
the region c
an be got under control only if the situation in Japan can be
stabilized. Japa
n's political leadership must draw the conclusion that it is
coresponsible for
the disaster, because it did not want to recognize the
bank crisis for fear of
losing face."

"Without Soeharto"

Christoph Rabe editorialized in business Handelsblatt of Duesseldorf (1/12): "Unlike in Seoul, where the change in the presidential office paved the way for
a new beginning, the old guard in Jakarta is clinging to power. It is true th
at Indonesia does not have the economic power of South Korea, but it is a stra
tegically and economically important country in Southeast Asia. It is the bigg
est Muslim country in the world and, with its more than 200 million people, it
is the fourth most populous country...in the world. A country which is so rich
in natural resources and has such an economic potential should no longer remai
n the plaything of an elite group of people who have distinguished themselves b
y egotism rather than by zeal for reforms. Confidence in Indonesia's policy ca
n be restored only in nepotism in the country disappears once and for all."

X` hp x (# BRITAIN: "Bruised But Not Broken"
X` hp x (#
The centrist Herald of Glasgow had this editorial view (1/13): "Asia's econom
ic crisis, which has engulfed the socalled tiger economies one by one in classi
c domino style, is a compelling illustration of the grave risks involved in pur
suing rapid economic growth without regard to the principles of sound finance..
.. So far, Western markets have been bruised but not broken by Asia's crisis..
.. It is difficult to quantify the impact of Asia's woes on the advanced count
ries of the West. To the extent that it reduces world economic growth, the eff
ect will be counterinflationary. World trade will suffer, but it is not a time
for panic."
X` hp x (#
"Americans Fear Uprising Over Indonesia Crisis"
X` hp x (#
According to the conservative Daily Telegraph from Washington (1/13): "Washin
gton has made clear that its support for Mr. Soeharto is not openended. And a
spokesman for the National Security Council hinted that Washington was already
looking to an era in which Mr. Soeharto was no longer the dominant figure."

X` hp x (# FRANCE: "No Signs Of Ending..."

X`   hp x (#
JeanLouis Gombaud told his audience on privately run Europe One radio
(1/13):
"Financially and geographically, Asia affects Europe. European
exchanges expe
rienced yesterday a major fall they will not soon forget....
And concern is gr
owing that the Asian crisis is not ending. The longer it
lasts, the more it wil
l lead to deflationary measures...and stunted growth."

ITALY: "Oxygen For Asian Tigers"

Leftleaning, influential La Repubblica noted (1/14): "Asia is sighing with
rel
ief, Wall Street is recovering and the Milan stock exchange continues to
gallop
. International financial markets enjoyed considerable gains yesterday
due to
the slight improvement in the feelings of investors in the Far East,
encouraged
by the reassuring statements made by U.S. Deputy Treasury
Secretary Summers.
But the overall atmosphere remains delicate and the
emergency is certainly not
yet over."
X`   hp x (#
"Asian Flu"

X` hp x (#New York correspondent Stefano Trincia assessed the situation in Ind
onesia
for Rome's centrist Il Messaggero (1/12): "It looked like a simple Asia
n
flu, serious but transitory, curable with a substantial injection of dollars
and with the intrinsic strength of the U.S. economy. But it now risks
turning
into a viral pneumonia, fatal for the Asian tigers both from an
economic and po
litical point of view. And extremely contagious for
international productivity
, mainly in the United States.... Aspirin is no
longer sufficient in Asia, the
re is need for strong antibiotics.

"A U.S. and international emergency team has hastened to the sickbed of the
Asi
an patient. Specifically, Soeharto's Indonesia, which is the most serious
pati
ent at the present time."
X`   hp x (#
AUSTRIA: "American Lesson"

A frontpage commentary by KarlPeter Schwarz in conservative Die Presse

advised
(1/14): "The American crisis management in Asia is going full blast.
Jakarta
is currently at the center of the attention.... This political
offensive is a
imed at backing up the International Monetary Fund, because it
was the hesitat
ing attitude of the Indonesian regime vissvis its proposals
which caused the re
cent severe monetary crisis in Asia. What can be done in
the case of a monetar
y crisis, is illustrated by the successful example of
Argentina, where the pes
o obtained full convertibility, was tightly linked
to the dollar and covered b
y dollar reserves. In the case of Indonesia...the
prestige projects of Soehar
to and his corrupt clique have to be suspended,
protectionist measures have to
be eliminated; competition must be introduced
where political and family ties
have ruled. In other words: The 'Asian
model' must be replaced by the America
n, the economically liberal one. This
is not only true for Indonesia, but als
o for South Korea, Thailand, Japan,
etc. Not long ago, ' mega' trend research
ers of Naisbitt's stamp wanted to
fool the world into believing that an ' Asia
n century' would follow the
American one. Two years before the beginning of t
his 'mythical Asian'
century, Asia is getting down to learning the American l
esson."

X` hp x (# BELGIUM: "Potential 1930sStyle World Financial Crisis"
X` hp x (#
X` hp x (#Robert Falony observed (1/13) in socialist La Wallonie, "The crisis
of
capitalism in Asia is not contained. If it spreads to China and Japan, it
w
ill threaten the entire planet. This crisis isn't temporary either: Those
who
were thinking at the end of 1997 that everything would be promptly
stabilized
must already acknowledge their serious misjudgment.... One thing
is clear: T
he course of events in Asia will cause serious social unrest
there.... The IMF
austerity recipes risk causing all the traditional
deflationary consequences.
At the same time, one 'must' intervene:
Confronted with the risk of a worldwi
de 1930stype crisis, governments

cannot let the Asian banks go under. They hes
itate between bankrupted
liberal principles and necessary interventionism which
they dislike."

"Sunset For Soeharto Regime?"

Conservative Catholic La Libre Belgique's Philippe Paquet warned (1/10):
"Ala
rming signals are multiplying for the Soeharto clan which, in 30 years of
absol
ute power, has turned Indonesia into a giant family business run by
corruption
and nepotism.... Agitation has taken an even more alarming turn
with...big ent
erprises (having become) exasperated by the interference of the
Soeharto childr
en, who have infiltrated in all sectors of
activities...generally by investing
only their 'calling cards'...(and) also
by the stubbornness of a government whi
ch insists on presenting a budget that
does not meet the conditions set by the
IMF for granting $33 (sic) billion in
assistance.

"Of course, the regime decided on Friday to make concessions by announcing
the
postponement of military ordersincluding Russian aircraftand Bill
Clinton himse
lf extended a helping hand to President Soeharto by giving some
good advice ove
r the phone. But much more will be needed to prevent the
sunset of the last gr
eat Asian 'monarch' from becoming the sunset of a
country that people used to s
ee as an eldorado."

CANADA: "IMF May Be Hurting, Not Helping Asia"

The liberal Toronto Star made these observations (1/12): "In hindsight, it
is
easy to see what caused the crisis that has brought the seemingly
invincible S
outheast Asian economies to their knees. But the people charged
with rescuing
these economies appear to have very little foresight in
charting a course to ex
tricate the 350 million Asians suffering through this
mess....

"Respected Harvard economist Jeffry Sachs says, 'There is no fundamental
reason
for Asia's financial calamity except financial panic itself. Asia's

need for
significant financial sector reform is...not a justification for
harsh macroeco
nomic policy adjustments.' Yet that's precisely what the IMF
is demanding from
these countriesa severe macroeconomic tightening that is
sure to push them int
o recession.... Not only is such an approach unfair,
Sachs makes a strong case
that it's counterproductive.... The IMF is
supposed to put out economic fire
s, not fan the flames."

HUNGARY: "Everything Is Uncertain"

Influential Magyar H1rlap carried this comment (1/13): "For the time being,
a
nalysts are not united in their views on the causes of the Asian crisis....
T
he most common view experts seem to share is that 'the small tigers' were
grant
ing loans without limits. The result was a quite impressive growth index
but, a
t the same time, their currencies had become overvalued. Then the
whole proces
s of correction brought anomalies of political and economic
decisionmaking to t
he surface and showed that various interest circles could
influence market mech
anisms a great deal. This might be the case, but it
does not necessarily mean
that the treatment is quite simple.... It is not a
certainty that the countrie
s in question...(will) accept the diagnosis and
they are the least certain to a
ccept the costs of suggested treatments....
The question is whether they will
manage to tackle the risks of the political
and social conflicts of such treatm
ents at all."

POLAND: "Indonesia's Economic Bomb Still Threatening To Explode"

Economic daily Prawo i Gospodarka observed (1/14): "At the very outset of
the
crisis...Soeharto has come under unprecedented pressure from various
forces ca
lling for him to retire. But concessions have never befitted the
general, who
bloodily suppressed the Communist coup in 1965.... Americans
fearand they are
not alonethat the recent developments might lead to the
worstcase scenario: pol
itical destabilization and riots as Indonesians grow

bitter over lowered living
standard, rising unemployment, shortages of food
and other basics. The recent
decision by Golkarpractically the only party
in Indonesia that countsto offic
ially nominate Soeharto as a candidate for
the March presidential election, wil
l not eliminate these fears."

"The Old Man And The Crisis"

X` hp x (#Centrist Rzeczpospolita's Ryszard Malik opined (1/12): "The [Indon
esian]
government has frozen government wages, closed down 16 private banks, an
d
merged four stateowned banks out of the seven in operation. Will these
moves
prove sufficient? People are disappointedinstead of rises in
salaries, new fa
ctories and new jobs, they might have to be faced with a
crisis. How will the
army respond when the people go out into the street to
manifest their fears abo
ut jobs...and the future?... Although contested by
many communities, the 76yea
rold [Indonesian] head of state is convinced
that...he will run for his seventh
term in office. The army wants its
strongman, General Faisal Tanjung, to beco
me vice president. The
constitution stipulates that when the head of state bec
omes incapable in his
functions as the highest executive, the vice president ta
kes over his duties.
The military expects that sooner or later this is certain
to happen."

X` hp x (# RUSSIA: "Crisis Blamed On IMF"

Pyotr Rushailo said in reformist, businessoriented Kommersant Daily (1/13):
"
Many experts, including representatives of Europe's central banks, have
blamed
the IMF's illconsidered policy for the crisis in Indonesia. The
crisis, they c
laim, could easily have been averted had the IMF intervened.
The IMF failed to
realize the gravity of what was coming."

"New Wave Of Bankruptcies Expected"

Vladimir Tzypin noted in reformist, businessoriented Russkiy Telegraf

(1/13):
"Foreign analysts agree that, as the crisis spreads, Peregrine 's
fall may sta
rt a new wave of major bankruptcies in Asia."
X` hp x (#
X` hp x (# SPAIN: "Soeharto Under Scrutiny"

Liberal El Pais emphasized (1/13): "The financial crises in Asia have
revealed
a void in Indonesian political leadership. More voices are
beginning to be he
ard among the opposition and even the military that
President Soehartowho has r
emained all but invisible during the
crisisbring his 32 years in power to an en
d.... In contrast to what is
transpiring in South Koreawhere President Kim Da
e Jung is attempting to
reestablish confidence in his countrythe lack of leader
ship in Indonesia
is disquieting...given that Indonesia's fortunes could affec
t many of its
neighbors in the region, such as Singapore, which has up to now r
emained
unaffected by the speculative tsunami.... The Asian crisis has now
de
monstrated itself to be not just financial in nature, but also political,
and c
ould lead to a demand for greater democracy. In the view of Kim Dae
Jung, the
crisis arose because the region's leaders had placed top priority
on economic g
rowth and neglected democratic development. Could this crisis
abruptly demyst
ify the 'Asian model' so dear to its capitalist advocates?"

"Dangerous Short Cuts"

X` hp x (#Conservative ABC told its readers (1/10): "Asian currencies avoided
another
freefall yesterday, apparently thanks to a phone call by Bill Clinton t
o
the region's leaders in which the U.S. president may have held out the hope
of more active involvement by his country in resolving their problems. It
woul
d seem obvious, however, that this, in and of itself, will be unable to
slow th
e deterioration of the financial systems in the affected countries....
[Short
cuts to riches as represented by] the blooming of futures and options
markets..
.that more nearly resemble casino betting than investing in
productive enterpri
ses have led to a crisis of confidence among international

investors. Under th
ese circumstances, the exhortations of American and
European leaders are of lit
tle value."

X` hp x (#LATIN AMERICA AND CARIBBEAN:

ARGENTINA: "Terrifying Statistics"

An editorial in the liberal, Englishlanguage Buenos Aires Herald exclaimed (1/
13): "Some of the figures for Asian stock exchanges are little short of terrif
ying. Indonesia's index, down 63 percent in all of 1997, has fallen a further
45 percent already this year; Malaysia is down 70 percent for 1997 and now anot
her 33 percent; Thailand 75 and 23 percent; Singapore 38 and 29 percent, etc.
Just when South Korea seems to be bottoming out, Indonesia eruptsthese bushfir
es followed by chain reactions are hard to stop. And here in Argentina the St
ock Exchange has already fallen nearly 17 percent so far this year.... Even th
is region's star pupil, Chilethe most dynamic economy but also the most Asiadep
endenthas been badly shaken.... The reasons for Asia's crisis...can be summed up as an inability to handle easy
money wiselycorrupt bureaucrats and the Korea
n chaebol cartels deluded themselves that they could set the financial rules ra
ther than be bound by them. The sheer volume of shortterm debt means that the Pacific Rim's
version of Latin America's 'lost decade' may be just beginning no
w, despite its huge advantages in cheap manpower. Yet rather than gloat, Lati
n America should be respectfully fearful of the ability of onehalf of humanity to take
the other half down with it."

BRAZIL: "The Crisis Of Asian Dictatorships"

Under the above headline, an editorial in centerright O Estado de Sao Paulo st
ressed (1/13): "South Korean Presidentelect Kim Dae Jung knows what he is talk
ing about when he states that the root of the current Asian crisis is in

the la
ck of democracy. In fact what is going on in Asian stock markets is
just a con
sequence of prolonged and brutal dictatorships, or 'Asianstyle
democracies,' w
hich are forms of government in which a thin veneer resembling
democracy hides
the absence of respect for individual rights and complete
disdain for human rig
hts, particularly those of the opposition."

"Decisive Week For Asia"

Liberal Folha de Sao Paulo's editorial judged (1/13): "Indicators reveal
incr
easing fragilities in China. The number of those who believe in the
hypothesi
s that China is immune to the collapse in Asia has been reduced....
China is no
w the major source of doubt in the Asian crisis... A collapse
similar to the
one that destroyed the Soviet Union would obviously have
worldwide consequences
."

"Asian Crisis, Phase 2"
X` hp x (#
Liberal Folha de Sao Paulo's lead editorial concluded (1/11): "The first
week
of 1998 ends with the clear perception that a...second phase of the
Asian cris
is has begun. The fact that U.S. President Bill Clinton has spent
almost half
an hour on the phone with his Indonesian colleague, Soeharto, is
a clear eviden
ce that the prospect of a disaster, even involving a less
qualified 'tiger' as
Indonesia, concerns the entire world.... The problem is
that it is likely that
there will be insufficient means to cover all the
holes being opened up in As
ia.... But there is also the political issue,
which is represented by the lac
k of popular confidence in the [Asian]
governments, a situation that paves the
way for social conflicts of
unpredictable outcomes."
X` hp x (#
##
X` hp x (#%#Xx\ P6QyXP#

================= END ATTACHMENT 2 =================

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: ajc-dc (ajc-dc@clark.net@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 3-FEB-1998 11:39:00.00

SUBJECT: FYI -- CQ Analysis of the President's Budget: Part 2 of 2

TO: Deborah B. Mohile (Deborah B. Mohile@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
warning systems for unsafe food and emerging infectious diseases.

The proposed budget also seeks $4.7 billion next year for the Head Start program, as well $7.5 billion in grants to states to help low- and moderate-income parents pay for child care.

The budget plan also includes the president's previously announced plan to allow workers as young as 55 to buy into Medicare, as well as renewed efforts to crack down on waste, fraud and abuse in Medicare and Medicaid. The budget includes an additional $138 million for proposals that the administration says will save $2.4 billion over the next five years. The budget also proposes establishment of a three-year, $750 million demonstration program to administer cancer clinical trials for Medicare beneficiaries.

The Health Care Financing Administration, which administers Medicare and Medicaid, is budgeted for $317 billion, an increase of $17.6 billion.

HOUSING AND URBAN DEVELOPMENT

The president's proposal to increase spending at the Department of Housing and Urban Development (HUD) by $664 million rejuvenated HUD officials, who in recent years have become accustomed to dealing with cuts.

HUD Secretary Andrew M. Cuomo called the $31.6 billion budget "the best HUD budget in over a decade" and declared HUD "back in the housing business."

The number of federally funded public housing units has declined since 1996, with dilapidated projects demolished more quickly than new units have been built, Cuomo said. Clinton's budget aims to increase housing assistance to the poor, but not primarily by adding public housing units.

Instead, the budget would generate 103,000 more vouchers to subsidize the cost of private apartments rented by the poor. The administration would reserve 50,000 of those additional vouchers for welfare recipients moving into jobs. Most of the remainder would be set aside for families trying to escape homelessness or reunite, or for the elderly.

Much of the proposed new spending would actually occur after fiscal 1999. The welfare-to-work vouchers would cost $283 million in budget authority, but with only $27 million in outlays expected in fiscal 1999.

The administration also proposes to help three million additional families buy homes over the next five years, primarily by increasing the number of mortgages insured by the Federal Housing Administration (FHA). HUD estimates that the proposal would generate an additional $228 million in federal revenue in fiscal 1999.

The HUD budget also contains many of the administration's proposals to revitalize inner cities. Among them is $150 million in budget authority to launch the president's empowerment zone programs created in the fiscal 1998 budget agreement, and $50 million in budget authority to help communities rehabilitate environmentally contaminated areas. The administration would also create "home ownership zones," providing five communities with $5 million in future years to create mixed-income neighborhoods in areas that are now largely abandoned.

INTERIOR

The Clinton's administration $7.9 billion fiscal 1999 budget request for Interior Department agencies includes modest increases for environmental initiatives, a slight uptick in repair and maintenance accounts and more money for tribal programs.

The $7.9 billion is almost equal to current year funding but still manages to include a number of high priority items on protecting threatened and endangered species and their habitats and safeguarding threatened ecosystems.

For the U.S. Fish and Wildlife Services, which administers the nation's wildlife refuges and oversees enforcement of the 1973 Endangered Species Act, the budget includes $659 million, up from $582 million in fiscal 1998 and $533 million in fiscal 1997.

The National Park Service would receive $1.3 billion, up from $1.1 billion in current year spending. The Bureau of Indian Affairs would also get a slight increase, $1.6 billion, from $1.5 billion in fiscal 1998, and $663 million for the Bureau of Land Management, up from $571 million in fiscal 1998.

At an Interior Department budget briefing yesterday, agency officials highlighted the $546 million earmarked for maintenance accounts at the National Park Service, Bureau of Land Management and Fish and Wildlife Service. That represents an $82 million increase over current funding.

Also at the top of the agency's wish list is the $213.6 million request for the Land and Water Conservation Fund. This money is intended to be used for high priority land acquisitions in the Florida Everglades, parts of New England, Southern California and the Mississippi Delta. Operation of the 93 million-acre National Wildlife Refuge system was also singled out for special attention. The budget includes a $15 million increase for operations and $10.9 million for maintenance improvements, and 223 new projects in 152 refuges are planned for fiscal 1999.

THE JUDICIARY

The federal judiciary has asked for a 6 percent increase to just under $4 million, but this request is merely forwarded to Congress with no more input from the administration.

JUSTICE

Under President Clinton's budget request, Justice Department spending would jump 17 percent to $18.2 billion in 1999 with a continued focus on anti-crime efforts and battling illegal immigration.

The huge increase reflects money being spent to meet budgetary commitments made during the late 1980s and early 1990s to crime-fighting initiatives, from President Clinton's plan to put 100,000 new police officers on the nation's streets to a Republican block grant program.

With the 17 percent increase, outlays have almost caught up with funding that has been committed. Commitments for future spending, known as budget authority, have stabilized. Budget authority would increase only 2 percent to $18.8 billion under Clinton's proposals.

Including budget authority and funds raised from fees, the budget would commit the Justice Department to $20.9 billion in total spending.

Within the department, the Immigration and Naturalization Service (INS) would remain stable at just under $4 billion, the FBI's budget would decrease slightly to $2.7 billion and the Drug Enforcement

Administration (DEA) would get an 8 percent increase to $1.1 billion.

The federal prison system, which is expanding rapidly because of anti-crime efforts, would increase its spending by 25 percent to $3.6 billion.

The Office of Justice Programs would receive an even larger increase: 45 percent to $4.6 billion for numerous grants and aid to local law enforcement agencies, including money for officers, prosecutors and juvenile-justice programs.

Fiscal 1999 would represent both a beginning and an end for one program: Clinton's police-hiring plan. The $1.4 billion outlay would bring the total number officers to just shy of the 100,000 mark. But the program was set up for local governments to assume the costs eventually and those bills come due beginning in fiscal 2000. Funding would drop to $315 million next year and be phased out shortly thereafter.

The spending plan does not provide funding for the GOP alternative to Clinton's police-hiring plan -- a crime-fighting block grant program. The same was true last year, but Republicans put $523 million in their appropriation.

Another controversial area could be the INS. Its budget has gone up 170 percent during the Clinton administration, reflecting a bipartisan interest in stemming illegal immigration. Some Republicans are thinking of splitting the agency, with the policing integrated with other Justice offices and immigration and naturalization functions made into an independent agency.

The Legal Services Corporation would get a hefty increase to $335 million in fiscal 1999, compared with its fixed level of $283 million in recent years.

LABOR

Clinton proposed a $35.9 billion Labor Department budget, a $3.8 billion increase from this year's spending.

The proposed increase would go to mandatory spending programs including unemployment compensation and black lung benefits. The department's discretionary budget would be trimmed by $39.4 million to $10.7 billion.

The proposal calls for $1.8 billion for worker protection, safety and health, and the compiling of labor statistics. The Occupational Safety and Health Administration would receive $352.1 million, a 5 percent increase. The Bureau of Labor Statistics would receive $392.6 million, or a 3.8 percent increase. The proposed budget requests $210.3 million for the Mine Safety and Health Administration, a 3.5 percent increase.

The Clinton budget requests $1.3 billion for the Job Corps program.

The administration proposes to extend unemployment benefits to more low-wage workers at a cost of $225 million in fiscal 1999. The department is also requesting $91 million to improve its detection of fraud and overpayment.

A $182.7 million budget is proposed for veterans employment and training, including a number of job-placement, training and assistance programs. The request is $700,000 more than this year's spending.

The administration is counting on a national tobacco settlement to pay for part of its five-year Labor budget. The department would get $100 million from the settlement to fund a training program for dislocated veterans. None of that, however, would be paid out in fiscal 1999.

LEGISLATIVE BRANCH

The budget seeks outlays of $2.9 billion -- a reduction of about $100 million from this year -- for the operation of Congress and its satellite agencies, from the Capitol Police to the Botanic Gardens to the office that polices whether Congress is abiding by federal workplace health and safety laws. But members of Congress traditionally pay as little attention to this submission as any other as they write their own annual spending blueprint.

STATE DEPARTMENT AND FOREIGN AID

The key elements in the administration's budget proposals in international programs include doubling economic aid for Haiti and increases for the independent nations of the former Soviet Union.

The budget plan calls for $14.5 billion in outlays, slightly less than what Congress allocated for 1998.

The administration is seeking $20.2 billion in budget authority, which translates into a $1.1 billion increase from 1998's request. As in past spending proposals, the plan calls for $3 billion in economic and military aid for Israel and $2.1 billion for Egypt.

The request for the former nations of the Soviet Union is $925 million, up from $771 million in fiscal 1998. Nations slated to receive aid include Ukraine, Georgia, Armenia and the nations of the Southern Caucasus.

The $140 million request for Haiti -- twice the amount the island nation received this year -- is necessary, the administration said, because Haiti is "at a pivotal juncture in its efforts to make the transformation to a democratic form of government and a free-market economy."

Congress is certain to quarrel with that request; current policy states that no more than 18 percent of assistance to Latin America should go to any one country.

Disputes with Congress also are expected concerning requests for the International Monetary Fund (IMF) and payment of the U.S. debt to the United Nations. But the White House decided to make those requests in a supplemental spending bill for fiscal 1998. The administration is seeking $14.5 billion for the IMF quota increase and $3.5 billion for a special line of credit called the New Arrangements to Borrow (NAB).

In the fiscal 1999 budget, the administration also is seeking $200 million for a new mission in Beijing and $50 million to construct a mission in Berlin.

TRANSPORTATION

Department of Transportation (DOT) spending for highways, railways, aviation and water travel in fiscal year 1999 would be $41.3 billion, a 2 percent increase over 1998 outlays.

DOT Secretary Rodney E. Slater said the administration's top priority is protecting public health and safety. It has requested $3.1 billion in new budget authority for this purpose, an 11 percent increase over 1998 funding.

About $1 billion of the money would allow the Federal Aviation Administration (FAA) to hire more inspectors and make safety improvements. The National Highway Traffic Safety Administration would receive $406 million for highway safety education and enforcement.

Slater also highlighted $30 billion proposed for infrastructure and investment, the same amount appropriated in 1998. The funds include: $23 billion for highway maintenance, and building roads and bridges; $1.7 billion for airport improvements; $4.6 billion for transit grants; and $621 million for Amtrak. Another $250 million would encourage state and private funding for new highways and intermodal connections.

For national security, the president proposes increasing funding for the Coast Guard's drug interdiction efforts by 9 percent to $437 million. Another $284 million is proposed for civil aviation security, including $100 million for the FAA to purchase explosive detection equipment at airports.

Research and development would receive $1.1 billion, a 10 percent increase over 1998. The money would include $250 million for intelligent transportation systems.

The budget would provide $1.9 billion to encourage communities to reduce air pollution and meet new air quality standards. The Congestion Mitigation and Air Quality Program would receive $1.2 billion, and the U.S. Coast Guard's marine environmental protection programs would get $309 million.

The president also proposes creating the Transportation Fund for America that would allow new revenue to be used for specific transportation projects, if the expenditures are offset elsewhere in the budget.

TREASURY

The nation's tax collector, its chief financial overseer and one of its major law enforcers -- the Treasury Department -- would receive a $12 billion increase in funding under the administration's fiscal 1999 budget proposal, bringing the department's budget to $399.2 billion.

Much of the additional funding would go to implementing long-discussed changes and programs.

For instance, the Internal Revenue Service (IRS) would receive $35.6 billion, $3.3 billion more than in fiscal 1998, in part to help it stem its much-discussed customer service problems.

The increase would also be dedicated to ongoing attempts to improve the technology the IRS uses and to implementing an information system to help prevent errors in Earned Income Tax Credit filings. The Customs Service would receive a $148 million increase, mostly to hire additional personnel and buy new technology to stop the flow of drugs and smuggled currency across the borders.

The Bureau of Alcohol, Tobacco and Firearms would receive an increase of $90 million to move to a central, more secure facility and to expand a program that attempts to reduce gun violence among young people.

The Secret Service would receive an additional $44 million to provide protection to major presidential and vice-presidential candidates in 2000.

Most of the department's financial divisions, such as the U.S. Mint, would see increases in spending or in projected revenues but no major new initiatives.

However, funding for the Community Development Financial Institutions Fund, a program that helps businesses and others in inner cities and rural areas access loans, would go from $54 million in fiscal 1998 to $111 million. The program's controversial managers left last year, but Republicans in Congress are still likely to be skeptical of increasing funding for a Clinton initiative by such levels.

VETERANS AFFAIRS

The Department of Veterans Affairs (VA) budget would remain essentially flat this year at $43.2 billion in outlays, an increase of $142 million.

Under an agreement reached last year, the VA budget increases slightly through 2002 but the department can keep money it collects in other ways. It expects to collect approximately $677 million this year from third-party insurance and other co-payments.

The department plans to serve about 134,000 more veterans than in fiscal 1998, a 4 percent increase.

One controversial request from the VA would end compensation benefits for any veteran's tobacco-related illness that cannot be proven to correlate with the years of a veteran's term of service. Up to 1 million veterans could be turned away over a five-year period, saving the department as much as $17 billion over that time.

The VA's position is that the government should not pay for tobacco-related health costs of veterans who were healthy while in the military but who smoked before and afterwards. The change would not affect people with pending claims.

The VA also is looking to spend $87 million per year on smoking cessation programs to help veterans who started smoking while in service.

The VA, which operates national programs of health care, assistance services and national cemeteries, also wants to add 71 new outpatient clinics in its push for expanded preventive care and less costly services.

Medical research funding is pegged at $300 million, a 10 percent hike, while total health care outlay costs reach $17.7 billion, $144 million less than last year.

Also included is a request for full benefits for a group of Filipino veterans and survivors living in the United States. They currently receive half the amount of coverage provided to U.S. citizens who served in the military.

ENVIRONMENTAL PROTECTION

The Environmental Protection Agency's outlays for fiscal 1999 would be $7.5 billion, a 5.6 percent increase over 1998.

EPA Administrator Carol M. Browner said the budget reflects the administration's commitment to "protecting the air we breathe, the water we drink, the food we eat, and the land on which we live."

The administration's budget gives priority to curbing greenhouse gases that scientists attribute to global warming, cleaning up polluted rivers and streams, implementing new air quality standards and protecting children from environmental hazards. It also includes funds for cleaning up toxic waste sites, redeveloping polluted urban sites, known as "brownfields," and making environmental information more accessible to the public.

In the budget, $2.8 billion is targeted for improving water quality, including an additional $145 million for implementing the Clean Water Initiative.

Of the $392 million that would be used to reduce global environmental risks, an additional $116 million would help industry and

EPA staff work cooperatively to develop ways to reduce greenhouse gas emissions.

To encourage states to implement the new air quality standards for soot and smog, the administration has requested $75 million.

To implement the EPA's children's health agenda, the administration proposes spending $33 million, an $8 million increase over 1998 levels.

Another proposal calls for $159.1 million for programs that would expedite public access to information about pollutants in their communities, an increase of $19 million over 1998.

To clean up toxic waste sites on the Superfund list, the administration proposes spending $2.1 billion, including $91 million for brownfields redevelopment.

The plan also calls for $1.85 billion for the Clean Water and Drinking Water State Revolving Fund programs, which provide financial assistance to build drinking water and wastewater treatment facilities.

NASA

Bowing to pressure from Congress, the Clinton administration proposed a fiscal 1999 budget for the National Aeronautics and Space Administration (NASA) that would cut funding far less than the level administration officials had discussed last year.

The $13.5 billion budget proposed for NASA in fiscal 1999 is about $226 million less than the estimated outlays for fiscal 1998.

The administration last fall had been informally considering cuts of as much as $1 billion for NASA. But a bipartisan coalition of more than 200 House members joined Speaker Newt Gingrich, Ga., in opposing any deep cuts, contending they would harm the space agency's mission.

"This budget is a good starting point," said Rep. Dave Weldon, R-Fla., whose district includes NASA's Kennedy Space Center and who led the effort to restore NASA's funding. "It's certainly a vast improvement over what the White House wanted to do a few months ago."

Funding for NASA's human space flight program would drop by about $100 million, to $5.5 billion. The program includes the $2.3 billion international space station and the $3 billion space shuttle effort.

Spending on science, aeronautics and technology research and development and related programs would remain stable at $5.6 billion.

NASA Administrator Daniel S. Goldin said the budget enables the agency to meet all of the objectives in its current strategic plan. "For what we have on our plate today, we have adequate resources to do it," he said.

==================== ATTACHMENT 1 ====================

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IT5F1IWHC000GOV3@PMDF.EOP.GOV> for mohile_d@a1.eop.gov; Tue,
 03 Feb 1998 16:50:00 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IT5F1H33XS00ULBO@PMDF.EOP.GOV> for
 mohile_d@a1.eop.gov; Tue, 03 Feb 1998 16:49:57 -0500 (EST)
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 03 Feb 1998 16:49:21 -0500 (EST)
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 by loas.clark.net (8.8.8/8.8.8) with SMTP id QAA06008; Tue,
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X-Sender: ajc-dc@mail.clark.net
X-Mailer: QUALCOMM Windows Eudora Light Version 3.0.5 (16)
=================== END ATTACHMENT 1 ===================

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Dag Vega (Dag Vega@EOP@LNGTWY@LNGTWY [UNKNOWN])

CREATION DATE/TIME:15-FEB-1998 17:42:00.00

SUBJECT: CNN: Evans & Novak, 2/14/98

TO: Darby E. Stott (darby E. stott@EOP [UNKNOWN])
READ:UNKNOWN

TO: Lori Anderson (Lori Anderson@EOP [UNKNOWN])
READ:UNKNOWN

TEXT:
Message Creation Date was at 15-FEB-1998 16:42:00

Evans & Novak

Aired February 14, 1998 - 5:30 p.m. ET

Prospective Republican Presidential Candidate Jack Kemp

ROBERT NOVAK, CO-HOST: I'm Robert Novak. Rowland

Evans and I will question a prospective Republican

presidential

candidate.

ROWLAND EVANS, CO-HOST: He is Jack Kemp, the 1996

Republican vice presidential nominee.

(BEGIN VIDEOPACKAGE)

EVANS (voice-over): As President Clinton prepares a threatened

air attack on Iraq, congressional republicans demand

even

stronger

action aimed at removing Saddam Hussein from power.

UNIDENTIFIED MALE #1: The United States must respond

forcefully, far more so than it has in the past,

Iraq's

unceasing

provocations. And it must adapt whatever measures

will

ensure the

removal from power of the ruling regime in Baghdad.

EVANS: But Jack Kemp urged caution one month ago,

proposing

unscheduled inspections anywhere in Iraq to be

followed by

a

lifting of sanctions within six months if no weapons

of

mass

destruction are found.

Kemp also called for rejection of the

administration's

requested

$18 billion for an Asian financial bailout. And he

continues to press

for deep tax cuts.

He is testing the political waters for a possible

presidential run in

the year 2000 with a new political action committee

headed

by

Scott Reed, Bob Dole's 1996 presidential campaign

manager.

(END VIDEOPACKAGE)

EVANS (on camera): Mr. Kemp, if you were the

president

today,

sitting in the White House, holding the same cards he

holds, would

you unleash an all-out bombing campaign against a

small

Arab

state?

JACK KEMP, CO-DIRECTOR, EMPOWER AMERICA: Well,

number one, I'm not. And, number two, the

constitution
gives the
sitting president the authority, the power, the
responsibility to
conduct foreign policy. And I, like Trent Lott and
Newt
Gingrich,
want to be supportive.

Now, having said that, answering your hypothetical
question, I
don't believe that diplomatic efforts have been
exhausted.
And I do
suggest, and have suggested, just a few months ago,
that
we take
one more step. And that is to suggest that there be a
lifting of the
sanctions which he very much wants, i.e., Iraq wants,
in
exchange
for

unfettered, unencumbered, and a no-holds barred
inspection
of

Iraq for the weapons of mass destruction or chemical
and
biological weapons.

It seems to be that if we did it on a spot basis, if
we
said we would
do two or three per whatever it was, and were
unencumbered
by
Iraq, predicated upon the UN Security Council's
resolution, we
might very well find a diplomatic solution.

So my answer is that I don't want to bomb. And I
believe
the
debate right now is between the bombers and those who
want
to
bomb even more. My hope would be that we would
exhaust all
diplomatic efforts. So I advance that concept in the
hopes
that we
could get out of this cul-de-sac without putting
American

troops,

men and women, on the ground into Iraq.

EVANS: Sir, if we do launch an all-out bombing

campaign

against

Iraq, will that, or would that change the opinion

that the

world has

of the leading democratic state in the world and its

only

superpower?

KEMP: Well, you have taken a premise to...

EVANS: Yes, sir.

KEMP: ... what is a logical conclusion for you. In my

view, it's a

very slippery slope. And as Bill Buckley, George

Will, Tom

Clancy, General Schwarzkopf, among other

conservatives,

have

suggested that it might very well lead to a

strengthening

of Saddam

Hussein's hand in Baghdad.

So, in my opinion, we ought to take another step. And that's why I advanced a concept. I can't negotiate it on television. I'm not the president. But I am -- I am very pleased that both Trent L ott and Newt Gingrich, among others in the congress, are asking the questions that need to be asked: "What's the end game?" "What's the result?" And "What would happen if we were just unilaterally to start bombing without exhausting that diplomatic effort I've alluded to?"

NOVAK: Mr. Kemp, have you heard any reaction from Baghdad to your proposal for unfettered spot inspections leading to an end to sanctions?

KEMP: Nothing officially. I believe there's interest. Obviously, coming from Jack Kemp, it would not be any official. It is so unofficial and so ad hoc that I would imagine that anybody, either on our side, or their side, would not respond to what a private citizen has advanced.

My hope would be that Bill Richardson or Madeleine Albright or someone in this administration might very well say. They don't need to mention my name. I have absolutely no stake in personal publicity on this effort. In fact, it would probably hurt it, as I think most people would recognize.

But I think we ought to go to the next level which is

to
take the UN
Security Council resolution, which is to have
unfettered
inspections
and verifications of the destruction of weapons of
mass
destruction
and make -- removal, I should say, of weapons of mass

destruction. And make sure that we have exhausted
that
effort
diplomatically before we fall into this very slippery
slope. That
would, in my opinion, put us on such a negative side
of
the Islamic
world. That if we haven't done what should be done, I
fear
the
consequences.

NOVAK: But Ambassador Richardson when asked about the
proposal a month ago just gave a flat no. Do you
think the
administration policy really not -- is intended to

try to
get rid of
Saddam Hussein and that's why they don't like your
proposal?

KEMP: Well, that's a de facto declaration of war. To
say
that the
purpose of U.S. foreign policy...

NOVAK: Is that the purpose of foreign policy....?

KEMP: Well, I don't know, you hear different things
on
different
days from this administration. I don't... they have
lost
the coalition
that George Bush wisely built up for the liberation
of Ku
wait.

In my opinion, this would give us a way out of this
diplomatic
cul-de-sac, and would allow us, if there are and is
evidence of
these weapons, the world would see it. And it would

also
give
Baghdad a carrot, or not a carrot but at least an
incentive to open
up a country, seek a diplomatic solution. Allow the
UN
Security
Council unfettered verification and investigation of
these
weapons,
and then say after six or nine months, we would lift
the
embargo.
Not on military capability, but on the sale of oil
and
supplies of
medical....

EVANS: Full commercial activity.

KEMP: Yes, commercial activity.

EVANS: Mr. Kemp, to quick questions on Russia.
President
Yeltsin has warned or said, I'd say warned, that if
we do
attack

Iraq, we could be moving to a situation where a world war could break out. If this, does this make any sense to you as an astute observer of (OFF-MIKE)?

KEMP: I reject, I reject that the foreign minister of Russia as well as Boris Yeltsin's comments that World War III was emanate. But, in my opinion, great countries, great nations, particularly at the end of the Cold War, did not take radical steps based upon incomplete information.

And I think we need more information as does the Congress and the American people in order to rebuild that coalition that President Bush and Jim Baker put together in the liberation of

Kuwait, and in my view, this would give us a way out. At least the concept is an important one. Spot inspections, anywhere in Iraq at any time, any place. But some light at the end of the diplomatic tunnel that would tell Baghdad that the embargo would be lifted on non-military weapons subsequent to that process.

EVANS: It's very big, my second question on Russia. Jamie Rubin, the State Department spokesman has said, they may have the capacity in Iraq to put biological and technical weapons on ballistic missiles and send them to Israel or some other country. What should the United States do if that happens?

KEMP: Well first of all, deterrence -- and it works.

President
Bush, prime minister of Great Britain at the time,
John
Major, as
well as Jim Baker made it very clear that if Iraq
attacked
Israel or
Saudi Arabia for that matter with scud missiles and
chemical
weapons, or tipped with chemical weapons that there
would
be
massive retaliation. It worked. It worked on North
Korea.
And
very frankly, they know that if they did that to
Israel,
Israel would
respond with nuclear annihilation in my opinion.

NOVAK: I just want to pin down one thing sir. Are you
saying
that it is improper U.S. policy to try to want to get
rid
of Saddam
Hussein and change the regime by use of force?

KEMP: I would take it a step further and say, our
policy
should be
to promote democracy in the Middle East. That I don't
see
anybody talking about democracy. And then secondly I
would
say,
the last time we deposed of a dictator, however you
want
to define
that term, President Viem (ph) of Vietnam, we ended
at the
Gulf of
Tonkin and a war that lost the lives of 50,000
Americans.
We
should be very careful before we pass another Gulf of
Tonkin
Resolution, and make it U.S. foreign policy to depose
someone
that we don't like, and cannot fathom.

NOVAK: We have to take a break, and I want to ask you
one
quick question. The administration acts as though
they

have certain

knowledge that there are chemical, I mean sorry,

biological

weapons of mass destruction in Iraq. Do you believe

that

is a fact,

that there are such weapons?

KEMP: Look, that would be a question that I can't

answer.

But, I

do believe the Congress was right, and the

administration

is right in

supporting the UN Security Council resolution that

require

s for the

total destruction.

But, in my opinion, we ought to demand Iraq, a UN

security

effort

to make sure that we have unfettered and unambiguous

investigations in destruction of those weapons.

Absent

that, then

we would rebuild our coalition. And we haven't done it

yet, and

that's a mistake.

NOVAK: We must take a break, and when we come back, we

will talk about the problems of President Bill

Clinton.

(COMMERCIAL BREAK)

EVANS: Jack Kemp...

KEMP: Where'd you get that picture? Well -- it's a

beauty,

isn't it?

EVANS: Jack Kemp, will President Clinton finish his

term?

KEMP: Hah! He couldn't well resign. The jury is out.

I think Mike McCurry gave an interesting speech the

other

day at

Harvard. He said that if the president is telling the

truth,

substantially, then the press has to answer to the

American people.

And if he did lie to the American people, or under
oath,
he has to
answer to the American people.

So ultimately, the American people, through their
elected
representatives, will make that decision. His polling
right -- at the
moment is high, in terms of acceptance of his job and
performance
in office, but if you ask people do you trust this
president, it drops
to about 40, 42 percent. So that's a serious problem
for
the
president, albeit at the moment, we should wait and
get
all the
facts, and they're not in yet.

EVANS: Jack Kemp, John Zogby, a reputable pollster...

KEMP: Very good pollster.

EVANS: ... reports that, when asked the question,

"Would
you
like your children to look up to President Clinton as
a
role
model?", the answer was no from 63.2 percent. Why is
it
that the
Republican party hasn't used arguments like this to
enter
the
debate...?

KEMP: Well, I think the Republican party,
specifically
taken now
by Newt and Trent Lott, both friends of mine, have
basically said,
Let's wait and get the facts. I think the American
people
want their
Congress to wait to get the facts.

They did, at least for a while, under the Nixon
administration. I
happened to serve in the Congress during the Nixon
debate

over

Watergate. So I think there is a recognition that the
American

people want to look up to a president. They believe
that
character

matters. It is among the several issues that are
important. It is not

the only issue, but it's an extremely important one.

NOVAK: Quickly, just one more thing on that.

KEMP: Yes.

NOVAK: Jim Nicholson, the Republican national
chairman, did

take that poll result that my partner mentioned, and
brought a

newspaper idea. Do you think that was a mistake on
his
part?

KEMP: I didn't see it.

NOVAK: Do you think that it's a mistake to...?

KEMP: I haven't seen the ad. So...

NOVAK: Mr. Kemp, what is your position right now on

the

question of the International Monetary Fund

authorization

to bail

out the Asian currencies? The Republican chairman of

the

Federal

Reserve Board, Alan Greenspan, says that could ruin

the

American economy. Do you think he's wrong?

If we reject that -- if we reject that authorization.

KEMP: Let me make this point. I've got great respect

for

Alan

Greenspan, as you know. I don't see it as either-or.

I

wouldn't give

the IMF a penny, not a nickel or a dime, unless and

until

they

change their policies.

For instance, Saturday morning's paper, the

"Washington Post," reports that the IMF and the Clinton administration has told Indonesia -- I think it's the fourth-largest-populated country in the world -- that we will not, and they will not -- the IMF, that is -- accept a currency board to repair the damage that's been done to the Indonesian currency.

Now, the currency fell almost 25 percent on that news. It had recovered twenty -- 35 percent, I think, when Suharto, the president of Indonesia, announced he was going to peg the rupiah -- I think I've pronounced that correctly -- to the U.S. dollar.

There can be no plan to save Asia absent stabilizing currencies,

and strengthening the relationship between the U.S. dollar, as the

unit of account for the whole world, and those currencies...

NOVAK: So you're saying no money whatever...

KEMP: Until they change their policies.

NOVAK: That's going to take a long time.

KEMP: The -- Well, I don't know that. I don't know that.

NOVAK: Isn't that dangerous?

KEMP: Maybe somebody should speak out and say something

about the fact that the IMF is raising taxes and encouraging

devalued currencies, not only in Asia, but Latin America and in

Africa, and incidentally, if you look, there have been

recently --
there have been riots in Zimbabwe, potential riots in
Latin
America, and potential -- and possible riots in
Indonesia.

EVANS: They didn't happen.

KEMP: Three years ago, I made the point that the
Mexican
bailout
was a mistake. In the sense of that, we didn't change
any
policies.
Luckily, we're doing better, but not good enough.

EVANS: Jack Kemp, the president estimates a $9.5
billion
surplus
in the new budget. Would you apply that money to a
tax cut
and,
sir, which tax cuts would come first?

KEMP: Give the American people the money. First of
all,
they're

overtaxed. They're overregulated. The American economy is not undertaxed, it's overtaxed. So my Republican colleagues, I believe, have pinned themselves into a corner. For so long, we've been fighting Communism and deficits and big government, but now that there's no deficit, allegedly, and the Communist evil empire has been ended.

The American people have a right to expect of the Republican party, the party of Abraham Lincoln and Ronnie Reagan, what are you going to do here on the eve of the 21st century? And in my opinion, we should reform the tax code. We should reform education. We should reform Social Security. And you

ought
to
give that rebate back to the American people and let
them
privatize
their pensions and their Social Security retirement
plans
where they
can get a much higher rate of return than 1.3 or 4
percent
invested
into T-bills. And that's all that the Clinton
Administration is doing.

NOVAK: But Mr. Kemp.

KEMP: Yes.

NOVAK: Many of your colleagues that I sit down with
say
that
the main, the main emphasis should be now on writing
off
the
national debt. Would you take none of that surplus to
write off the
debt?

KEMP: None, zero.

NOVAK: You really are out of sync with your party then.

KEMP: It's not the first time. It is not the first time. I was the only member of the Republican party in 1976 to suggest that the Kennedy Tax Rate Reduction of 1963 should be applied to America circa, 1977 and 1978.

Now having said that, I would not pay down a penny of debt in real terms absent lowering the tax rates and encouraging a much stronger economy, particularly for the working men and women of America and those who are left without anything in our urban areas in America.

Let me just put a postscript to that. We are paying
down
debt as
we expand the economy, and reduce the debt as a
percentage
of
the economy. So, I wouldn't reduce debt until we
bring
down the
rates, repeal the sur tax, widen the brackets as
Larry
Cuddler (ph)
has pointed out. And so something to get the tax
burden
off the
backs of the American family, the American workers.

EVANS: Jack Kemp, Gary Bauer who is a well known
social
conservative..

KEMP: Friend of mine.

EVANS: ...and many social conservatives have
threatened to

walk

out of the party if the party doesn't take a very

firm

stand on partial

birth abortion. Is the Republican party in danger of

brea

king up?

KEMP: No, no. I watched the debate on C-SPAN, and I

thought

it was very helpful to the party to have the debate,

and I

applaud

Jim Nicholson for encouraging it and spending four,

five

or six

hours on this issue. Gary thinks there should be no

money

from the

Republican party to any candidate including Christine

Todd

Whitman, who incidentally has just endorsed a 24 hour

waiting

period for abortion.

Who believes that there should be no subsidies for

abortion.

So, it seems to me the partial birth abortion issue

is one

upon

which we can disagree. But in my view, we should get

the

Congress to pass it again. Override the president's

veto,

and end it

once and for all. And I think Gary, Jim Dobson, among

other

social conservatives, but if they go through the

whole

loaf without

any hope of getting three-quarters of that loaf, we

could

very well

starve the party, and if needed, parts of our

coalition.

NOVAK: OK, we've got to take another break, and when

we

come back, we will have the "Big Question" for Jack

Kemp.

(COMMERCIAL BREAK)

NOVAK: The "Big Question" for Jack Kemp.

Sir, at the Conservative Political Action conference
two
weeks
ago, CPAC, where you used to be the overwhelming
favorite,
you
hardly got any votes at all in the straw vote (ph),
have
you lost the
support of the conservative base that you once led in
the
republican party?

KEMP: I didn't happen to go, not out of disrespect
for
CPAC, but
out of scheduling programs. Look. It's no secret that
some
on my
right flank were disappointed that I did not demolish
the
Clinton-Gore campaign in my debate of 1976.

It would be a lot easier...

EVANS: '96.

KEMP: ... to debate Al -- '96, excuse me.

It would be a lot easier to debate Al Gore if I am
the
nominee. It's
easier to speak for yourself than for somebody else.
But to
assume...

NOVAK: That's an announcement of candidacy?

KEMP: ... not -- not quite. I want to be in a
position to
make the
right announcement. And I will do the right
announcement.
Subsequent to the '98 elections is too early to make
a firm
decision. But I'll make it. I just started my PAC.
I'm
going to give a
series of speeches...

EVANS: (OFF-MIKE).

KEMP: ... speeches. And I'll be ready to make that decision post (OFF-MIKE).

EVANS: You say it's too early, sir.

What one factor, besides from time, simply to move a little bit of time, is delaying your announcement?

KEMP: Oh...

NOVAK: What single factor?

KEMP: ... there isn't a single person who's made that announcement. They all talk about it. And they all talk about the possibilities. The names are numerous. In fact, I think the interesting issue is how many people may not be running in the year 2000.

EVANS: OK.

KEMP: So you don't make that announcement in 1998.

You make

it in 1999 or later on...

EVANS: Well, that's it. I'm going on to...

KEMP: ... post '98 elections (ph).

EVANS: We have to get out. Thank you very much, Jack

Kemp.

KEMP: Thank you.

EVANS: And my partner and I will be back with a

comment

right

after these messages in a moment.

(COMMERCIAL BREAK)

EVANS: Remember, Bob. This comes from one of the

greatest

friends in this country that Israel has. Jack Kemp --

he

said if we

bomb Iraq, we are on a very slippery slope and we

will

endanger

our position throughout the huge Islamic world. I

agree

with him.

NOVAK: Well I hear he is a little bit out of sync

with the

Republican party on Iraq. But he's really out of sync

on

what to do

with this budget surplus. He says give it all to the

American people

in a tax cut. Don't do any reduction of the debt.

Interesting

position.

EVANS: Surprise, surprise. I'll tell you Bob, he's

absolutely

unambiguous on President Clinton finishing his term.

He ==================== ATTACHMENT 1 ====================
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